

Annual Financial Statements

For the Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

Classified as Highly Confidential

NEWTOPIA INC.

December 31, 2023 and 2022

Table of Contents

	Page
Management's responsibility for financial reporting	1
Independent auditor's report	2
Statements of financial position	6
Statements of loss and comprehensive loss	7
Statements of changes in equity (deficit)	8
Statements of cash flows	9
Notes to the financial statements	10 - 39

Classified as Highly Confidential

Newtopia Inc.
33 Bloor Street East, 5th Floor
Toronto, ON, M4W 3H1
1.888.639.8181
info@newtopia.com

Management's Responsibility for Financial Reporting

To the Shareholders of Newtopia Inc.

The accompanying financial statements of Newtopia Inc. ("Newtopia" or the "Company") are the responsibility of management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, in accordance with International Financial Reporting Standards, as disclosed in the notes to the financial statements. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The finance department assists the Board of Directors in fulfilling its responsibility. The Board of Directors meets with management to review the financial reporting process and the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with the established financial standards and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

MNP LLP, the Company's independent auditors have audited the 2023 and 2022 financial statements and their report is presented herein. The auditors have full and unrestricted access to the Board of Directors.

Jeff Ruby
Chief Executive Officer

Collin Swenson
Chief Financial Officer

Toronto, Ontario
June 5, 2024

Classified as Highly Confidential

Independent Auditor's Report - June 5, 2024

To the Shareholders of Newtopia Inc.:

Opinion

We have audited the financial statements of Newtopia Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of loss and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss during the year ended December 31, 2023 and as of that date, the Company had an accumulated deficit and was not in compliance with the covenants of the credit facility. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. 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.

Revenue Recognition

Key Audit Matter Description

As described in Notes 2 (c) and 13, the Company has revenues totaling $9,783,546 from the sale of welcome kits, participant fees, success fees, and outcome guarantee fees. The determination of the transaction price for the welcome kit sales requires significant judgment and estimation, especially when considering customer options to purchase additional items at a later date, each of which represent distinct performance obligations.

In accordance with IFRS 15 Revenue from contracts with customers, there is variable consideration for participant fees, success fees, and outcome guarantee fees. The amount of variable consideration is subject to estimation and is highly susceptible to factors outside of the Company's influence, such as, among other factors, the number of participants who join the program. The amount of variable consideration recognized is estimated based upon participant data collected on existing and similar customer contracts, and is subject to predictions with respect to participant weight loss. Revenue recognition is considered to be a key audit matter as there are significant judgments made by management with respect to the estimates of transaction price and variable consideration. This resulted in significant auditor attention and judgment to evaluate.

Audit Response

We responded to this matter by performing procedures in relation to the IFRS 15 Assessment. Our audit work in relation to this included, but was not restricted to, the following:

- For a selection of key customer contracts with multiple performance obligations, we examined the key terms and assessed the reasonableness of the allocation of total transaction price to each distinct performance obligation;
- For a selection of revenue transactions, performed various substantive tests, including testing the occurrence, completeness and accuracy of revenue recorded by the Company based upon information produced by the entity;
- We tested Information Technology General Controls and other relevant application controls related to the consumer software application employed by management to track various aspects of program participants and related data;
- We evaluated the reasonability of management's judgments and estimates with respect to variable consideration with reference to historical program participant data, other available industry data, and by performing lookback procedures comparing estimates from prior years to actual outcomes; and
- We analyzed participant data subsequent to year end and compared the data with management's estimates. We also considered other events subsequent to year end which could be reasonably thought to have an impact on management's estimates.

Impairment of Intangible Asset

Key Audit Matter Description

Given the changing nature of the industry in which the Company operates, it was determined that the intangible asset had become impaired during the year. The determination as to whether or not there is impairment relating to an intangible asset involves significant judgment about the estimated future cash flows and plans for the asset. Refer to Note 2 (g) and (j), Material accounting policies and Note 8, Intangible asset for disclosures regarding the Company's policy for accounting for intangible assets and further information on the nature of the intangible asset.

Audit Response

We responded to this matter by performing audit procedures over the valuation of the intangible asset. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained an understanding of management's impairment analysis process;
- We obtained and evaluated management's assessment of impairment of the intangible asset including their calculation of the recoverable amount;
- We assessed the reasonableness of management's cash flow projection used in the impairment model;
- We evaluated the key assumptions in the cash flow projection, which were subject to material uncertainty;
- We evaluated key qualitative factors such as whether the intangible asset was in active use or idle, and whether alternative uses were evident; and
- We assessed the appropriateness and completeness of related disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises 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 audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marc Normand.

MNP LLP

Ottawa, Ontario

Chartered Professional Accountants

Licensed Public Accountants

800-1600 Carling Avenue, Ottawa, Ontario, K1Z 1G3
T: 613.691.4200 F: 613.726.9009 MNP.ca

NEWTOPIA INC.

Statements of Financial Position
As at December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	2023	2022
		$	$
Assets			
Current assets			
Cash		**387,339**	345,950
Trade and other receivables	4,18	**1,400,959**	1,557,640
Contract asset	13	**259,072**	190,000
Prepaid expenses and deposits		**101,043**	205,843
Inventories	5	**115,232**	325,571
Deferred costs	9	**64,583**	76,269
		2,328,228	2,701,273
Property and equipment	6	**4,665**	8,052
Intangible asset	8	**-**	3,235,363
		2,332,893	5,944,688
Liabilities			
Current liabilities			
Trade and other payables	21	**1,825,356**	2,584,039
Credit facility	9	**4,767,006**	4,823,545
Lease obligations	7	**-**	544,700
Deferred revenue		**48,185**	48,185
Debentures	10	**3,723,530**	2,409,103
		10,364,077	10,409,572
Debentures	10	**1,387,476**	1,068,772
		11,751,553	11,478,344
Equity/Deficit			
Common shares	11(a)	**49,404,596**	47,978,992
Contributed surplus	12	**14,151,188**	12,861,449
Deficit		**(72,974,444)**	(66,374,097)
		(9,418,660)	(5,533,656)
		2,332,893	5,944,688
Nature of business and going concern	1		

Signed on behalf of the Board:

"Jeffrey Ruby" — *Director*

"Karen Basian" — *Director*

The accompanying notes form an integral part of and should be read in conjunction with these financial statements

Classified as Highly Confidential

NEWTOPIA INC.

Statements of Loss and Comprehensive Loss
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	2023	2022
		$	$
Revenue	13	**9,783,546**	11,166,428
Cost of revenue	5, 8,14	**4,505,888**	5,140,369
Gross profit		**5,277,658**	6,026,059
Operating expenses			
Technology and development	14	**2,329,837**	3,923,663
Sales and marketing	14	**1,386,548**	2,720,728
General and administrative	14	**3,595,484**	5,111,304
Share-based compensation	15	**555,816**	492,720
Depreciation of property and equipment	6	**5,935**	46,387
Impairment of intangible asset	8	**2,409,314**	-
Impairment of right-of-use asset	7	**-**	200,168
Loss on disposal of property and equipment	6	**-**	15,534
Depreciation of right-of-use asset	7	**-**	169,370
Lease modification	7	**-**	150,907
		10,282,934	12,830,781
Other expenses (income)			
Interest on lease obligations	7	**28,110**	70,797
Interest and accretion expense	10	**908,153**	388,448
Finance charges	9	**509,238**	273,736
Capitalized borrowing costs	8	**-**	(67,000)
Foreign exchange (gain)/loss		**44,560**	(19,053)
Loss on settlement of related party payable		**10,086**	-
Amortization of deferred finance charges	9	**149,896**	248,813
Debt modification	10	**(54,972)**	-
		1,595,071	895,741
Net loss and comprehensive loss		**(6,600,347)**	(7,700,463)
Loss per share			
Basic and diluted loss per share	17	**(0.04)**	(0.07)
Weighted average number of common shares outstanding			
Basic and diluted	17	**148,613,837**	112,736,347

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Classified as Highly Confidential

NEWTOPIA INC.
Statements of Changes in Equity (Deficit)
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	Common Shares	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance, January 1, 2022		**45,177,120**	**11,652,200**	**(58,673,634)**	**(1,844,314)**
Net loss and comprehensive loss		-	-	(7,700,463)	(7,700,463)
Share-based compensation		-	492,720	-	492,720
Private Placement Offering of Units, net of issuance costs	11(a)(i)	2,624,495	511,839	-	3,136,334
Compensation options issued to brokers		(83,230)	83,230	-	-
Adjustment of issuance costs of 8% Debenture Units	10(a)	-	4,733	-	4,733
Shares issued on issuance of 13% Debenture Units	10(b)	260,607	-	-	260,607
Settlement of related party payable	21	-	116,727	-	116,727
Balance, December 31, 2022		**47,978,992**	**12,861,449**	**(66,374,097)**	**(5,533,656)**
Net loss and comprehensive loss		-	-	(6,600,347)	(6,600,347)
Share-based compensation		-	555,816	-	555,816
March 2023 private placement offering, net of issuance costs	11(a)(ii)	930,218	537,077	-	1,467,295
March 2023 private placement offering, compensation options	11(a)(ii)	(26,443)	26,443	-	-
Bonus shares issued on July 2023 Debenture Offering	10(c)	91,331	6,341	-	97,672
Bonus Amendment Shares	10(a)(ii)	78,262	-	-	78,262
Bonus Replacement Shares	10(a)(iii)	34,171	15,744	-	49,915
Exercise of warrants	11(b)	318,065	(59,766)	-	258,299
Settlement of related party payable	21	-	208,084	-	208,084
Balance, December 31, 2023		**49,404,596**	**14,151,188**	**(72,974,444)**	**(9,418,660)**

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Classified as Highly Confidential

NEWTOPIA INC.

Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	2023	2022
		$	$
Cash flows used in operating activities			
Net loss and comprehensive loss		**(6,600,347)**	(7,700,463)
Items not involving cash:			
Depreciation of property and equipment		**5,935**	46,387
Depreciation of right-of-use asset		**.-**	169,370
Impairment of intangible asset	8	**2,409,314**	-
Impairment of right-of-use asset		**-**	200,168
Lease modification		**-**	150,907
Amortization of intangible asset		**826,049**	68,838
Amortization of deferred finance charges		**149,896**	248,813
Capitalized borrowing costs		**-**	(67,000)
Debenture interest and accretion expense		**558,311**	184,848
Interest on lease obligations		**28,110**	70,797
Loss on disposal of property and equipment		**-**	15,534
Debt modification		**(54,972)**	-
Share-based compensation		**555,816**	492,720
Loss on settlement of related party payable		**10,086**	-
		(2,111,802)	(6,119,081)
Change in non-cash working capital			
Trade and other receivables		**156,681**	(175,663)
Prepaid expenses and deposits		**104,800**	125,149
Inventories		**210,339**	(194,571)
Trade and other payables		**(560,689)**	794,346
Contract asset/liability		**(69,072)**	(334,034)
Deferred revenue		**-**	(11,364)
		(2,269,743)	(5,915,218)
Cash flows used in investing activities			
Purchase of property and equipment	6	**(2,548)**	(3,826)
Intangible asset development costs	8	**-**	(985,349)
		(2,548)	(989,175)
Cash flows from financing activities			
Credit facility withdrawals	9	**6,570,269**	9,396,285
Credit facility repayments	9	**(6,626,808)**	(6,904,054)
Credit facility financing costs	9	**(138,210)**	(162,210)
Proceeds from promissory notes	9	**-**	550,000
Repayment of promissory notes	9	**-**	(550,000)
Proceeds from debenture units, net of closing costs	10	**2,165,645**	1,316,964
Repayment of lease obligation	7	**(572,810)**	(344,560)
Proceeds from private placement offering, net of share issuance costs	11(a)	**1,467,295**	3,136,334
Proceeds from exercise of warrants	11(b)	**258,299**	-
Repayment of debentures	10	**(810,000)**	-
		2,313,680	6,438,759
Net change in cash during the year		**41,389**	(465,634)
Cash, beginning of year		**345,950**	811,584
Cash, end of year		**387,339**	345,950
Supplemental cash flow information			
Non-cash settlement of related party payable		**208,084**	116,727
Interest paid		**788,908**	449,073

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Classified as Highly Confidential

1. Nature of business and going concern

Newtopia Inc. (“Newtopia” or the “Company”) is a technology enabled habit change company that delivers disease prevention solutions by leveraging genetic testing, social and behavioral science to help individuals prevent chronic disease and reduce costs for health insurers. Newtopia was incorporated on May 9, 2008, pursuant to the provisions under the Business Corporations Act of Ontario, Canada. The Company’s corporate headquarters and registered head office are located at 33 Bloor Street East, 5th Floor, Toronto, Ontario, M4W 3H1. The Company trades on the TSX Venture Exchange (the "TSX-V") under the symbol "NEWU".

The Company’s financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a comprehensive loss of $6,600,347 for the year ended December 31, 2023 and as of that date has an accumulated deficit of $72,974,444. To date, the Company has funded operations through a credit facility provided by a Canadian schedule 1 bank (Note 9), debentures (Note 10) and private equity offerings (Note 11). The Company was not in compliance with the covenants of the credit facility as of the date of these financial statements. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. The current extension letter from the bank sets out May 31, 2024 as the date for the credit facility to be repaid or refinanced. As of the date of issuance of these financial statements, the Company has not repaid or refinanced the credit facility. There is no certainty additional financing will be available to the Company on favorable terms, or at all. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. Material accounting policies

(a) Statement of compliance

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

These financial statements were approved by the Board of Directors and authorized for issuance on June 5, 2024.

(b) Basis of presentation

The financial statements are prepared on a going concern basis using historical cost except as otherwise noted in the accounting policies below. Historical cost is generally based on the fair value of the consideration provided in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payments, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. The financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The principal accounting policies adopted are set out below:

Classified as Highly Confidential

2. Material accounting policies (cont'd)

(c) Revenue recognition

The Company recognizes revenue when it transfers control to a customer.
Revenue is recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services. This is achieved by applying the following five steps:

(i) identify the contract with a customer;
(ii) identify the performance obligations in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognize revenue when (or as) the Company satisfies a performance obligation

The Company principally generates revenue from providing services to its customer's employees (the "participants"). Products and services are not typically sold separately but are bundled in packages. The typical length of a contract for bundled packages is two years or more. The Company bills its customers on a monthly basis. Cash refunds are not offered.

For bundled packages, the Company accounts for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items bundled in the package and if a customer can benefit from the other items, either on their own or together, with other resources that are readily available to the customer). The transaction price is allocated between separate products and services in a bundle based on their stand-alone selling prices. As the Company does not sell products and services separately, the Company estimates the stand-alone selling prices using the adjusted market assessment approach.

Welcome kits

Welcome kits contain measurement and communication tools, such as genetic testing kits, smart scales and starter guides that aid in the delivery of promised services to participants. Revenue is recognized when items in the welcome kit are delivered and control has passed to the participant.

The Company offers no returns or warranties of any kind.

Engaged participant fees

Engaged participant fees are charged to the customers when a participant is deemed to be engaged in the program based on criteria as defined in the contract. This revenue is recognized when the engagement criteria is met by the participant, and as the benefits of the health coaching services are received over a distinct period of time.

Success fees

Success fees are one-time fees paid by customers upon the achievement of certain target metrics normally measured after the first year of a participant's active enrolment in the Company's program. The Company includes in revenue success fees based on the most likely amount. The Company estimates success fees based on participant data collected on existing and similar customer contracts, however participant outcomes can vary depending on geographical location and industry. Estimates of success fees are also subject to predictions with respect to participant weight loss. Success fees are recorded when there is a low probability of there being a significant reversal of revenue.

Outcome guarantee fees

Certain customer contracts contain outcome guarantee fees where the Company refunds a portion of previously earned engaged participant fees if certain target metrics are not met. The Company estimates outcome guarantee refunds based on participant data collected on existing and similar customer contracts, however, participant outcomes can vary depending on geographical location and industry. Estimates of outcome guarantees are also subject to predictions with respect to participant weight loss.

Customer incentives and discounts

Classified as Highly Confidential

2. Material accounting policies (cont'd)

The Company may offer other discount programs and incentives for the purchase of certain products and services by customers. The Company estimates the amount of such discounts and specific terms of each program. Revenue is recorded net of these amounts and the estimated amounts of such discounts and incentives is included in the Company's contract liability.

The Company recognizes contract assets or contract liabilities with respect to its success fees, guarantee fees and other allocations relating to the sale of its bundled products. The Company accounts for contract assets and liabilities on a contract-by-contract basis with each contract presented as a net contract asset or a net contract liability accordingly.

Contract assets relate to success fees for which the Company believes a significant reversal of revenue will not occur, but the right to related consideration is conditional on achievement of certain metrics.

Contract liabilities relate to the Company's estimate of the amount of consideration it expects to refund to its customers, material future rights expected to be exercised by customers and discounts provided to customers (due to the allocation of the transaction price to the performance obligations).

The Company incurs no contract costs.

(d) Cost of revenue

Cost of sales consists of the cost of Welcome Kits sold to new participants, the labour costs associated with the coaching team and amortization of intangible asset.

(e) Financial assets and liabilities

Financial assets and liabilities are initially measured at fair value. Subsequent measurement of these assets and liabilities is based on their classification.

Transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company classifies its financial assets and liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For financial assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when the business model for managing those assets changes. Financial liabilities are not reclassified.

Classified as Highly Confidential

2. Material accounting policies (cont'd)

The Company has implemented the following classifications:

Financial Instrument	Classification	Measurement
Financial assets		
Cash	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Financial liabilities		
Trade and other payables	Amortized cost	Amortized cost
Credit facility	Amortized cost	Amortized cost
Debentures	Amortized cost	Amortized cost
Lease obligations	Amortized cost	Amortized cost

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of the subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss has occurred on an unquoted or not actively traded equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate.

For financial assets carried at amortized cost, the Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Company recognizes expected credit losses for trade and other receivables under the simplified approach under IFRS 9 Financial Instruments. The simplified approach does not require the Company to track changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses. Expected credit losses are probability-weighed estimate of credit losses. Credit losses are measured at the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

Objective evidence of impairment of financial assets carried at amortized cost exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

(f) Compound financial instruments

Debentures

The liability and equity components of debentures are presented separately on the statement of financial position. Where there is both liability and equity components, the Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the face value of the debentures at maturity. Accretion is included in the statements of loss and comprehensive loss as part of interest and accretion expense. The carrying amount of the

Classified as Highly Confidential

2. Material accounting policies (cont'd)

equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is included in Equity. The equity component is not remeasured subsequent to initial recognition. The transaction costs are distributed between liability and equity, on a pro rata basis according to their carrying amounts.

(g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired or whenever events/change in circumstances indicate that the carrying amount of the asset exceeds the recoverable amount. A non-financial asset's recoverable amount is the higher of the assets' or the cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss for the period in which they are identified.

(h) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except when it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the tax assets to be realized.

(i) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Items are amortized using the straight-line method over their estimated useful lives as follows:

Office equipment	5 years
Computer hardware	3 to 5 years
Computer software	1 year

When components of an asset have a different useful life and cost that is significant to the total cost of the asset, depreciation is calculated on each separate component. Estimated useful lives, residual values and methods of deprecation are reviewed annually.

(j) Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Intangibles consist of the purchase and customization of a new customer relationship management (CRM) platform and the development of integrated web and mobile applications. In November 2022, the new CRM platform was

Classified as Highly Confidential

2. Material accounting policies (cont'd)

ready for use and the Company commenced amortization of the CRM platform over its estimated useful life of four years. In December 2023 the Company recorded an impairment loss of the intangible asset (see note 8).

(k) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs. The cost of inventories is based on a first-in, first-out principle.

(l) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. Where common share purchase warrants are offered in connection with issues of common shares, the Company uses the Black-Scholes option pricing model to apportion the fair value of consideration received between common shares and common share purchase warrants.

(m) Share-based compensation

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in Note 15.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

(n) Earnings and loss per share

Basic earnings and loss per common share are calculated by dividing the earnings or loss by the weighted average number of common shares outstanding during the year. Diluted earnings per common share are calculated by dividing the applicable earnings by the weighted average number of common shares outstanding adjusted for all additional shares that would have been outstanding if potentially dilutive common securities had been issued during the year.

(o) Provisions

Provisions are recognized when present (legal or constructive) obligations, as a result of a past event, will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability is recognized.

(p) Foreign currency translation

Classified as Highly Confidential

2. Material accounting policies (cont'd)

Foreign currency denominated revenues and expenses are translated using the average rate of exchange of the transaction month. Foreign currency denominated monetary assets and liabilities are translated at the rate of exchange in effect at the statement of financial position date. The resulting exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(q) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control over the use of an identified asset for a period of time in exchange for consideration. 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 of the lease liability, lease payments made at or before the commencement date, initial indirect costs and asset retirement obligations, less any lease incentives. The right-of-use asset is subsequently measured at cost less accumulated amortization and impairment losses. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits for the Company.

The lease liability is initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company has elected to not apply IFRS 16 Leases for short-term leases that are 12 months or less and for leases of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(*r*) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

(s) Future accounting policies

New and Revised IFRS Standards issued but not yet effective

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of "settlement" of a liability. The amendments are effective January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management does not expect any material impact to the Company’s financial statements upon adoption of these amendments.

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. Management does not expect any material impact to the Company’s financial statements upon adoption of these amendments.

Classified as Highly Confidential

3. Critical judgments and key sources of estimation uncertainty

The preparation of these financial statements requires management to make estimates based on events and circumstances that existed at the statement of financial position date. Accordingly, actual results may differ from these estimates. Significant estimates and judgements made by management with a significant risk of material adjustment in the current year are discussed below:

- the amount of deferred tax assets recognized to the extent that it is probable that there will be sufficient taxable income to realize the tax assets;
- the analysis of historical bad debts and the judgement used to predict future economic conditions when estimating expected credit losses;
- Impairment of assets and related assumptions of the future cash flows from the use or disposal of the assets as compared with their carrying amounts
- the inputs and assumptions used in the allocation of the transaction price for bundled products and services;
- the assessment of the nature, amount of costs capitalized and useful life of intangible asset;
- the assessment of Company's ability to continue as going concern
- the inputs and assumptions used with respect to determining success fees;
- the inputs and assumptions used with respect to determining outcome guarantee fees;
- the inputs and assumptions used in the valuation and recognition of share-based payments;
- the inputs and assumptions used in the valuation and recognition of other discounts and incentives;

4. Trade and other receivables

Trade and other receivables as at December 31, 2023 and 2022 are comprised of the following:

	2023	2022
	$	$
Trade receivables	**1,334,260**	1,491,664
Indirect taxes receivable	**66,699**	65,976
	1,400,959	1,557,640

Trade receivables include amounts that are past due at the end of the reporting period (see the table below for aged analysis). The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9 Financial Instruments, which permits the use of the lifetime expected loss provision for all trade receivables. The Company has estimated and set its expected credit losses for the years ended December 31, 2023 and 2022 at nil based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The Company reviews its trade receivables regularly and reduces amounts to their expected realizable values by providing for expected credit losses as soon as the trade receivables are determined not to be fully collectible.

	2023	2022
	$	$
Trade receivables		
Current	**1,099,470**	1,466,250
31-60 days	**234,790**	19,409
61-90 days	**-**	6,005
	1,334,260	1,491,664

Classified as Highly Confidential

5. Inventories

Inventories recognized as cost of sales for the year ended December 31, 2023 amounted to $645,496 ($781,113 for the year ended December 31, 2022).

6. Property and equipment

	Office Equipment	Computer Hardware	Total
	$	$	$
Cost			
Balance, January 1, 2022	82,327	344,688	427,015
Additions	-	3,826	3,826
Disposals	(82,327)	-	(82,327)
Balance, December 31, 2022	-	348,514	348,514
Additions	1,449	1,099	2,548
Balance, December 31, 2023	**1,449**	**349,613**	**351,062**
Accumulated depreciation			
Balance, January 1, 2022	56,980	303,888	360,868
Depreciation	9,813	36,574	46,387
Disposals	(66,793)	-	(66,793)
Balance, December 31, 2022	-	340,462	340,462
Depreciation	73	5,862	5,935
Balance, December 31, 2023	**73**	**346,324**	**346,397**
Carrying amounts			
At December 31, 2022	-	8,052	8,052
At December 31, 2023	**1,376**	**3,289**	**4,665**

7. Right-of-use asset and lease liability

The following table represents the right-of-use asset:

	Office
	$
Balance, January 1, 2022	**369,538**
Amortization	(169,370)
Impairment of right-of-use asset	(200,168)
Balance, December 31, 2022 and 2023	**-**

Classified as Highly Confidential

7. Right-of- use asset and lease liability (cont'd)

The following is a schedule of right-of-use assets under the finance lease together with the balance of the obligations:

	$
Balance, January 1, 2022	**667,556**
Interest expense	70,797
Payments	(344,560)
Lease modification	150,907
Balance, December 31, 2022	**544,700**
Interest expense	28,110
Payments	(572,810)
Balance, December 31, 2023	**-**

	December 31, 2023	December 31, 2022
	$	**$**
Amounts shown in:		
Current liabilities	**-**	544,700
Non-current liabilities	**-**	-
	-	544,700

The undiscounted lease payments remaining are as follows:

	December 31, 2023	December 31, 2022
	$	$
No later than 1 year	**-**	392,591
Later than 1 year, but no later than 5 years	**-**	-
	-	392,591

During the year ended December 31, 2022, the Company adopted a remote office model and initiated negotiations with the lessor to terminate the lease prior to the end of the lease term. The lease was terminated in November 2022 and in January 2023, the Company reached an agreement with the lessor to pay $381,636 in monthly instalments in 2023. At the date of termination, the Company recognized an impairment to the right-of-use asset at its net book value of $200,168 and remeasured the lease obligation by $150,907 to $544,700.

8. Intangible asset

Intangible asset consists of the purchase and customization of a new customer relationship management platform and the development of integrated web and mobile applications. Amortization of the intangible asset is included in cost of revenue.

Classified as Highly Confidential

9. Credit Facility (cont'd)

	$
Cost	
Balance, January 1, 2022	**2,251,852**
Additions	985,349
Capitalized borrowing costs	67,000
Balance, December 31, 2022 and 2023	**3,304,201**
Accumulated amortization	
Balance, January 1, 2022	**-**
Amortization	68,838
Balance, December 31, 2022	**68,838**
Amortization	826,049
Impairment	2,409,314
Balance, December 31, 2023	**3,304,201**
Carrying amounts	
At December 31, 2022	3,235,363
At December 31, 2023	**-**

At the December 31, 2023 year end, the Company performed an impairment test of the intangible asset in accordance with IAS 36 - Impairment of assets. Given that the Company's internal plan of generating revenue from the intangible asset remained on hold due to cost cutting efforts in order to achieve positive cash flows from operations, and the Company's external licensing plan was still under negotiations with potential business partners, the Company's management concluded that the carrying amount of the intangible asset as at December 31, 2023 should be fully impaired until the business plans are in a more advanced stage or materialized, at which point the impairment may possibly be reversed in whole or in part. The impairment loss of $2,409,314 is included in the operating expenses of the Statements of Loss and Comprehensive Loss for the year ended December 31, 2023.

9. Credit facility

On December 4, 2020, the Company closed an Operating Credit Line Agreement (the "Facility") in the amount of $5,000,000 with a Schedule I bank (the "Bank"). The Company may avail itself of the operating credit under the Facility by way of either Canadian dollars at prime lending rate plus 2.25% or United States dollars at the U.S. base lending rate plus 2.25%. The Facility is secured by all Newtopia property and is subject to certain covenants where the Company is required to meet minimum cash runway ratios. The Company intends to use the operating line facility to fund working capital requirements as needed.
In connection with the Facility, the Company was required to obtain a guarantee from Export Development Canada (the "EDC") of 50% of the available Facility plus accrued and unpaid interest up to a maximum of 120 days (the "Guaranteed Amount"). The Company agreed to pay a guarantee fee of 2.35% of the Guaranteed Amount and guaranteed interest on outstanding amounts at the Lender's Prime Rate minus 0.05%. The initial guarantee covers the period from October 14, 2020 to September 30, 2021 (the "Guarantee Period"). In October 2021 the guarantee was extended until September 30, 2022. In October 2022, the guarantee was further extended until October 2024.

In accordance with the terms of the Facility, the Lender received 210,526 warrants (the "Warrants") on December 4, 2020, with each Warrant entitling the Lender to acquire one common share at a price of $0.95 at any time within the earlier of the December 4, 2022 and December 4, 2025. The fair value of the Warrants was determined at $84,314 using the Black Scholes valuation model with the following assumptions: risk free interest rate of 0.27%, expected life of 5 years and expected volatility of 73.75%. The Company has classified the Warrants within equity

Classified as Highly Confidential

9. Credit Facility (cont'd)

with the value of the Warrants being treated as a transaction cost and deferred and amortized over the term of the Facility. The Warrants expired unexercised on December 4, 2022.

During the year ended December 31, 2023, the Company incurred cash guarantee fees of $57,410 (year ended December 31, 2022 - $141,955). As the Facility can be drawn upon and then repaid by the Company repeatedly throughout the term, the guarantee fees are in the nature of a facility fee and not specific to an amount borrowed. On this basis, the Company has deferred and amortized the guarantee fees over the Guarantee Periods regardless of whether there have been any draw-downs by the Company.

During the year ended December 31, 2023, the Company recorded amortization of the deferred guarantee fees of $59,300 in the Statements of Loss and Comprehensive Loss (December 31, 2022 - $196,788).

The Company was not in compliance with the Facility's minimum cash runway ratio covenant during certain months of 2021. In July 2021, the bank agreed to not accelerate repayment of the Facility on the condition that the Company enter into a term sheet for a minimum $2,000,000 capital injection by August 15, 2021 with the funds received no later than August 31, 2021. Any injection in the form of debt financing would be fully subordinated to the bank's Facility. Pursuant to a term sheet dated August 10, 2021, the Company closed a private placement of $2,545,000 debenture units on September 15, 2021 (see Note 10(a)).

On September 20, 2021, the bank agreed to increase the Facility from $5,000,000 to $7,500,000, waive the Company's breach of its minimum cash runway ratio covenants for the selected months and reduce the threshold for the cash runway ratio covenant for the months from September to December 2021. On October 1, 2021, the EDC increased the Guaranteed Amount to 50% of the $7,500,000 Facility. On January 31, 2022, the Company entered into an amendment with the Bank to keep the reduced cash runway ratio covenant in place until May 31, 2022.

On June 29, 2022, the Company entered into a second amendment of the Facility with the Bank to replace the cash runway ratio covenant with a covenant to maintain minimum total liquidity thresholds for the months from May to September 2022 and to reduce the cash runway ratio covenant for the month of October 2022.

The Company was not in compliance with the runway ratio and liquidity covenants. On November 1, 2022, the bank agreed to not accelerate repayment of the Facility on the conditions that the Company receives minimum capital injections of $700,000 by November 11, 2022 and $2,500,000 by December 15, 2022. Until the conditions are met, the maximum credit on the Facility will be capped at $4,880,760. Any injection in the form of debt financing would be fully subordinated to the bank's Facility. On October 26, 2022 and November 9, 2022, the Company issued $300,000 and $250,000 in subordinated 12% promissory notes, respectively, for an aggregate issuance of $550,000, including $50,000 provided by a director of the Company. On December 15, 2022, the Company repaid the promissory notes and issued subordinated 13% secured non-convertible debenture units for gross proceeds of CAD$1,350,000 (see Note 10(d)) which includes $400,000 from the holders of the promissory notes.

On May 15, 2023, the Bank issued a letter to the Company agreeing to refrain from accelerating repayment of the Facility subject to the agreement by the Company to the following, i) the Company is to provide evidence by May 31, 2023 of its intention to raise capital of no less than $1,500,000 by June 30, 2023, ii) the Facility is to be repaid in full on or prior to November 30, 2023, iii) effective May 23, 2023, the Company is to pay 15% annual interest on advances in excess of the lesser of the borrowing base and the maximum limit of the Facility which is adjusted from $4,880,760 to $4,900,000, and iv) pricing on the Facility is increased by 3% per annum, payable in kind and subject to ratable forgiveness tied to full repayment of the loan before November 30, 2023. On July 14, 2023, the Company closed a non-brokered offering of subordinated and postponed 13% secured non-convertible debenture units for gross proceeds of $1,500,000 (See Note 10(c)).

On January 11, 2024, the Bank issued a letter to the Company maintaining the existing loan facilities until May 31, 2024. The Facility shall be subject to the agreement by the Company to the following: i) the Company is to provide evidence by February 15, 2024 of its intention to raise capital of no less than $500,000 by February 29, 2024, ii) the Company is to provide evidence of refinance from a third-party lender by March 31, 2024, and present a binding commitment to the Bank by April 30, 2024.. Subsequent to the year ended December 31, 2023, on February 29, 2024, the Company raised a capital of $746,500 (See Note 23). As of the date of issuance of these financial statements, the Company has not repaid or refinanced the credit facility.

Classified as Highly Confidential

10. Debentures (cont'd)

As of December 31, 2023, $4,767,006 was outstanding on the Facility. Interest expense for the year ended December 31, 2023 was $439,066 (year ended December 31, 2022 - $245,473).

10. Debentures

The following table is a summary of the accretion to amortized cost of the Debentures:

	8% (a)	12% (a)	12% (b)	13% (c)	13% (d)	Total
	$	$	$	$	$	$
Balance, December 31, 2021	**2,182,403**	**-**	**-**	**-**	**-**	**2,182,403**
Value of liability component, net of issuance costs	-	-	-	-	1,056,357	1,056,357
Interest and accretion	376,033	-	-	-	12,415	388,448
Payment	(203,600)	-	-	-	-	(203,600)
Adjustment to issuance costs	54,267	-	-	-	-	54,267
Balance, December 31, 2022	**2,409,103**	**-**	**-**	**-**	**1,068,772**	**3,477,875**
Value of liability component, net of issuance costs	-	1,671,072	723,369	1,302,584	-	3,697,025
Interest and accretion	307,071	82,402	38,487	176,248	303,942	908,150
Payment	(967,900)	(11,567)	-	(48,750)	(131,625)	(1,159,842)
Loans extinguished (10)(a)	(1,735,000)	-	-	-	-	(1,735,000)
Loans modification (10)(a)	(6,380)	(63,928)	-	-	-	(70,308)
Loan modification transaction costs (10)(a)	(6,894)	-	-	-	-	(6,894)
Balance, December 31, 2023	**-**	**1,677,979**	**761,856**	**1,430,082**	**1,241,089**	**5,111,006**
Current portion	2,409,103	-	-	-	-	2,409,103
Non-current portion	-	-	-	-	1,068,772	1,068,772
Balance, December 31, 2022	2,409,103	-	-	-	1,068,772	3,477,875
Current portion	-	**1,677,979**	**761,856**	**42,606**	**1,241,089**	**3,723,530**
Non-current portion	-	-	-	**1,387,476**	**-**	**1,387,476**
Balance, December 31, 2023	-	**1,677,979**	**761,856**	**1,430,082**	**1,241,089**	**5,111,006**

(a) Amendment of September 2021 8% secured non-convertible debentures

On September 15, 2021, the Company closed a non-brokered private placement of subordinated and postponed 8.0% secured non-convertible debenture units for gross proceeds of $2,545,000 (the "8% Debentures "). Upon the maturity of the 8% Debentures on September 15, 2023, the Company amended $1,735,000 of the $2,545,000 8% Debentures to (a) extend the maturity date of the Debentures by one year to September 15, 2024; (b) bear interest

Classified as Highly Confidential

10. Debentures (cont'd)

at a rate of 12% for the period from September 15, 2023 until the new maturity date; and (c) include an early repayment fee equal to (i) six percent (6%) of the principal amount of the Debentures if such repayment occurs prior to March 15, 2024; or (ii) four percent (4%) of the principal amount of the 8% Debentures if such repayment occurs following March 15, 2024 but prior to September 15, 2024 (the "Amendment Debentures"). As consideration, the holders that agreed to the amendments received, for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Amendment Shares") as is equal to 10% of the principal of amount of Amendment Debentures held divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Bonus Amendment Shares are subject to a four month hold period that expires on January 16, 2024. An aggregate of 1,508,682 Bonus Amendment Shares were issued to the holders of the $1,735,000 Amendment Debentures.

The Company paid the holders of the Amendment Debentures an annual work and credit maintenance fee of $34,700 (2% of the principal) amount in cash on November 15, 2023. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees related to the Amendment Debentures in the Statements of Loss and Comprehensive Loss of $10,121. As at December 31, 2023, the balance of unamortized maintenance fee payment was $24,579.

The Company considers the issuance of the Bonus Amendment Shares to be a substantial modification to the original loan. Under IFRS 9 Financial Instruments, $1,735,000 of the 8% Debentures is accounted for as an extinguishment with the Amendment Debentures recognized as a new liability at fair value. The Company valued the debt component of the Amended Debentures by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The Company used the residual value method to allocate the principal amount of the Amendment Debentures between the liability and equity components. The equity component comprises the value of the Amendment Bonus Shares, being the difference between the face value of the Amendment Debentures and the liability element calculated above. Related transaction costs of $15,336 were recognized as a loss on the extinguishment of debentures on the Statements of Loss and Comprehensive Loss. Based on this calculation, the amount allocated to host debt was $1,671,072 ("the new liability") and the residual equity component was $63,928. The prepayment option was determined to be closely related and its value was determined to be not material.

Accretion charges attributable to the new liability for the year ended December 31, 2023 were $30,352. This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

In addition to the above amendments to the 8% Debentures, $780,000 of the $2,545,000 8% Debentures was extended at the maturity date by one month until October 15, 2023 to allow the Company additional time to raise up to $2,545,000 in a non-brokered offering of replacement debenture units announced by the Company on September 15, 2023 to repay any of the 8% Debentures that do not agree to the amendments provided under the Amendment Debentures (see Note 10(b)). The one-month extension is considered to be a non-substantial modification of the original loan and as per IFRS 9 Financial Instruments, the carrying value of the $780,000 loan is restated to the net present value of the revised cash flows discounted at the original effective interest rate. Transaction costs of $6,894 incurred in connection with the one-month extension were included in the calculation of the carrying value. The $780,000 debentures were restated to a fair value of $773,620 with a modification adjustment of $6,380 recognized in the Statements of Loss and Comprehensive Loss. Accretion charges attributable to the extended debentures for the year ended December 31, 2023 were $13,276. This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

On September 15, 2023, the Company repaid $30,000 of the $2,545,000 8% Debentures that matured on September 15, 2023. On October 15, 2023 the Company repaid the $780,000.

(b) September and October 2023 offering of 12% secured non-convertible replacement debentures

Classified as Highly Confidential

10. Debentures (cont'd)

On September 11, 2023, the Company announced a non-brokered offering (the "Replacement Offering") of subordinated and postponed 12% secured non-convertible debenture units (the "Replacement Units"). Up to 255 Replacement Units may be issued pursuant to the Replacement Offering. Each Replacement Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "Replacement Debentures"); and (ii) for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Replacement Shares") as is equal to 10% of the principal amount of the Replacement Debentures purchased divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Replacement Debentures will mature on the date that is 12 months from the closing date of the Replacement Offering and are secured by the assets of the Company and bear interest at a rate of 12% per annum payable quarterly in arrears in cash. The Replacement Debentures may be repaid in part or in full at any time subject to an early repayment fee equal to: (i) six percent (6%) of the principal amount of the Replacement Debentures if such repayment occurs prior to six months following the closing date; or (ii) four percent (4%) of the principal amount of the Replacement Debentures if such repayment occurs following the date that is six months following the closing date but prior to the maturity date.

The Company will pay to the holders of the Replacement Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash to be paid on the date that is two months following the completion of the Replacement offering.

As consideration for certain services provided to the Company in connection with the Replacement Offering, the Company may pay a finder's fee comprised of (i) a cash fee equal to 6% of the principal amount of Replacement Debentures purchased by subscribers that are introduced to the Company by each such finder and (ii) such number of compensation options to purchase common shares in the capital of the Company (the "Replacement Compensation Options") calculated based on 6% of the principal amount of Replacement Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. Each Replacement Compensation Option is exercisable into one common share of the Company at $0.115 per share, subject to adjustments in certain events, until September 29, 2025.

On September 29, 2023, the Company closed the first tranche of Replacement Units for gross proceeds of $380,000. The Replacement Debentures will mature on September 29, 2024. An aggregate of 330,424 Bonus Replacement Shares were issued in connection with the closing of the first tranche.

The Company paid to the holders of the Replacement Debentures a work and credit maintenance fee of $7,600 (2% of the principal amount) in cash. The Company deferred and amortized the maintenance fee over the date the fee is due to the maturity date. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees in the Statements of Loss and Comprehensive Loss of $1,900. As at December 31, 2023, the balance of unamortized maintenance fee was $5,700.

Finders acting in connection with the Replacement Offering received a finder's fee in the total amount of $22,800 and 198,260 non-transferable Replacement Compensation Options. Fair value of the Replacement Compensation Options of $14,651 was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.105, risk-free interest rate of 4.87%, expected volatility of 147.55% and expected life of 2 years. The Company also incurred other transaction costs of $3,359 in connection with the first tranche of the Replacement Offering, resulting in a total transaction cost of $40,810.

At inception, the Company used the residual value method to allocate the principal amount of the Replacement Units between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component of the Replacement Units comprises the value of the Bonus Replacement Shares, being the difference between the face value of the Replacement Debentures and the liability element calculated above. Total transaction costs of $40,810 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the principal amount net of transaction cost that is allocated to the

Classified as Highly Confidential

10. Debentures (cont'd)

host debt was $323,890 and the residual equity component was $15,300. The prepayment option was determined to be closely related and its value was determined to be not material. Accretion charges attributable to the first tranche of Replacement Debentures for the year ended December 31, 2023 were $12,436.

On October 13, 2023, the Company closed the second and final tranche of the Replacement Units for gross proceeds of $425,000. The Replacement Debentures will mature on October 13, 2024. An aggregate of 369,565 Bonus Replacement Shares were issued in connection with the closing of the final tranche.

The Company paid to the holders of the Replacement Debentures a work and credit maintenance fee of $8,500 (2% of the principal amount) in cash on December 12, 2023. The Company deferred and amortized the maintenance fee over the period the fee is due to the maturity date. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees in the Statements of Loss and Comprehensive Loss of $1,771. As at December 31, 2023, the balance of unamortized maintenance fee was $6,729.

Certain finders acting in connection with the offering received a finder's cash fee in the aggregate amount of $1,800 and 15,652 non-transferable Replacement Compensation Options. The Replacement Compensation Options were calculated based on 6% of the principal amount of Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.115 in accordance with the terms of the offering. Each Replacement Compensation Option is exercisable into one common share of the Company at $0.10 per share, subject to adjustments in certain events, until September 29, 2025. Fair value of the Replacement Compensation Options of $1,093 was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.1, risk-free interest rate of 4.85%, expected volatility of 147.76% and expected life of 2 years. The Company also incurred transactions costs of $3,757, resulting in a total transactions cost of $6,650.

Based on calculation that is similar to the first tranche of the Replacement Offering, at inception of this final tranche the principal amount net of transactions cost that is allocated to the host debt was $399,479 and the residual equity component was $18,871. The prepayment option was determined to be closely related and its value was determined to be not material. Accretion charges attributable to the final tranche of Replacement Debentures for the year ended December 31, 2023 were $1,901.

(c) July 2023 offering of 13% secured non-convertible debentures

On July 14, 2023, the Company closed a non-brokered offering (the "July 2023 Offering") of subordinated and postponed 13% secured non-convertible debenture units (the "July 2023 Debenture Units") for gross proceeds of $1,500,000. Each July 2023 Debenture Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the “July 2023 Debentures”); and (ii) for no additional consideration, 30,769 common shares of the Company (the “July 2023 Bonus Shares”). The July 2023 Bonus Shares are calculated based on 20% of the principal amount of the July 2023 Debentures purchased divided by $0.065, being the closing market price of the common shares of the Company on June 29, 2023, (the trading day prior to the day on which the July 2023 Offering was initially announced on June 30, 2023). The securities issued pursuant to the July 2023 Offering are subject to a four month hold period that expires on November 15, 2023. An aggregate of 4,615,366 July 2023 Bonus Shares were issued in connection with the closing of the offering. The Debentures will mature on July 14, 2025 and are secured by the assets of the Company and bear interest at a rate of 13.0% per annum payable quarterly in arrears in cash.

The Company will pay to the holders of the July 2023 Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash. The annual maintenance fee will be paid in advance for each year, with the first payment due and payable on October 14, 2023 and the final maintenance fee payment due and payable on July 14, 2024. The Company deferred and amortized the maintenance fee over the date the fee is due to the maturity date. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees in the Statements of Loss and Comprehensive Loss of $13,750. As at December 31, 2023, the balance of unamortized maintenance fee was $16,250.

Certain finders acting in connection with the Offering received a finder’s cash fee in the aggregate amount of $58,200 and 872,307 non-transferable compensation options (the “July 2023 Compensation Option”). The July 2023 Compensation Options were calculated based on 7% of the principal amount of the July 2023 Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.065, being the

Classified as Highly Confidential

10. Debentures (cont'd)

closing market price of the common shares of the Company on the Exchange on June 29, 2023. Each July 2023 Compensation Option is exercisable into one common share of the Company at $0.065 per share, subject to adjustments in certain events, until July 14, 2025. Fair value of the July 2023 Compensation Option of $44,031 was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.07, risk-free interest rate of 4.64%, expected volatility of 145.45% and expected life of 2 years. The Company incurred $27,210 in additional closing costs, resulting in a total transactions cost of $129,441.

At inception, the Company used the residual value method to allocate the principal amount of the July 2023 Debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component of the July 2023 Debentures comprises the value of the Bonus Replacement Shares, being the difference between the face value of the July 2023 Debentures and the liability element calculated above. Total transaction costs of $129,441 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the principal amount net of transactions cost that is allocated to host debt was $1,302,584 and the residual equity component was $67,975. The prepayment option was determined to be closely related and its value was determined to be not material.

Accretion charges attributable to the July 2023 Debentures for the year ended December 31, 2023 were $84,892, This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

(d) December 2022 offering of 13% secured non-convertible debentures

On December 15, 2022, the Company closed a non-brokered offering of subordinated and postponed 13% secured non-convertible debenture units for gross proceeds of $1,350,000.

Each unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "December 2022 Debentures"); and (ii) for no additional consideration, 66,666 common shares of the Company (the "December 2022 Bonus Shares"). The Bonus Shares are calculated based on 20% of the principal amount of the December 2022 Debentures purchased divided by $0.03, being the closing price on the trading day prior to the day on which the offering was initially announced on November 30, 2022. An aggregate of 8,999,990 Bonus Shares were issued. The securities issued are subject to a four month hold period that expires on April 16, 2023.

The December 2022 Debentures will mature on December 15, 2024 and are secured by the assets of the Company and rights of the Company subordinated to the Credit Facility and bear interest at a rate of 13.0% per annum payable quarterly in arrears in cash.

The December 2022 Debentures cannot be redeemed for four months from closing of the offering; however can thereafter be repaid in part or in full at any time subject to an early repayment fee equal to: (i) 6% of the principal amount of the 13% Debentures if repayment occurs prior to the date that is six months following the closing date; (ii) 4% of such principal amount if repayment occurs following the date that is six months following the date of closing but prior to the first anniversary; (iii) 3% of such principal amount if repayment occurs following the first anniversary but prior to the date that is six months following such first anniversary; or (iv) 2% of such principal amount if repayment occurs following the date is six months following the first anniversary of the closing date but prior to the date of maturity.

Finders acting in connection with the offering received a finder's fee in the aggregate amount of $5,500.

The Company will pay to the holders of the December 2022 Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash. The annual maintenance fee will be paid in advance for each year, with the first payment made on March 15, 2023 and the final maintenance fee payment due and payable on the one-year anniversary of the closing date. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees related to the December 2022 Debentures in the Statements of Loss and Comprehensive Loss of $27,000 (year ended December 31, 2022 - $nil).

At inception, the Company used the residual value method to allocate the principal amount of the December 2022

Classified as Highly Confidential

10. Debentures (cont'd)

Debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 26%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component of the December 2022 Debentures comprises the value of the December 2022 Bonus Shares, being the difference between the face value of the 13% Debentures and the liability element calculated above. Total transaction costs of $33,036 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the principal amount net of transaction costs that is allocated to host debt was $1,056,357 and the residual equity component was $260,607. The prepayment option was determined to be closely related and its value was determined to be not material.

Accretion charges attributable to the December 2022 Debentures for the year ended December 31, 2023 were $128,443 (year ended December 31, 2022 - $12,415l). This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

11. Equity

(a) Common shares, issued and outstanding

	Number of Shares	Amount
		$
Balance, January 1, 2022	**100,492,786**	**45,177,120**
Shares issued in private placement offering *(i)*	17,500,000	2,624,495
Compensation options issued to brokers *(i)*	-	(83,230)
Shares issued on issuance of 13% Debenture Units *(Note 10(d))*	8,999,990	260,607
Balance, December 31, 2022	**126,992,776**	**47,978,992**
Private placement, net of issuance costs *(ii)*	21,928,000	930,218
Compensation options issued to brokers *(ii)*	-	(26,443)
Bonus Amendment Shares (Note 10(a))	1,508,682	78,262
Bonus Replacement Shares (Note 10(b))	699,989	34,171
Bonus shares issued on July 2023 Offering (Note 10(c))	4,615,366	91,331
Exercise of warrants	2,590,490	318,065
Balance, December 31, 2023	**158,335,303**	**49,404,596**

Private placement offerings

(i) On April 29, 2022, the Company closed a brokered private placement offering of 16,950,000 units of the Company (the “Units”) at a price of $0.20 per Unit (the “Offering Price”) for aggregate gross proceeds of $3,390,000 (the “Brokered Offering”). Each Unit is comprised of one common share in the capital of the Company (each a “Common Share”) and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable to acquire one Common Share at an exercise price of $0.30 per Common Share, subject to adjustments in certain events, for a period of 24 months following the closing of the Brokered Offering.

In consideration for the services provided by the agent in connection with the Brokered Offering (the "Agent"), the Agent received: (i) a cash fee equal to 7.0% of the gross proceeds of the Brokered Offering, subject to

Classified as Highly Confidential

11. Equity (cont'd)

a reduced cash fee of a maximum of 2% of the aggregate gross proceeds realized from the Units sold by the Agent to management, board members and other insiders of the Company identified by the Company to the Agent (the "President's List Purchasers"); and (ii) 904,050 non-transferable broker warrants (the "Broker Warrants"), which represents 7.0% of the total number of Units sold under the Brokered Offering to purchasers who were not President's List Purchasers. Each Broker Warrant is exercisable into one Common Share at the Offering Price, subject to adjustments in certain events, until April 29, 2024.

The Company received net proceeds of $3,026,334 after deducting agent commissions paid in cash of $189,810 and cash closing costs of $173,856. The net proceeds and the deduction of the Broker Warrants are allocated to Common Shares and Warrants on a pro-rata basis relative to their fair values. Each Warrant and Broker Warrant was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.22, risk-free interest rate of 2.63%, expected volatility of 86.74% and expected life of 2 years. The net proceeds are allocated between Common Shares and Warrants at $2,530,572 and $495,762, respectively. The fair value of the Broker Warrants of $99,536 is allocated to Common Shares and Warrants at $83,230 and $16,306, respectively.

The Company also concurrently completed a non-brokered private placement of 550,000 Units, at the Offering Price with certain insiders of the Company for aggregate proceeds of $110,000 (the "Non-Brokered Offering", and together with the Brokered Offering, collectively, the "Offerings") on the same terms as the Brokered Offering. No fees or commissions are payable to the Agent in connection with the Non-Brokered Offering. The Non-Brokered Offering closed on May 11, 2022. The proceeds are allocated to Common Shares and Warrants on a pro-rata basis relative to their fair values. Each Warrant was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.17, risk-free interest rate of 2.73%, expected volatility of 89.75% and expected life of 2 years. The proceeds are allocated between Common Shares and Warrants at $93,923 and $16,077, respectively.

(ii) On March 7, 2023, the Company closed a private placement offering of units (the "March 2023 Units") at a price of $0.07 per unit for gross proceeds of $1,534,960. Each March 2023 Unit is comprised of: (i) one Common Share in the capital of the Company; (ii) a first one-half of one Common Share purchase warrant (each whole first warrant, an "A Warrant"); and (iii) a second one-half of one Common Share purchase warrant (each whole second warrant, a "B Warrant"). Each A Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.10 per A Warrant Share for a period of six months from the closing date of the offering. Each B Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per B Warrant Share for a period of 24 months from the closing date of the Offering. As consideration for certain services provided to the Company in connection with the offering, the Company paid an aggregate of $42,151 and issued 595,021 compensation options (the "Compensation Options") exercisable to acquire one Common Share at a price of $0.07 per Common Share for a period of 24 months following the closing date of the offering, as finders' fees to certain persons.

The Company received net proceeds of $1,467,295 after deducting finders' fees paid in cash of $42,151 and cash closing costs of $25,514. The net proceeds and Compensation Options are allocated to Common Shares, A Warrants and B Warrants on a pro-rata basis relative to their fair values. Each A Warrant was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.55%, expected volatility of 210.65% and expected life of 6 months. Each B Warrant and Compensation Option was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.32%, expected volatility of 139.96% and expected life of 24 months. The net proceeds are allocated between Common Shares, A Warrants and B Warrants at $930,218, $250,669 and $286,408, respectively. The fair value of the Compensation Options of $41,711 is allocated to Common Shares, A Warrants and B Warrants at $26,443, $7,126 and $8,142, respectively.

(b) Warrants

Classified as Highly Confidential

11. Equity (cont'd)

The following table is a summary of the activities of the Company's warrants:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, January 1, 2022	**16,895,510**	**0.89**
Unit Warrants issued on private placement *(Note 11(a)(i)*)	8,750,000	0.30
Broker warrants issued on private placement *(Note 11(a)(i)*)	904,050	0.20
Warrants expired	(12,745,454)	1.07
Balance, December 31, 2022	**13,804,106**	**0.31**
A Warrants issued on private placement offering of Units *(Note 11(a)(ii))*	10,964,000	0.10
B Warrants issued on private placement offering of Units *(Note 11(a)(ii))*	10,964,000	0.15
Private placement offering of March 2023 Units, compensation options *(Note 11(a)(ii))*	595,021	0.07
Private placement offering of Replacement Units, compensation options *(Note 10(b))*	198,260	0.115
Private placement offering of July 2023 Debenture Units, compensation options *(Note 10(c))*	872,307	0.065
Private placement offering of October 2023 Debenture Units, compensation options *(Note 10(b))*	15,652	0.115
Warrants exercised	(2,590,490)	0.10
Warrants expired	(10,548,566)	0.22
Balance, December 31, 2023	**24,274,290**	**0.188**

The following table is a summary of the warrants outstanding as at December 31, 2023:

Expiry date	Exercise Price	Number of Warrants
	$	
April 2024 (Note (11)(a)(i)	0.30	8,750,000
April 2024 (Note (11)(a)(i)	0.20	904,050
February 2025	0.0001	2,000,000
March 2025 (Note (11)(a)(ii))	0.15	10,964,000
March 2025 (Note (11)(a)(ii))	0.07	570,021
July 2025 (Note 10(c))	0.065	872,307
September 2025 (Note 10(b))	0.115	198,260
October 2025 (Note 10(b))	0.115	15,652
		24,274,290

Classified as Highly Confidential

11. Equity (cont'd)

(b) Warrants (cont'd)

The following table is a summary of the warrants outstanding as at December 31, 2022*:*

Expiry date	Exercise Price	Number of Warrants
	$	
May 2023	0.70	1,711,279
September 2023	0.75	438,777
April 2024 *(Note 11(a)(i))*	0.30	8,750,000
April 2024	0.20	904,050
February 2025	0.0001	2,000,000
		13,804,106

During the year ended December 31, 2023, the Company received cash proceeds of $258,299 from the exercise of 2,590,490 common share purchase warrants for 2,590,490 common shares. The fair value of the exercised warrants in the amount of $59,766 was re-allocated from contributed surplus to common shares.

12. Contributed surplus

	2023	2022
	$	$
Stock options	**8,095,819**	7,331,920
Warrants	**6,055,369**	5,529,529
	14,151,188	12,861,449

13. Revenue

The Company has recognized the following amounts relating to revenue in the Statements of Loss and Comprehensive Loss

	2023	2022
	$	$
Engaged participant and variable consideration	**8,628,224**	9,846,357
Welcome kits	**1,155,322**	1,320,071
	9,783,546	11,166,428

Classified as Highly Confidential

13. Revenue (cont'd)

Below is a summary of contract assets and contract liabilities from contracts with customers and the significant changes in those balances during the years ended December 31, 2022 and December 31, 2023:

	$
Contract asset (liability)	
Balance, January 1, 2022	**(144,034)**
Estimated variable consideration	241,634
Settlement of variable consideration	92,400
Balance, December 31, 2022	**190,000**
Estimated variable consideration	230,318
Settlement of variable consideration	(161,246)
Balance, December 31, 2023	**259,072**

14. Expenses by nature

	2023	2022
	$	$
Cost of sales		
Employee costs	**2,652,659**	3,834,639
Welcome kits	**1,027,180**	1,236,892
Amortization of intangibles *(Note 8)*	**826,049**	68,838
	4,505,888	5,140,369
Technology and development		
Employee costs	**980,498**	1,484,833
Information technology	**911,428**	1,086,404
Research and development	**437,912**	1,352,426
	2,329,837	3,923,663
Sales and marketing		
Employee costs	**1,015,641**	1,571,594
Advertising and promotion	**370,907**	1,149,134
	1,386,548	2,720,728
General and administrative		
Employee costs	**2,377,629**	2,772,384
Corporate expenses	**748,922**	1,632,727
Professional fees	**468,933**	706,193
	3,595,484	5,111,304

Classified as Highly Confidential

15. Share-based payment arrangements

The Company has established a stock option plan for the benefit of its employees, directors, officers and consultants. The maximum number of options that may be granted under the original plan was 18,114,870. On September 14, 2022, the Shareholders approved an increase to the maximum number of options to 23,598,557. The options are exercisable for a period of up to 5 years.

The Board of Directors determines the vesting schedule, exercise price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option. Vesting is contingent upon continuous service and or employment through the specific vesting date and have an exercise price as set forth in the option certificate issued in respect of such option and in any event shall not be less than market price of the common shares as of the award date.

The number and weighted-average exercise price of options under the stock option program are as follows:

	Number of options	Weighted average exercise price
		$
Options outstanding, January 1, 2022	**14,717,615**	**0.52**
Granted during the year	2,446,125	0.22
Expired during the year	(3,700,000)	0.43
Forfeited during the year	(560,191)	0.63
Options outstanding, December 31, 2022	**12,903,549**	**0.49**
Granted during the year	10,850,000	0.11
Expired during the year	(3,530,024)	0.52
Forfeited during the year	(740,702)	0.32
Options outstanding, December 31, 2023	**19,482,823**	**0.27**

A summary of the stock options outstanding as at December 31, 2023 is as follows:

	Options Outstanding			Options Exercisable	
Exercise price range	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$	#	#	$	#	$
0.15 - 0.20	11,117,806	4.2	0.11	4,289,435	0.12
0.21 - 0.40	2,772,909	2.4	0.26	2,164,941	0.26
0.41 - 0.60	3,288,286	1.6	0.44	3,152,430	0.44
0.61 - 0.85	2,303,822	1.9	0.85	2,303,822	0.85
Balance, December 31, 2023	**19,482,823**	**3.2**	**0.27**	**11,910,628**	**0.37**

Classified as Highly Confidential

15. Share- based payment arrangements (cont'd)

A summary of the Company's stock options outstanding as at December 31, 2022 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$	#	#	$	#	$
0.18 - 0.20	601,140	4.60	0.20	136,529	0.20
0.21 - 0.40	3,024,439	3.42	0.26	1,568,178	0.27
0.41 - 0.60	6,601,403	1.72	0.48	6,233,891	0.48
0.61 - 0.80	248,571	0.30	0.70	248,571	0.70
0.81 - 1.00	2,427,996	2.88	0.85	1,766,116	0.85
Balance, December 31, 2022	**12,903,549**	**2.44**	**0.49**	**9,953,285**	**0.51**

The Company recognized share-based compensation expense of $555,816 for the year ended December 31, 2023 with a corresponding amount recognized to contributed surplus (year ended December 31, 2022 - $492,720).

The stock options granted during the years ended December 31, 2023 and 2022 were determined using the Black-Scholes pricing model at the assumptions as follows:

	2023	2022
Share price	$0.06 - $0.24	$0.09 - $0.17
Expected volatility	124.19% - 124.19%	70.05% - 97.18%
Expected life	5 years	5 years
Expected dividends	-%	-%
Risk-free interest rate	3.16% - 3.79%	1.93% - 3.53%
Forfeiture rate	6.69% - 7.33%	6.71% - 6.82%

Expected volatility is based on comparable companies listed on various exchanges.

16. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 - 26.5%) to the effective tax rate is as follows:

	2023	2022
	$	$
Net loss before recovery of income taxes	**(6,600,347)**	(7,700,463)
Expected income tax recovery	**(1,749,092)**	(2,040,620)
Non-deductible expenses	**3,878**	12,380
Share-based compensation	**147,291**	130,570
Debt modification	**(14,568)**	-
Share issuance costs booked through equity	**97,357**	(53,690)
Change in tax benefits not recognized	**1,515,134**	1,951,360
Income tax expense	**-**	-

Classified as Highly Confidential

16. Income taxes (cont'd)

Deferred tax

The following table summarizes the components of deferred tax:

	2023	2022
	$	$
Deferred tax assets		
Property and equipment	**-**	1,430
Intangible assets	**-**	490
Lease obligations	**-**	108,620
Non-capital losses	**76,583**	-
	76,583	110,540
Deferred tax liabilities		
Debentures	**(76,583)**	(110,540)
Net deferred tax asset (liability)	**-**	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2023	2022
	$	$
Intangible asset	**3,249,730**	-
Lease obligations	**-**	134,790
Share issuance and financing costs	**655,576**	1,445,980
Trade and other payables	**28,600**	76,200
Non-capital loss carryforwards	**58,384,719**	54,912,220
SR&ED Pool	**440,530**	440,530
Charitable donations carryforward	**7,580**	3,890

The Canadian operating loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2028. The charitable donation carryforwards will fully expire in 2027. SRED ITC's of 12,856 will fully expire in 2037. The remaining SRED balance may be carried forward indefinitely. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Classified as Highly Confidential

18. Financial Instruments and risk management (cont'd)

The Company's Canadian Non-capital losses expire as follows:

Year of expiry	Amount
	$
2028	139,288
2029	670,630
2030	1,159,044
2031	1,010,140
2032	1,101,026
2033	1,518,463
2034	3,246,424
2035	5,377,420
2036	7,291,879
2037	5,712,297
2038	6,282,672
2039	1,320,327
2040	5,127,863
2041	7,261,343
2042	7,534,959
2043	3,630,944
	58,384,719

17. Loss per share

As a result of losses reported during the years ended December 31, 2023 and 2022, the outstanding stock options and warrants have an anti-dilutive effect and are not included in the computation of diluted loss per share. Consequently, basic and diluted loss per share are the same.

18. Financial instruments and risk management

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks including foreign currency risk, credit risk and liquidity risk. These financial risks are actively managed by the Company under the policies approved by the Board of Directors. The principal financial risks are managed by the Company's finance department, within Board approved policies and guidelines. On an ongoing basis, the finance department actively manages market conditions with a view to minimizing the exposure of the Company to changing market factors, while at the same time limiting the funding costs to the Company.

Fair value

The fair value of cash, trade receivables, trade and other payables, credit facility and debentures approximate their carrying values due to their short-term nature and the market interest rates have not changed significantly since the issuance of debentures.

Basis of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics

Classified as Highly Confidential

18. Financial Instruments and risk management (cont'd)

into account when pricing the asset or liability at the measurement date.

(a) Fair value hierarchy

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the year ended December 31, 2023.

As at December 31, 2023, there are no financial instruments carried at fair value.

Credit risk

Credit risk is the risk of financial loss to the Company that arises from the possibility that the Company's customers may experience financial difficulty and be unable to fulfil their contract commitments. The Company mitigates the risk of credit loss by entering into contracts with large and established customers and by placing its cash with major financial institutions.

The carrying value of cash and trade and other receivables represents the Company's maximum credit exposure. Expected credit losses on trade and other receivables in profit or loss were nil (December 31, 2022: $Nil).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which its customers operate (see segment details in Note 22). A customer is considered to be in default when they are unable to fulfil their contractual commitments and make the required payments on their debt obligations. Given the customer base is comprised of large established corporations, customer balances are also considered to be in default when they are more than 90 days past due. Details of concentration of revenue are included in Note 20. The gross carrying amount of a trade receivable is written off when the Company has no reasonable expectations of recovering the balance in its entirety or a portion thereof. The Company makes an assessment on a customer by customer basis with respect to the timing and amount of write-off based on the specific circumstances of the customer and determines the amount to write-off based on whether there is reasonable expectation of recovery.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness. The majority of the Company's current customers are large established corporations with high credit quality consisting primarily of U.S. healthcare insurance payors or self-insured employers. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 1-2 months. When determining whether there is an increase in credit risk of any of its trade receivables, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information that includes forward-looking information. At December 31, 2023 and 2022, none of these customer's balances have been written off or are credit impaired at the reporting date. There has been no change to the Company's policies and processes with respect to the way it manages credit risk.

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

Classified as Highly Confidential

18. Financial Instruments and risk management (cont'd)

At December 31, 2023 and 2022, the exposure to credit risk for trade receivables was limited to the United States (see segment information in Note 22). At December 31, 2023, two customers whose trade receivables exceeded 10% of the total trade and other receivables balance represented 89% (December 31, 2022 – 89%) of the Company's trade and other receivables.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate based on the changes in foreign exchange rates. The Company enters into transactions to purchase and sell goods denominated in foreign currencies, which relate to revenues, cost of revenue, expenses, cash, accounts receivable and accounts payable balances. Balances are subject to rate fluctuations.

As at December 31, 2023 and 2022, the following items were denominated in foreign currency:

	2023	2022
	$	$
Balances (U.S. Dollars)		
Cash	**292,861**	255,426
Trade and other receivables	**997,032**	1,008,451
Trade and other payables	**360,208**	590,667

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, on the translation of the Company's foreign currency denominated monetary assets and liabilities as at December 31, 2023 and 2022.

	Change in U.S. rate	Effect on loss before taxes in CAD
		$
2023	**10%**	**122,960**
	-10%	**(122,960)**
2022	10%	91,180
	-10%	(91,180)

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. There has been no change to the Company's policies and processes with respect to the way it manages liquidity risk.

Classified as Highly Confidential

18. Financial Instruments and risk management (cont'd)

The following are the contractual maturities of the financial liabilities as at December 31, 2023:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Trade and other payables	1,825,356	1,825,356	-	-	-
Credit facility	4,767,006	4,767,006	-	-	-
Debentures	5,390,000	3,890,000	1,500,000	-	-
	11,982,362	10,482,362	1,500,000	-	-

19. Capital management

Newtopia defines capital as its equity/deficit and debentures. The Company's capital as at December 31, 2023 is a net deficit of $4,307,654 (December 31, 2022 - net deficit of $2,055,781). The Company's objective when managing its capital is (i) to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide adequate return to shareholders by obtaining an appropriate amount of financing with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of its capital in proportion to its risk. Newtopia manages its capital structure and makes adjustments in light of changes in economic conditions and the characteristics of risk of underlying assets. In order to maintain or adjust capital structure, the Company may attempt to issue new shares or sell assets to reduce its obligations. The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during the years ended December 31, 2023 and 2022.

The Company is subject to certain financial covenants on its loan facility which have not been met at December 31, 2023 (Note 9). There has been no change to the Company's policies and processes with respect to the way it manages capital.

20. Economic dependence

During the year ended December 31, 2023, two customers whose services and product revenues exceeded 10% of the total revenue balance represented 89% of the Company's revenue (December 31, 2022 - 84%). (see note 23 Events after year end)

21. Related party transactions and balances

The Company's key management personnel are comprised of the Board of Directors and current and former members of the executive team of the Company. Key management personnel compensation for the year consisted of the following:

	2023	2022
	$	$
Salaries, fees and short-term benefits	**2,956,237**	3,338,994
Share-based benefits	**528,821**	526,019
	3,485,058	3,865,013

Classified as Highly Confidential

21. Related party transactions and balances (cont'd)

On March 10, 2023, the Company issued 2,200,000 stock options to the directors of the Company for fees related to the three months ended December 31, 2022 of $33,125 and year ended December 31, 2023 of $165,625. Each option vests quarterly over one year and is exercisable at a price of $0.105 per common share at any time up to March 3, 2028. The fair value of the stock options was determined at $198,000 using the Black-Scholes option pricing model with the following assumptions: grant date share price $0.12, risk free interest rate 3.16%, expected life of 5 years and expected volatility of 124.19%. Amortization of the fair value of the above stock options during the year ended December 31, 2023 of $186,025 was applied against the directors fees for the three month period ended December 31, 2022 and year ended December 31, 2023.

On August 9, 2022, the Company issued 516,140 stock options to the directors of the Company for fees related to the three months ended June 30, 2022 of $57,500. Each option vests quarterly over one year and is exercisable at a price of $0.20 per common share at any time up to August 9, 2027. The fair value of the stock options was determined at $54,388 using the Black Scholes option pricing model with the following assumptions: share price of $0.15, risk free interest rate of 2.89%, expected life of 5 years and expected volatility of 97.18%. Amortization of the fair value of the above stock options during the year ended December 31, 2023 of $17,935 together with amortization of $36,454 in last fiscal year was applied against the above-mentioned $57,500. As the stock options are fully amortized, the remaining outstanding balance of $3,111 is written off as a gain on settlement of the related party payable.

On April 4, 2022, the Company issued 355,785 stock options to the directors of the Company for fees related to the three-month period ended March 31, 2022 of $66,250. Each option vests quarterly over one year and is exercisable at a price of $0.26 per common share at any time up to April 4, 2027. The fair value of the stock options was determined at $59,048 using the Black-Scholes option pricing model with the following assumptions: exercise price of $0.28, risk free interest rate 2.43%, expected life of 5 years and expected volatility of 70.08%. Amortization of the fair value of the stock options during the year ended December 31, 2023 of $4,124 together with the amortization of $54,923 in last fiscal year was applied against the above-mentioned $66,250. As the stock options are fully amortized, the remaining outstanding balance of $7,203 is written off as a gain on settlement of the related party payable.

As at December 31, 2023, aggregate bonuses payable to members of the Company's executive team was $133,600 (December 31, 2022 - $196,100).

22. Segment information

In measuring performance, the Company does not distinguish or group its operations on a geographical or any other basis and accordingly has a single operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of the operations, the customer mix and an expectation that the operating segments within a reportable segment have similar long-term economic characteristics. Substantially all of the Company's long-lived assets are located in Canada and its revenue is earned primarily in the US.

23. Events after year end

On February 29, 2024 the Company closed a brokered private placement offering of 14,430,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $721,500. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.10 per common share, subject to adjustments in certain events, until March 1, 2027. The Company also concurrently closed a non-brokered private placement of 500,000 units for gross proceeds of $25,000 on the same terms as the above-mentioned brokered private placement offering.

In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. During the twelve months ended December 31, 2023, revenue from the client was $2,999,310.

Classified as Highly Confidential



Condensed Interim Consolidated Financial Statements of

NEWTOPIA INC.

For the Three Months Ended

March 31, 2024 and 2023

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

June 5, 2024

NEWTOPIA INC.
Condensed Interim Consolidated Financial Statements (Unaudited)
Three Months Ended March 31, 2024 and 2023

Table of Contents

	Page
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	2
Condensed Interim Consolidated Statements of Changes in Equity (Deficit)	3
Condensed Interim Consolidated Statements of Cash Flows	4
Notes to the Condensed Interim Consolidated Financial Statements	5 - 22

NEWTOPIA INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
As at March 31, 2024 and December 31, 2023
(Expressed in Canadian Dollars)

	Note	March 31, 2024	December 31, 2023
		$	$
Assets			
Current assets			
Cash		**329,562**	387,339
Trade and other receivables	3	**1,367,427**	1,400,959
Contract asset	8	**162,236**	259,072
Prepaid expenses and deposits		**273,287**	101,043
Inventories		**111,496**	115,232
Deferred costs		**52,850**	64,583
		2,296,858	2,328,228
Property and equipment		**3,930**	4,665
		2,300,788	2,332,893
Liabilities			
Current liabilities			
Trade and other payables		**2,318,781**	1,825,356
Credit facility	6	**4,588,213**	4,767,006
Deferred revenue		**48,185**	48,185
Debenture	5	**3,836,502**	3,723,530
		10,791,681	10,364,077
Debentures	5	**1,412,236**	1,387,476
		12,203,917	11,751,553
Equity/Deficit			
Common shares	6 (a)	**49,754,858**	49,404,596
Contributed surplus	7	**14,525,828**	14,151,188
Deficit		**(74,183,815)**	(72,974,444)
		(9,903,129)	(9,418,660)
		2,300,788	2,332,893
Nature of business and going concern	1		

Signed on behalf of the Board:

"Jeffrey Ruby" — *Director*

"Karen Basian" — *Director*

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

NEWTOPIA INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
Three Months Ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Note	2024	2023
		$	$
Revenue	8,12	**1,814,000**	2,648,657
Cost of revenue	5	**899,396**	1,275,682
Gross profit		**914,604**	1,372,975
Operating expenses			
Technology and development		**435,242**	922,065
Sales and marketing		**248,372**	426,170
General and administrative		**898,457**	958,708
Share-based compensation	9	**73,665**	93,290
Depreciation of property and equipment		**735**	1,549
		1,656,471	2,401,782
Other expenses			
Interest on lease obligations		**-**	12,590
Interest and accretion expense		**267,361**	169,695
Finance charges		**129,025**	109,648
Foreign exchange loss		**3,308**	18,272
Loss on settlement of related party payable		**9,797**	-
Amortization of deferred finance charges		**58,013**	33,815
		497,504	344,020
Net loss and comprehensive loss		**(1,209,371)**	(1,372,827)
Loss per share			
Basic and diluted	11	**(0.01)**	(0.01)
Weighted average number of common shares outstanding			
Basic and diluted		**163,585,413**	133,083,887

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

NEWTOPIA INC.

Condensed Interim Consolidated Statements of Changes in Equity (Deficit) (Unaudited)
Three Months Ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Note	Common Shares	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance, December 31, 2023		**49,404,596**	**14,151,188**	**(72,974,444)**	**(9,418,660)**
Net loss and comprehensive loss		**-**	**-**	**(1,209,371)**	**(1,209,371)**
Share-based compensation		**-**	**73,665**	**-**	**73,665**
Private Placement Offering of Units, net of issuance costs	6 (a)	**373,549**	**267,891**	**-**	**641,440**
Compensation options issued to brokers	6 (a)	**(23,287)**	**23,287**	**-**	**-**
Settlement of related party payable		**-**	**9,797**	**-**	**9,797**
Balance, March 31, 2024		**49,754,858**	**14,525,828**	**(74,183,815)**	**(9,903,129)**
Balance, December 31, 2022		47,978,992	12,861,449	(66,374,097)	(5,533,656)
Net loss and comprehensive loss		-	-	(1,372,827)	(1,372,827)
Share-based compensation		-	93,290	-	93,290
Settlement of related party payable		-	38,542	-	38,542
Private placement offering of Units, net of issuance costs	6 (a)	930,218	537,077	-	1,467,295
Compensation options	6 (a)	(26,443)	26,443	-	-
Balance, March 31, 2023		48,882,767	13,556,801	(67,746,924)	(5,307,356)

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

NEWTOPIA INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
Three months Ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Note	Three months Ended March 31, 2024	2023
		$	$
Cash flows used in operating activities:			
Net loss and comprehensive loss		**(1,209,371)**	(1,372,827)
Items not involving cash:			
Depreciation of property and equipment		**735**	1,549
Amortization of intangible asset		**-**	206,513
Amortization of deferred finance charges		**58,013**	33,816
Debenture interest and accretion expense		**137,728**	74,920
Interest on lease obligations		**-**	12,590
Share-based compensation	9	**73,665**	93,290
Loss on settlement of related party payable		**9,797**	-
		(929,433)	(950,149)
Net change in non-cash working capital			
Trade and other receivables		**33,532**	87,753
Prepaid expenses and deposits		**(172,244)**	22,112
Inventories		**3,736**	110,595
Trade and other payables		**493,424**	(225,458)
Contract asset/liability		**96,836**	134,600
		(474,149)	(820,547)
Cash flows used in investing activities			
Purchase of property and equipment		**-**	(1,099)
		-	(1,099)
Cash flows from (used in) financing activities:			
Credit facility withdrawals	6	**1,433,004**	1,415,546
Credit facility repayments	6	**(1,611,792)**	(1,804,900)
Credit facility financing costs	6	**(46,280)**	(14,500)
Repayment of lease obligations		**-**	(249,375)
Proceeds from private placement issuance of Units, net of issuance costs	6 (a)	**641,440**	1,467,295
		416,372	814,066
Decrease in cash		**(57,777)**	(7,580)
Cash, beginning of period		**387,339**	345,950
Cash, end of period		**329,562**	338,370
Supplemental disclosure of cash flow information,			
Interest paid		**258,658**	197,723
Non-cash settlement of related party payable		**9,797**	38,542

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

1. Nature of business and going concern

Newtopia Inc. (“Newtopia” or the "Company") is a technology enabled habit change company that delivers disease prevention solutions by leveraging genetic testing, social and behavioral science to help individuals prevent chronic disease and reduce costs for health insurers. Newtopia was incorporated on May 9, 2008, pursuant to the provisions under the Business Corporations Act of Ontario, Canada. The Company’s corporate headquarters and registered head office are located at 33 Bloor Street East, 5th Floor, Toronto, Ontario, M4W 3H1. The Company trades on the TSX Venture Exchange (the "TSX-V") under the symbol "NEWU".

The Company’s unaudited condensed interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a comprehensive loss of $1,209,371 for the three months ended March 31, 2024 and as of that date has an accumulated deficit of $74,183,815. On March 7, 2023, the Company closed a private placement offering of units for gross proceeds of $1,534,960 (See Note 6 (a)). On February 29, 2024, the Company closed a private placement offering of units for gross proceeds of $746,500 (See Note 6 (a)) The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the company's ability to continue as a going concern.

The unaudited condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

2. Basis of presentation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), using International Accounting Standard (“IAS 34”), Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Newtopia US Inc. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2023 and accompanying notes. The Company has followed the same basis of presentation, accounting policies and method of computation for these unaudited condensed interim financial statements as were disclosed in the audited financial statements for the year ended December 31, 2023.

The unaudited condensed interim consolidated financial statements were approved for issuance by the Board of Directors on June 5, 2024.

3. Trade and other receivables

	March 31, 2024	December 31, 2023
	$	$
Trade receivables	**1,322,151**	1,334,260
Indirect taxes receivable	**45,276**	66,699
	1,367,427	1,400,959

The Company has estimated and set its expected credit losses at nil (March 31, 2023 - $Nil) based on the Company’s historical collection and loss experience and incorporates forward-looking factors, where appropriate.

4. Credit facility

On December 4, 2020, the Company closed an Operating Credit Line Agreement (the “Facility”) in the amount of $5,000,000 with a Schedule I bank (the “Bank”). The Company could avail itself of the operating credit under the Facility by way of either Canadian dollars at prime lending rate plus 2.25% or United States dollars at the U.S. base lending rate plus 2.25%. The Facility is secured by all Newtopia property and is subject to certain covenants where the Company is required to meet minimum cash runway ratios. The Company intends to use the operating line facility to fund working capital requirements as needed.

In connection with the Facility, the Company was required to obtain a guarantee from Export Development Canada (“EDC") of 50% of the available Facility plus accrued and unpaid interest up to a maximum of 120 days (the "Guaranteed Amount"). The Company agreed to pay a guarantee fee of 2.35% of the Guaranteed Amount and guaranteed interest on outstanding amounts at the Lender’s Prime Rate minus 0.05%. The initial guarantee covered the period from October 14, 2020 to September 30, 2021 (the "Guarantee Period"). In October 2021 the guarantee was extended until September 30, 2022. In October 2022, the guarantee was further extended until October 2024. As the Facility can be drawn upon and then repaid by the Company repeatedly throughout the term, the guarantee fees are in the nature of a facility fee and not specific to an amount borrowed. On this basis, the Company has deferred and amortized the guarantee fees over the Guarantee Periods regardless of whether there have been any draw-downs by the Company.

In accordance with the terms of the Facility, the Lender received 210,526 Warrants (the "Facility Warrants") on December 4, 2020, with each Warrant entitling the Lender to acquire one common share at a price of $0.95 at any time within the earlier of maturity date of the Facility and December 4, 2025. The fair value of the Facility Warrants was determined at $84,314 using the Black Scholes valuation model with the following assumptions: risk free interest rate of 0.27%, expected life of 5 years and expected volatility of 73.75%. The Company has classified the Facility Warrants within equity with the value of the Facility Warrants being treated as a transaction cost and deferred and amortized over the term of the Facility. The Facility Warrants expired unexercised on December 4, 2022.During the three months ended March 31, 2024, the Company incurred guarantee fees of $31,730 and recognized amortization of guarantee fees in the unaudited Condensed Interim Statements of Loss and Comprehensive Loss of $31,063 (three ended March 31, 2023 - $14,340). As at March 31, 2024, the balance of unamortized deferred transaction costs related to deferred transaction costs was $667 (December 31, 2023 - nil).

The Company was not in compliance with the Facility's minimum cash runway ratio covenant during certain months of 2021. In July 2021, the Bank agreed to not accelerate repayment of the Facility on the condition that the Company enter into a term sheet for a minimum $2,000,000 capital injection by August 15, 2021 with the funds received no later than August 31, 2021. Any injection in the form of debt financing would be fully subordinated to the Bank's Facility. Pursuant to a term sheet dated August 10, 2021, the Company closed a private placement of $2,545,000 debenture units on September 15, 2021 (see Note 5 (a)).

On September 20, 2021, the bank agreed to increase the Facility from $5,000,000 to $7,500,000, waive the Company's breach of its minimum cash runway ratio covenants for the selected months and reduce the threshold for the cash runway ratio covenant for the months from September to December 2021. On October 1, 2021, the EDC increased the Guaranteed Amount to 50% of the $7,500,000 Facility. On January 31, 2022, the Company entered into an amendment with the bank to keep the reduced cash runway ratio covenant in place until May 31, 2022.

On June 29, 2022, the Company entered into a second amendment of the Facility with the Bank to replace the cash runway ratio covenant with a covenant to maintain minimum total liquidity thresholds for the months from May to September 2022 and to reduce the cash runway ratio covenant for the month of October 2022.

The Company was not in compliance with the runway ratio and liquidity covenants. On November 1, 2022, the Bank agreed to not accelerate repayment of the Facility on the conditions that the Company receives minimum capital injections of $700,000 by November 11, 2022 and $2,500,000 by December 15, 2022. Until the capital injections conditions are met, the maximum credit on the Facility was capped at $4,880,760. Any injection in the form of debt financing would be fully subordinated to the bank's Facility. On October 26, 2022 and November 9, 2022, the Company issued $300,000 and $250,000 in subordinated 12% promissory notes, respectively, for an aggregate issuance of $550,000, including $50,000 provided by a director of the Company. On December 15, 2022, the Company repaid the promissory notes and issued subordinated 13% secured non-convertible debenture units for gross proceeds of CAD$1,350,000 (see Note 5 (d)) which includes $400,000 from the holders of the promissory notes.

4. Credit Facility (Cont'd)

On May 15, 2023, the Bank issued a letter to the Company agreeing to refrain from accelerating repayment of the Facility subject to the agreement by the Company to the following, i) the Company is to provide evidence by May 31, 2023 of its intention to raise capital of no less than $1,500,000 by June 30, 2023, ii) the Facility is to be repaid in full on or prior to November 30, 2023, iii) effective May 23, 2023, the Company is to pay 15% annual interest on advances in excess of the lesser of the borrowing base and the maximum limit of the Facility which is adjusted from $4,880,760 to $4,900,000, and iv) pricing on the Facility is increased by 3% per annum, payable in kind and subject to ratable forgiveness tied to full repayment of the loan before November 30, 2023. On July 14, 2023, the Company raised $1,500,000 (See Note 7(b)). The Bank is continuing credit to the Company on a day-to-day basis subject to no further defaults and deterioration of its position.

As of March 31, 2024, $4,588,213 was outstanding on the Facility (December 31, 2023 - $4,767,006). Interest expense for the three months ended March 31, 2024 was $115,058. (three ended March 31, 2023 - $102,948).

Newtopia provides regular updates on all strategic alternatives to the Bank, and the Bank is continuing to provide credit as Company plans begin to materialize.

5. Debentures

The following table is a summary of the amortized cost of the Debentures:

	8% (a)	**12% (a)**	**12% ((b)**	**13% (c)**	**13% (d)**	**Total**
	$	$	$	$	$	$
Balance, December 31, 2022	**2,409,103**	**-**	**-**	**-**	**1,068,772**	**3,477,875**
Value of liability component, net of issuance costs	-	1,671,072	723,369	1,302,584	-	3,697,025
Interest and accretion	307,071	82,402	38,487	176,248	303,942	908,150
Repayment	(967,900)	(11,567)	-	(48,750)	(1,31,625)	(1,159,842)
Loan extinguished (7)(a)	(1,735,000)	-	-	--	-	(1,735,000)
Loan restated on modification	(6,380)	(63,928)	-	-	-	(70,308)
Loan modification costs (7)(a)	(6,894)	-	-	-	-	(6,894)
Balance, December 31, 2023	**-**	**1,677,979**	**761,856**	**1,430,082**	**1,241,089**	**5,111,006**
Interest and accretion	-	70,947	40,808	73,506	81,470	266,731
Repayment		(41,614)	(23,017)	(21,125)	(50,853)	(136,609)
Balance, March 31, 2024	**-**	**1,707,312**	**779,647**	**1,482,463**	**1,271,706**	**5,241,128**

	$	**$**	**$**	**$**	**$**	$
Current portion - payable no later than one year	**-**	**1,707,309**	**780,277**	**70,231**	**1,278,685**	**3,836,502**
Non-current portion	**-**	**-**	**-**	**1,412,236**	**-**	**1,412,236**
	-	**1,707,309**	**780,277**	**1,482,467**	**1,278,685**	**5,248,738**

(a) September 2021 offering of 8% secured non-convertible debentures

On September 15, 2021, the Company closed a non-brokered private placement of subordinated and postponed 8.0% secured non-convertible debenture units (the "8% Debenture Units") for gross proceeds of $2,545,000. Upon the maturity of the 8% Debentures on September 15, 2023, the Company amended $1,735,000 of the $2,545,000 8% Debentures to (a) extend the maturity date of the Debentures by one year to September 15, 2024; (b) bear

5. Debenture (Cont'd)

interest at a rate of 12% for the period from September 15, 2023 until the new maturity date; and (c) include an early repayment fee equal to (i) six percent (6%) of the principal amount of the Debentures if such repayment occurs prior to March 15, 2024; or (ii) four percent (4%) of the principal amount of the 8% Debentures if such repayment occurs following March 15, 2024 but prior to September 15, 2024 (the "Amendment Debentures"). As consideration, the holders that agree to the amendments will receive, for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Amendment Shares") as is equal to 10% of the principal of amount of Amendment Debentures held divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Bonus Amendment Shares are subject to a four month hold period that expires on January 16, 2024. An aggregate of 1,508,682 Bonus Amendment Shares were issued to the holders of the $1,735,000 Amendment Debentures.

On September 15, 2023, the Company repaid $30,000 of the $2,545,000 8% Debentures. The remaining $780,000 of the $2,545,000 8% Debentures was extended at the maturity date by one month until October 15, 2023, which was repaid on that date.

(b) September and October 2023 offering of 12% secured non-convertible replacement debentures

On September 11, 2023, the Company announced a non-brokered offering (the "Replacement Offering") of subordinated and postponed 12% secured non-convertible debenture units (the "Replacement Units"). Up to 255 Replacement Units may be issued pursuant to the Replacement Offering. Each Replacement Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "Replacement Debentures"); and (ii) for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Replacement Shares") as is equal to 10% of the principal amount of the Replacement Debentures purchased divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Replacement Debentures will mature on the date that is 12 months from the closing date of the Replacement Offering and are secured by the assets of the Company and bear interest at a rate of 12% per annum payable quarterly in arrears in cash. The Replacement Debentures may be repaid in part or in full at any time subject to an early repayment fee equal to: (i) six percent (6%) of the principal amount of the Replacement Debentures if such repayment occurs prior to six months following the closing date; or (ii) four percent (4%) of the principal amount of the Replacement Debentures if such repayment occurs following the date that is six months following the closing date but prior to the maturity date.

On September 29, 2023, the Company closed the first tranche of Replacement Units for gross proceeds of $380,000. The Replacement Debentures will mature on September 29, 2024. An aggregate of 330,424 Bonus Replacement Shares were issued in connection with the closing of the first tranche. The principal amount net of transactions costs was $339,190, of which $323,890 was recorded as Replacement Debentures and $15,300 was recorded as common shares relating to the Bonus Replacement Shares.

On October 13, 2023, the Company closed the second and final tranche of the Replacement Units for gross proceeds of $425,000. The Replacement Debentures will mature on October 13, 2024. An aggregate of 369,565 Bonus Replacement Shares were issued in connection with the closing of the final tranche. The principal amount net of transactions costs was $418,350, of which $399,480 was recorded as Replacement Debentures and $18,870 was recorded as common shares relating to the Bonus Replacement Shares.

(c) July 2023 offering of 13% secured non-convertible debentures

On July 14, 2023, the Company closed a non-brokered offering (the "July 2023 Offering") of subordinated and postponed 13% secured non-convertible debenture units (the "July 2023 Debenture Units") for gross proceeds of $1,500,000. Each July 2023 Debenture Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "July 2023 Debentures"); and (ii) for no additional consideration, 30,769 common shares of the Company (the "July 2023 Bonus Shares"). The July 2023 Bonus Shares are calculated based on 20% of the principal amount of the July 2023 Debentures purchased divided by $0.065, being the closing market price of the common shares of the Company on June 29, 2023, (the trading day prior to the day on which the July 2023 Offering was initially announced on June 30, 2023). The securities issued pursuant to the July 2023 Offering are subject to a four month hold period that expires on November 15, 2023. An aggregate of 4,615,366 July 2023 Bonus Shares were issued in connection with the closing of the offering. The Debentures will mature on July 14, 2025 and are secured by the assets of the Company and bear interest at a rate of 13.0% per annum payable quarterly in arrears in cash. The principal amount net of transactions costs was

5. Debenture (Cont'd)

$1,370,559, of which $1,279,228 was recorded as July 2023 Debentures and $91,331 was recorded as common shares relating to the July 2023 Bonus Shares.

(d) December 2022 offering of 13% secured non-convertible debentures

On December 15, 2022, the Company closed a non-brokered offering of subordinated and postponed 13% secured non-convertible debenture units for gross proceeds of $1,350,000.

Each unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "December 2022 Debentures"); and (ii) for no additional consideration, 66,666 common shares of the Company (the "December 2022 Bonus Shares"). The Bonus Shares are calculated based on 20% of the principal amount of the December 2022 Debentures purchased divided by $0.03, being the closing price on the trading day prior to the day on which the offering was initially announced on November 30, 2022. An aggregate of 8,999,990 Bonus Shares were issued. The securities issued are subject to a four month hold period that expires on April 16, 2023.

The December 2022 Debentures will mature on December 15, 2024 and are secured by the assets of the Company and rights of the Company subordinated to the Credit Facility and bear interest at a rate of 13.0% per annum payable quarterly in arrears in cash.

The December 2022 Debentures cannot be redeemed for four months from closing of the offering; however can thereafter be repaid in part or in full at any time subject to an early repayment fee equal to: (i) 6% of the principal amount of the 13% Debentures if repayment occurs prior to the date that is six months following the closing date; (ii) 4% of such principal amount if repayment occurs following the date that is six months following the date of closing but prior to the first anniversary; (iii) 3% of such principal amount if repayment occurs following the first anniversary but prior to the date that is six months following such first anniversary; or (iv) 2% of such principal amount if repayment occurs following the date is six months following the first anniversary of the closing date but prior to the date of maturity.

The principal amount net of transactions costs was $1,316,964, of which $1,056,357 was recorded as December 2022 Debentures and $260,607 was recorded as common shares relating to the December 2022 Bonus Shares.

6. Equity

(a) Common shares, authorized unlimited

	Number of Shares	Amount
		$
Balance, December 31, 2023	**158,335,303**	**49,404,596**
Private placement, net of issuance costs	14,930,000	373,549
Compensation options issued to brokers	-	(23,287)
Balance, March 31, 2024	**173,265,303**	**49,754,858**

6. Equity (cont'd)

On February 29, 2024, the Company closed a brokered private placement offering of 14,430,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $721,500. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant ("Bonus Warrants"). Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.10 per common share, subject to adjustments in certain events, until March 1, 2027. In consideration for the services provided by an agent of the offering, the agent received (i) a cash fee of $38,675; and (ii) 721,000 non-transferable broker warrants ("Broker Warrants"), each of which is exercisable for one common share of the Company at $0.05 per share, subject to adjustments in certain events, until March 1, 2026. Proceeds of this offering net of transaction costs was $617,690.

The Company also concurrently closed a non-brokered private placement offering of 500,000 units for gross proceeds of $25,000 on the same terms as the brokered private placement offering. A finder acting in connection with this placement received $1,250 finder fees and 25,000 finder's warrants exercisable for the Company's common shares on substantially the same terms as the Broker Warrants. Proceeds of this offering net of transaction costs was $23,750. Net proceeds of these two offerings totaled $641,440, of which $373,549 was recorded as common shares and $267,891 was recorded as contributed surplus in relation to the Bonus Warrants.

All securities issued in connection with these offerings are subject to a hold period which will expire on June 30, 2024. The net proceeds of the offerings are used to fund general working capital and for general corporate purposes.

On March 7, 2023, the Company closed a private placement offering of units (the "March 2023 Units") at a price of $0.07 per unit for gross proceeds of $1,534,960. Each March 2023 Unit is comprised of: (i) one Common Share in the capital of the Company; (ii) a first one-half of one Common Share purchase warrant (each whole first warrant, an "A Warrant"); and (iii) a second one-half of one Common Share purchase warrant (each whole second warrant, a "B Warrant"). Each A Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.10 per A Warrant Share for a period of six months from the closing date of the offering. Each B Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per B Warrant Share for a period of 24 months from the closing date of the Offering. As consideration for certain services provided to the Company in connection with the offering, the Company paid an aggregate of $42,151 and issued 595,021 compensation options (the "Compensation Options") exercisable to acquire one Common Share at a price of $0.07 per Common Share for a period of 24 months following the closing date of the offering, as finders' fees to certain persons. During the nine months ended September 30, 2023, the Company received total cash proceeds of $258,299 from the exercises of 2,565,490 A Warrants (the remaining 8,398,510 A Warrants expired on September 7, 2023) and 25,000 Compensation Options (the remaining 570,021 to expire on March 7, 2025).

6. Equity (cont'd)

(b) Warrants

As at March 31, 2024 and 2023, the Company has the following warrants outstanding with the corresponding average exercise prices:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, December 31, 2023	**24,274,290**	**0.188**
Bonus warrants issued on brokered private placement offering of Units *(Note 6 (a))*	14,430,000	0.10
Broker warrants issued on brokered private placement offering of Units *(Note 6 (a))*	721,000	0.0536
Bonus warrants issued on non-brokered private placement offering of Units *(Note 6 (a))*	500,000	0.10
Finder's warrants issued on non-brokered private placement offering of Units *(Note 6 (a))*	25,000	0.0536
Balance, March 31, 2024	**39,950,290**	**0.153**
Balance, December 31, 2022	**13,804,106**	**0.31**
A Warrants issued on private placement offering of Units *(Note 6 (a))*	10,964,000	0.10
B Warrants issued on private placement offering of Units *(Note 6 (a))*	10,964,000	0.15
Compensation Options (Note 6 (a))	595,021	0.07
Balance, March 31, 2023	**36,327,127**	**0.20**

6. Equity (cont'd)

The following table reflects the actual warrants issued and outstanding as of March 31, 2024:

Expiry date	Exercise Price	Number of Warrants
	$	
April 2024	0.30	8,750,000
April 2024	0.02	904,050
February 2025	0.0001	2,000,000
March 2025 (Note 6 (a))	0.15	10,964,000
March 2025 (Note 6 (a))	0.07	570,021
July 2025	0.065	872,307
September 2025	0.065	198,260
October 2025	0.115	15,652
March 2026	0.0536	746,000
March 2027	0.10	14,930,000
		39,950,290

The following table reflects the actual warrants issued and outstanding as of March 31, 2023:

Expiry date	Exercise Price	Number of Warrants
	$	
May 2023	0.70	1,711,279
September 2023	0.10	10,964,000
September 2023 [(i)]	0.75	438,777
April 2024	0.30	8,750,000
April 2024	0.02	904,050
February 2025	0.0001	2,000,000
March 2025	0.07	595,021
March 2025	0.15	10,964,000
		36,327,127

7. Contributed surplus

	March 31, 2024	December 31, 2023
	$	$
Stock options	**8,179,282**	8,095,819
Warrants	**6,346,546**	6,055,369
	14,525,828	14,151,188

8. Revenue

The Company has recognized the following amounts relating to revenue in the Condensed Interim Statements of Loss and Comprehensive Loss in the three months ended March 31, 2024 and 2023:

	2024	2023
	$	$
Engaged participant and variable consideration	**1,505,495**	2,148,973
Welcome kits	**308,505**	499,684
	1,814,000	2,648,657

The Company recognizes contract assets or contract liabilities with respect to its success fees, guarantee fees and other allocations relating to sale of its bundled products. The Company account for contract assets and liabilities on a contract-by-contract basis with each contract presented as a net contract asset or a net contract liability accordingly.

Contract assets relate to success fees for which the Company believes a significant reversal of revenue will not occur, but the right to related consideration is conditional on achievement of certain metrics.

Contract liabilities relate to the Company's estimate of the amount of consideration it expects to refund to its customers, material future rights expected to be exercised by customers and discounts provided to customers (due to the allocation of the transaction price to the performance obligations).

Below is a summary of contract assets and contract liabilities from contracts with customers and the significant changes in those balances during three months ended March 31, 2024 and 2023:

	$
Contract asset (liability)	
Balance, December 31, 2023	**259,072**
Estimated variable consideration	(30,000)
Settlement of variable consideration	(66,836)
Balance, March 31, 2024	**162,236**
Balance, December 31, 2022	**190,000**
Estimated variable consideration	230,318
Settlement of variable consideration	(161,246)
Balance, March 31, 2023	**259,072**

9. Share-based payment arrangements

The Company has established a stock option plan for the benefit of its employees, directors, officers and consultants. The maximum number of options that may be granted under the original plan was 18,114,870. On September 14, 2022, the Shareholders approved an increase to the maximum number of options to 23,598,557. The options are exercisable for a period of up to 5 years.

The Board of Directors determines the vesting schedule, exercise price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option. Vesting is contingent upon continuous service and or employment through the specific vesting date and have an exercise price as set forth in the option certificate issued in respect of such option and in any event shall not be less than market price of the common shares as of the award date.

The number and weighted-average exercise price of options under the stock option program were as follows:

	Number of Options	Weighted Average Exercise Price
		$
Outstanding, as at December 31, 2023	**19,482,823**	**0.49**
Granted	-	-
Expired	-	-
Forfeited	(467,912)	0.32
Options outstanding, March 31, 2024	**19,014,911**	**0.27**
Outstanding, as at December 31, 2022	**12,903,549**	**0.49**
Granted	10,600,000	0.10
Exercised	(60,000)	0.68
Forfeited	(120,282)	0.56
Options outstanding, March 31, 2023	**23,323,267**	**0.31**

The Company recognized share-based compensation expense of $73,665 for the three ended March 31, 2024, with a corresponding amount recognized to Contributed Surplus (three months ended March 31, 2023 - $93,290).

The following table is a summary of the Company's stock options outstanding as at March 31, 2024:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$	#	#	$	#	$
0.105 - 0.20	10,910,298	3.90	0.11	5,467,342	0.11
0.21 - 0.40	2,617,907	1.92	0.26	2,186,192	0.26
0.41 - 0.60	3,288,286	1.30	0.44	3,207,844	0.44
0.61 - 0.85	2,198,420	1.61	0.85	2,198,420	0.85
Balance, March 31, 2024	**19,014,911**	**2.91**	**0.27**	**13,059,798**	**0.34**

9. Share-based payment arrangements (cont'd)

The following table is a summary of the Company's stock options outstanding as at March 31, 2023:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$	#	#	$	#	$
0.145 - 0.20	11,201,140	4.91	0.11	272,642	0.20
0.21 - 0.40	2,964,993	3.17	0.26	1,776,840	0.27
0.41 - 0.60	6,575,989	1.46	0.48	6,273,891	0.48
0.61 - 0.80	188,571	0.10	0.70	188,571	0.70
0.81 – 1.00	2,392,574	2.63	0.85	1,909,873	0.85
Balance, March 31, 2023	**23,323,267**	**3.45**	**0.31**	**10,421,817**	**0.51**

10. Related party transactions

The Company's key management personnel are comprised of the Board of Directors and current and former members of the executive team of the Company. Key management personnel compensation for the three and three months ended March 31, 2024 and 2023 consisted of the following:

	Three Months Ended March 31,	
	2024	2023
	$	$
Salaries, fees and short-term benefits	**593,607**	872,888
Share-based benefits	**79,540**	126,787
	673,147	999,675

As at March 31, 2024, aggregate bonuses payable to members of the Company's executive team was $153,600 (December 31, 2023 - $133,600).

11. Loss per share

As a result of losses reported during the three months ended March 31, 2024 and 2023, the outstanding stock options and warrants have an anti-dilutive effect and are not included in the computation of diluted loss per share. Consequently, basic and diluted loss per share are the same.

12. Economic dependence

During the three months ended March 31, 2024, two customers whose services and product revenues exceeded 10% of the total revenue balance represented 82% of the Company's revenue (March 31, 2023 - 90%).

In March 2024 a client who accounted for approximately 30% of our fiscal year 2023 revenue informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. To address the financial impact upon the departure of this client, management is actively reducing variable costs associated with this lost revenue, accelerating new market opportunities, and exploring a variety of strategic alternatives.



Management's Discussion and Analysis

Dated: June 5, 2024

For the Fourth Quarter and Fiscal Year Ended December 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("**MD&A**") is provided to enable readers to assess the results of the operations and financial condition for Newtopia for the twelve months ended December 31, 2023. This MD&A is dated June 5, 2024 and should be read in conjunction with the annual audited financial statements and related notes for the years ended December 31, 2023 and 2022 (the "**Annual Financial Statements**"). Unless the context indicates otherwise, references to "Newtopia", "the Company", "we", "us" and "our" in this MD&A refer to Newtopia Inc. and its operations.

Forward-looking information

Certain information included in this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This information includes, but is not limited to, statements made in "Business Overview", "Results from Operations", "Debt Operations", "Debt-Profile" and other statements concerning Newtopia's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events or the negative thereof. Such forward-looking information reflects management's beliefs and is based on information currently available. All forward-looking information in this MD&A is qualified by the following cautionary statements.

Forward-looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Although Newtopia believes that the expectations reflected in such forward-looking information is reasonable and represents the Company's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Company's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include, but are not limited to: ability to maintain and expand its customer base with products that result in lasting health benefits to customers; ability to invest in technology as tools to support and enhance the customer experience; risks of regulatory changes applicable to the healthcare industry in the United States; general economic conditions that we operate in; and the ability to raise financing to fund capital expenditures and operations. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this MD&A is made as of the date of this MD&A and should not be relied upon as representing the Company's view as of any date subsequent to the date of this MD&A. Management undertakes no obligation, except as otherwise required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Classified as Highly Confidential

Business Overview

Newtopia was incorporated on May 9, 2008, pursuant to the provisions under the Ontario *Business Corporations Act*. The Company's shares are listed on the TSX Venture Exchange under the symbol "NEWU" and on the U.S. OTCQB® Venture Market under the ticker "NEWUF".

The Company's head office is located at 33 Bloor Street East, 5th Floor, Toronto, Ontario, M4W 3H1.

Newtopia is a tech-enabled whole health platform helping people create positive lifelong habits that prevent, slow, or reverse chronic disease while reducing healthcare costs for health insurers. The platform leverages genetic, social and behavioral insights to create individualized prevention programs with a focus on metabolic disease, diabetes, mental health challenges, hypertension, weight management and musculoskeletal disorders. With a person-centered approach that combines virtual care, digital tools, connected devices and actionable data science, Newtopia delivers sustainable clinical and financial outcomes.

Each personalized program aims to sustainably reduce the five primary metabolic risk factors of chronic disease, including (1) waist circumference or BMI, (2) blood pressure, (3) blood glucose, (4) triglycerides, and (5) cholesterol, along with mental and emotional health risk factors, thereby delivering proven meaningful and growing healthcare risk reduction to individuals and cost savings to risk-bearing employers or insurers. While many population and disease management companies today focus on either managing those with chronic disease or offering general wellness or engagement solutions across the entire member population, the Company's platform instead targets the approximately 50% to 80% at-risk population. Newtopia enables participants to sustainably change habits, maintain health, avoid or reduce their likelihood of developing chronic disease and reduce exorbitant healthcare costs in the United States by delivering clinical and cost savings outcomes proven to grow and improve over time.

The Company's personalized habit change platform focuses on physical and mental health risk reduction (i.e. whole person care) rather than disease management or aesthetic weight loss. The Company believes it is time to get ahead of the increasing prevalence of chronic disease and focus on sustainable prevention rather than disease management. The key to achieving sustainable risk and cost reduction is a focus on building confidence and habit change as opposed to increasing knowledge and education. While disease prevention is still limited in the market, most disease prevention guidelines and offerings focus on teaching a "one-size-fits-all" curriculum in order to build greater knowledge of how to live a healthier lifestyle. Built on similar assumptions as those within the dominant one-size-fits-all education model, the end goal of curriculum-based prevention is to educate individuals in order to build enough knowledge that will hopefully translate into the appropriate behaviour changes to reduce risk. However, in a personalized habit change model, the ultimate goal is not to teach and build knowledge; rather, it is to inspire and instill confidence in order to build new progressive habits and reduce risk. The biggest advantage of a habit change platform relative to a learning platform is sustainability and growth of outcomes and cost savings. With a habit change platform, the value increases over 12 and 24 months (and beyond) as opposed to producing short-term outcomes within the first few months, with both clinical risk factors and costs returning the following year. Therefore, habit change platforms produce a higher level of engagement, clinical risk reduction and cost savings that grow over time compared to many existing knowledge-based models.

The Company's patented persuasive enterprise technology platform converges genetic testing and the latest social and behavioural science with real-time online human coaching and a cutting-edge virtual platform, wireless tracking devices, personalized gamification and a curated social health network to ensure lasting results at scale and a strong return on investment for risk-bearing insurers.

The Company markets to individuals (employees of the self-insured employer market or members of private and public health plans) covered by risk-bearing insurers that have out-of-range physical and mental health

Classified as Highly Confidential

risk factors and is paid by the risk-bearing insurer on behalf of the member. These out-of-range factors can be identified by leveraging existing risk identification data including in-person biometric test outcomes, health risk assessments, claims or risk screener data. Eligible at-risk individuals are offered an exclusive invitation to enroll. Once enrolled, they are referred to as participants, and complete a personal profile which helps the Company understand their personality type, level of motivation, readiness to change, eating habits, activity level and underlying social determinants of health. Participants are then personality-matched with a Company Inspirator who acts as a personal health coach and works with each participant to build confidence and develop new progressive habits with respect to nutrition, exercise and behavioural/mental well-being. Participants and Inspirators meet virtually which leverages a combination of online video, text messaging, email or telephone. The use of virtual care has been part of the Newtopia program since day one, enabling the company to continually optimize its philosophy of humans helping humans amplified by technology.

In addition to working with a health coach, participants are also provided tools for success in their personal program. These tools can include a genetic test, smart scale, activity tracker, and access to a personalized mobile or web app. The Company's mobile platform provides participants access to their Inspirator, video lessons, reporting from bio-sensors, goals, messaging, and their progress from anywhere in the world. It also helps to extend the relationship between participant and Inspirator and increase accountability and engagement between coaching sessions.

Newtopia is a pioneer in genetic engagement and leveraging behavioral genetic testing primarily for habit change and engagement purposes. Newtopia's genetic testing allows the Company to help participants understand if they have inherited genetic factors that may be having an impact on their physical or mental health and to personalize lifestyle recommendations by gaining a deeper understanding of how genes impact an individual's risk. Newtopia's behavior genetic test is designed specifically to look for genetic characteristics related to physical and mental health as well as lifestyle management. The Company provides specific genetically-driven recommendations that are evidence and guideline-based for nutrition, exercise and behaviour management to combat the potential effect of those genetic characteristics. These recommendations could include changes in the proportion of fats, carbohydrates and proteins the participant eats, the form and intensity of exercise required to burn a sufficient number of calories and appropriate behavioural and mental health support and exercises related to satiety signals, cravings and resilience to stress. These genetically driven recommendations are then incorporated into the participant's personalized lifestyle plan to further refine and personalize each participant's experience in order to create more durable habit change. Newtopia's Innovation Lab is frequently working on identifying new genes that could prove helpful in chronic disease prevention.

In addition to its whole person care solution for lowering risk for broad chronic disease prevention, Newtopia delivers individualized support through the following personalized program focus areas:

1. Habit Change and Resiliency
2. Weight Management
3. Diabetes Prevention
4. Hypertension and Heart Health
5. Healthy Living with Diabetes

Corporate Update

Revenue during the three and twelve months ended December 31, 2023 of $2,343,249 and $9,783,546 decreased by 25% and 12%, respectively over the same periods of the previous year. The decreases are mainly attributed to lower engaged participant fees which were charged based on engagement criteria as

Classified as Highly Confidential

defined in each customer's contract such as the number of coaching sessions or logging weight through a smart weight scale.

During the quarter ended December 31, 2023, the Company performed an impairment test of intangible asset in accordance with IAS 36 - Impairment of assets. The intangible asset consists of the purchase and customization of a new customer relationship management platform and the development of integrated web and mobile applications in fiscal year 2021 and was available for use by the end of fiscal year 2022. Given that the Company's internal plan of generating revenue from the intangible asset remained on hold due to cost cutting efforts in order to achieve positive cash flows from operations, and the Company's external licensing plan was still under negotiations with potential business partners, the Company's management concluded that the carrying amount of $2,409,314 as at December 31, 2023 should be fully impaired until the business plans are in a more advanced stage or materialized, at which point the impairment may possibly be reversed in whole or in part. This impairment loss was presented as an operating expense in the Statements of Loss and Comprehensive Loss for the year ended December 31, 2023.

Operating expenses during the three and twelve months ended December 31, 2023 of $4,110,426 and $10,282,934 have increased by 24% and decreased by 20% respectively, over the same periods of the previous year. The increase during the current quarter compared with the same quarter of last year is due to the $2,409,314 impairment of intangible and partially offset by lower technology and development, sales and marketing, general and administrative expenses due to reductions in headcounts, outside purchases and marketing activities that did not meet the Company's ROI performance indicator. The decrease during the twelve months ended December 31, 2023 compared to the same period of fiscal year 2003 was due to lower expenses in technology and development, sales and marketing, general and administrative for the same reasons mentioned above, partially offset by the $2,409,314 impairment of intangible asset.

Net loss and comprehensive loss for the three and twelve months ended December 31, 2023 increased by103% and decreased by 14% respectively compared with the same periods of the previous year. Excluding the above-mentioned fiscal year 2023 impairment loss and fiscal year 2022 impairment of right-of-use asset of $200,168, net loss and comprehensive loss for the quarter decreased by 49% and for the year ended December 31, 2023 decreased by 39% over the same respective periods of the previous year because total decrease in operating expenses was much higher than decline in gross profit resulting from lower revenue by $713,262 for the current quarter and $4,008,592 for the twelve months ended December 31, 2023.

On March 7, 2023, the Company closed a private placement offering of units at a price of $0.07 per unit for gross proceeds of $1,534,960. Each unit is comprised of: (i) one Common Share in the capital of the Company; (ii) a first one-half of one Common Share purchase warrant (each whole first warrant, an "A Warrant"); and (iii) a second one-half of one Common Share purchase warrant (each whole second warrant, a "B Warrant"). Each A Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.10 per A Warrant Share for a period of six months from the closing date of the offering. Each B Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per B Warrant Share for a period of 24 months from the closing date of the Offering. As consideration for certain services provided to the Company in connection with the offering, the Company paid an aggregate of $42,151 and issued 595,021 compensation options exercisable to acquire one Common Share at a price of $0.07 per Common Share for a period of 24 months following the closing date of the offering, as finders' fees to certain persons. The Company received net proceeds of $1,467,295 after deducting finders' fees paid in cash of $42,151 and cash closing costs of $25,514.

In connection with the operating credit line facility in the amount of $5,000,000 provided by a Canadian schedule 1 bank, the Company provides regular updates on all strategic alternatives to the bank, and the bank is continuing to provide credit as Company plans begin to materialize.

Classified as Highly Confidential

During the third quarter of the fiscal year, the Company has successfully concluded a flurry of financing deals:

On July 14, 2023, the Company closed a non-brokered offering of subordinated and postponed 13% secured non-convertible debenture units for gross proceeds of $1,500,000. Each unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures maturing on July 14, 2025; and (ii) for no additional consideration, such number of common shares in the capital of the Company equal to 20% of the principal amount of debentures purchased divided by $0.065, being the closing market price of the common shares of the Company on the TSX Venture Exchange on June 29, 2023. Pursuant to the offering, the Company issued an aggregate of 4,615,366 common shares.

On September 7, 2023, the Company received cash proceeds of $258,299 from several investors associated with the Company's March 2023 equity raise, who collectively exercised 2,590,490 warrants (converting each warrant to one common share of the Company).

On September 15, 2023, the Company amended $1,735,000 of its $2,545,000 subordinated and postponed 8.0% secured non-convertible debentures issued on September 15, 2021 (maturing on September 15, 2023), to extend the maturity date by one year and to amend the annual interest to a rate to12%. As consideration, the holders that agreed to the amendments received, for no additional consideration, an aggregate of 1,505,682 of common shares in the capital of the Company. Of the remaining $810,000 debentures, the Company repaid $30,000 on September 15, 2023 and repaid the remaining $780,000 on October 15, 2023.

On September 11, 2023, the Company also announced a non-brokered offering of subordinated and postponed 12% secured non-convertible debenture units. Each unit is comprised of $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company and such number of common shares in the capital of the Company as is equal to 10% of the principal amount of Debentures purchased divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Debentures will mature on the date that is 12 months from the closing date. On September 29, 2023 and October 16, 2023, the Company closed the first and final tranches of the offering for gross proceeds of $380,000 and $425,000 and issued 330,424 and 369,565 common shares in the capital of the Company, respectively. The aggregate proceeds from the offering of $805,000 was used to fully repay the $780,000 debentures on October 15, 2023 mentioned above.

In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. During the twelve months ended December 31, 2023, revenue from the client was $2,999,310. To address the financial impact upon the departure of this client, management is actively reducing variable costs associated with this lost revenue, accelerating new market opportunities, and exploring a variety of strategic alternatives.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

Apart from the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

The Company's financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a comprehensive loss of $6,600,347 for the year ended December 31, 2023, which was

Classified as Highly Confidential

14% or $1,100,116 lower than the previous fiscal year 2022. The Company has an accumulated deficit of $72,974,444 as at December 31, 2023. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. The current extension letter from the bank who provided the Company a credit facility sets out May 31, 2024 as the date for the credit facility to be repaid or refinanced. As of the date of issuance of this MD&A, the Company has not repaid or refinanced the credit facility. There is no certainty additional financing will be available to the Company on favourable terms, or at all. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the company's ability to continue as a going concern. Throughout 2023 and in early 2024, we have made great strides in reducing our cost to serve participants while at the same time increasing our operational efficiencies – all while maintaining and improving our industry leading engagement and whole health outcomes. In the first quarter of 2024, we delivered our best ever outcomes for the first two cohorts of our innovative health coaching project with the Heartland Whole Health Institute in Northwest Arkansas. While we made great progress, revenue in Q4 2023 and Q1 2024 was impacted by a change with a long-standing incentive program at one of our largest clients. Fortunately, our relationship with the client remains incredibly strong, and commencing in Q2, we are working with them on strengthening new registrations through market expansion and the re-introduction of Newtopia to existing markets. We see three distinct and exciting strategic areas of opportunity for growth for Newtopia including: (1) expanding our key innovation partnerships, such as Heartland Whole Health Institute; (2) combining Newtopia's proven habit change platform with GLP-1 drugs for obesity and type 2 diabetes; and (3) partnering with health AI and clinical discovery innovators to improve our collective ability to deliver best in breed outcomes that prevent, reverse and slow chronic disease.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company.

Classified as Highly Confidential

Selected Financial Information

	Three Months Ended December 31,			
			Favourable (Unfavourable)	
	2023	2022	Change	
	$	$	$	%
Revenue	**2,343,249**	3114,317	(771,068)	(25%)
Cost of revenue	**1,004,225**	1,079,576	75,351	7%
Gross profit	**1,339,024**	2,034,741	(695,717)	(34%)
Gross profit margin	**57%**	65%	(8 ppts)	(12%)
Operating expenses	**4,110,426**	3,310,258	(800,168)	(24%)
Operating loss	**(2,771,401)**	(1,275,517)	(1,495,884)	(117%)
Other expenses	**454,385**	314,382	(140,003)	(45%)
Net loss and comprehensive loss	**(3,225,787)**	(1,589,899)	(1,635,888)	(103%)
Basic and diluted loss per share	**(0.02)**	(0.01)	(0.01)	(100%)

	Twelve Months Ended December 31,			
			Favourable (Unfavourable)	
	2023	2022	Change	
	$	$	$	%
Revenue	**9,783,546**	11,166,428	(1,382,882)	(12%)
Cost of revenue	**4,505,888**	5,140,369	634,481	12%
Gross profit	**5,277,658**	6,026,059	(748,401)	(12%)
Gross profit margin	**54%**	54%	-	-%
Operating expenses	**10,282,934**	12,830,781	2,547,847	20%
Operating loss	**(5,005,276)**	(6,804,722)	1,799,446	26%
Other expenses	**1,595,071**	895,741	(699,330)	(78%)
Net loss and comprehensive loss	**(6,600,347)**	(7,700,463)	1,100,116	14%
Basic and diluted loss per share	**(0.04)**	(0.07)	0.03	43%

As a result of losses reported during the years ended December 31, 2023 and 2022, the outstanding stock options and warrants have an anti-dilutive effect and are not included in the computation of diluted loss per share. Consequently, basic and diluted loss per share are the same. With the exclusion of the $2,409,314 impairment of intangible asset, the basic and diluted loss per share for the three months and twelve months ended December 31, 2023 would be a negative $0.01 and negative 0.03 respectively. Earnings per share excluding impairment loss is not a GAAP measurement with no standardized definition. The presentation of the non-GAAP earnings per share is to show the impact of this one time impairment on the Company's financial performance. Below is a reconciliation between the earnings per share and the non-GAAP earnings per share excluding impairment loss:

Classified as Highly Confidential

	Three months ended December 31, 2023	Twelve months ended December 31, 2023
	$	$
Net loss and comprehensive loss	(3,225,787)	(6,600,347)
Weighted average number of common shares outstanding	158,287,099	148,613,837
Basic and diluted loss per share	(0.02)	(0.04)
Net loss and comprehensive loss	(3,225,787)	(6,600,347)
Add back impairment loss	2,409,314	2,409,314
Adjusted net loss and comprehensive loss	(816,473)	(4,191,033)
Weighted average number of common shares outstanding	158,287,099	148,613,837
Adjusted basic and diluted loss per share	(0.01)	(0.03)

Revenue

The Company's performance-based revenue model consists of three elements: (1) Welcome Kit sales, (2) monthly subscription fees, and (3) outcome milestone fees. Welcome Kit sales are recognized when they are delivered to participants upon enrollment. Subscription fees are tied to participant engagement in the Company's programs based on specific criteria outlined in an individual contract.

Certain customer contracts contain clauses that trigger success fees and/or outcome guarantees. Success fees are paid by customers upon the completion of certain target metrics such as a specific percentage weight loss on average across participants engaged in the program. Upon achievement of those metrics, success fees are billed on a monthly basis. Outcome guarantees result in a repayment of a portion of the engagement fees previously earned by the Company in the event that average participant weight-loss does not meet a targeted range.

Revenue for the three and twelve months ended December 31, 2023 decreased by 25% and 12%, respectively over the same periods in the previous year. The decrease in revenue is mainly attributed to lower engaged participant fees which were charged based on engagement criteria as defined in each customer's contract such as the number of coaching sessions or logging weight through a smart weight scale.

Gross Profit

Gross profit is comprised of revenue less direct expenses, which consists of the cost of Welcome Kits sold to new participants, the labour costs associated with the Company's coaching team or "Inspirators" and amortization of the intangible asset, which consists of a new CRM platform developed by the Company with an estimated useful life of four years. Amortization of the platform for the three and twelve months ended December 31, 2023 was $206,513 and $826,049 respectively (three months and twelve months ended December 31, 2022 $68,838).

Cost of revenue for the three and twelve months ended December 31, 2023 decreased by 7% and 12%, respectively over the same periods in the previous year. The decrease is due primarily to efforts by the Company to improve efficiencies amongst the front line coaching team and employ fractional coaches to better manage workflow. The decrease is partially offset by the increase in the amortization of intangible asset mentioned above equivalent to a decrease in the full year gross profit margin of 7.7%.

Classified as Highly Confidential

Operating Expenses

	Three Months Ended December 31,			
	2023	2022	Change	
	$	$	$	%
Technology and development	**438,561**	1,013,667	(575,106)	(57%)
Sales and marketing	**291,573**	562,131	(270,558)	(48%)
General and administrative	**881,079**	1,241,739	(360,660)	(29%)
Share-based compensation	**88,929**	88,608	321	-%
Depreciation of property and equipment	**970**	6,713	(5,743)	(86%)
Impairment of intangible asset	**2,409,314**	-	2,409,314	100%
Impairment of right-of-use asset	**-**	200,168	(200,168)	(100%)
Loss on disposal of property and equipment	**-**	15,534	(15,534)	(100%)
Depreciation of right-of-use asset	**-**	30,791	(30,791)	(100%)
Lease modification	**-**	150,907	(150,907)	(100%)
	4,110,426	3,310,258	800,168	24%

	Twelve Months Ended December 31,			
	2023	2022	Change	
	$	$	$	%
Technology and development	**2,329,837**	3,923,663	(1,593,826)	(41%)
Sales and marketing	**1,386,548**	2,720,728	(1,334,180)	(49%)
General and administrative	**3,595,484**	5,111,304	(1,515,820)	(30%)
Share-based compensation	**555,816**	492,720	63,096	13%
Depreciation of property and equipment	**5,935**	46,387	(40,452)	(87%)
Impairment of intangible asset	**2,409,314**	-	2,409,314	100%
Impairment of right-of-use asset	**-**	200,168	(200,168)	(100%)
Loss on disposal of property and equipment	**-**	15,534	(15,534)	(100%)
Depreciation of right-of-use asset	**-**	169,370	(169,370)	(100%)
Lease modification	**-**	150,907	(150,907)	(100%)
	10,282,934	12,830,781	(2,547,847)	(20%)

Operating expenses consist of technology and development, sales and marketing and general and administrative expenses, depreciation of assets and impairment of assets.

Technology and development expenditures during the three and twelve months ended December 31, 2023 decreased by 57% and 41% respectively over the same period in the prior year, driven by headcount reductions and reduced outside purchases.

Sales and marketing expenses during the three and twelve months ended December 31, 2023 decreased by 48% and 49% respectively over the same periods in the prior year. The Company downsized the team and eliminated marketing activities that did not meet ROI performance indicator.

General and administrative expenses during the three and twelve months ended December 31, 2023 decreased by 29% and 30% respectively over the same period of the previous year due to headcount reductions, exiting the Company's expensive office lease and reduced outside purchases.

Share-based compensation expenses during the three months ended December 31, 2023 were about the same as the same quarter of last year. The expenses during the twelve months ended December 31, 2023 increased

Classified as Highly Confidential

by 13%. The increase is due primarily to stock options granted in March and August 2023 as compensation to certain employees and the Company's Board of Directors.

Depreciation of property and equipment during the three and twelve months ended December 31, 2023 decreased by 86% and 87%, respectively, over the same periods of the previous year. The Company disposed of its office equipment after adopting a remote office model in the final quarter of 2022

Impairment

Beginning with the third quarter of 2022, the Company adopted a remote office model and initiated negotiations with its landlord to terminate the office space lease and vacate the leased premises prior to the end of the lease term on December 31, 2023. The lease was terminated in November 2022 with an agreement reached with the landlord in January 2023. Under the terms of the agreement, the Company agreed to continue monthly lease payments at a reduced level from January 1, 2023 to December 31, 2023. As a result, the lease obligation was remeasured from $393,793 to $544,700 and the change of $150,907 was reported as lease modification expense on November 30, 2022. The Company also wrote off the net book value of the right-of-use asset at November 30, 2022 and recognized a $200,168 impairment of right-of-use asset in other expenses (see Other Expenses).

Other Expenses

The table below sets forth the details of other expenses for the three and twelve months ended December 31, 2023 and 2022:

	Three Months Ended December 31,			
	2023	2022	Change	
	$	$	$	%
Interest on lease obligations	**1,326**	10,050	(8,724)	(87%)
Interest and accretion expense	**314,174**	111,564	202,610	182%
Finance charges	**132,248**	125,920	6,328	5%
Foreign exchange loss	**7,769**	9,945	(2,176)	(22%)
Loss on settlement of related party payable	**20,400**	-	20,400	100%
Amortization of deferred finance charges	**42,396**	56,903	(14,507)	(25%)
Debt modification	**(63,928)**	-	(63,928)	(100%)
	454,385	314,382	140,003	45%

	Twelve Months Ended December 31,			
	2023	2022	Change	
	$	$	$	%
Interest on lease obligations	**28,110**	70,979	(42,687)	(60%)
Interest and accretion expense	**908,153**	388,448	519,705	134%
Finance charges	**509,238**	273,736	235,502	86%
Capitalized borrowing costs	**-**	(67,000)	67,000	100%
Foreign exchange loss (gain)	**44,560**	(19,053)	63,613	334%
Loss on settlement of related party payable	**10,086**	-	10,086	100%
Amortization of deferred finance charges	**149,896**	248,813	(98,917)	(40%)
Debt modification	**(54,972)**	-	(54,972)	(100%)
	1,595,071	895,741	699,330	78%

Classified as Highly Confidential

Other Expenses (continued)

Interest on lease obligations as of December 31, 2023 decreased by 87% and 60% over the prior year periods. The Company terminated its expensive headquarters lease when it adopted a remote office model in the final quarter of 2022.

Interest and accretion expense relates to the accretion of the debt portion of the subordinated, postponed and secured non-convertible debenture units and interests on the debentures. Interest and accretion expense for the three and twelve months ended December 31, 2023 increased by 182% and 134%, respectively over the same periods of the previous year, reflecting debenture issuances in July, September and October 2023 at higher interest rates.

Finance charges relate to interest and fees connected to the credit facility and other loans. Finance charges for the three and twelve months and ended December 31, 2023 are higher by 5% and 86% respectively over the same periods of the previous year, driven by the rising macro interest rate environment.

The Company derives most of its revenue in U.S. currency. The Company's USD denominated assets include U.S. cash and 100% of its trade receivables. The slight decrease of USD/CAD exchange rate by 2.3% from the beginning of fiscal year 2023 has resulted in unrealized foreign exchange loss from the translation of USD denominated assets into Canadian dollars.

Amortization of deferred finance charges relates to the fees paid to the EDC to guarantee 50% of the Company's credit facility with a Schedule 1 Canadian bank and the maintenance fees paid to the lenders of the debentures. The charges are deferred and amortized over their respective terms. Amortization for the three and twelve months ended December 31, 2023 was lower by 25% and 40% respectively as compared to prior year. Amortization in the prior year includes closing costs related to the credit facility that became fully amortized in December 2022.

	As at			
	December 31, 2023	**December 31, 2022**	**Change**	
	$	**$**	**$**	**%**
Total assets	2,332,893	5,944,688	(3,611,795)	(61%)
Total liabilities	11,751,553	11,478,344	273,209	2%
Equity	(9,418,660)	(5,533,656)	(3,885,004)	(70%)
Total liabilities and equity	2,332,893	5,944,688	(3,611,795)	(61%)

Total Assets

Total assets as at December 31, 2023 decreased by 61% from total assets as at December 31, 2022 primarily due to a decrease in the net book value of intangible asset by $3,235,363, decrease in inventories and prepaid expenses by $210,339 and $104,800 respectively.

Classified as Highly Confidential

Total Liabilities

The Company's total liabilities as at December 31, 2023 increased by 2% from December 31, 2022, primarily as result of the increase in the debentures, partially offset by decreases in trade and other payables and the termination of lease obligations.

Summary of Quarterly Results

The table below sets forth selected financial data for the most recent nine quarters ended December 31, 2023:

			(In thousands, except loss per share)
Quarter-ended	**Revenue (Unaudited)**	**Net Loss (Unaudited)**	**Loss per Share (Unaudited)**
	$	**$**	**$**
December 31, 2023	2,343	(3,226)	(0.02)
September 30, 2023	2,435	(770)	(0.01)
June 30, 2023	2,357	(1,231)	(0.01)
March 31, 2023	2,649	(1,373)	(0.01)
December 31, 2022	3,114	(1,590)	(0.01)
September 30, 2022	2,653	(2,251)	(0.02)
June 30, 2022	2,532	(2,232)	(0.02)
March 31, 2022	2,867	(1,628)	(0.02)
December 31, 2021	2,403	(1,795)	(0.02)

The Company's revenues fluctuate quarterly depending on the level of Welcome Kit sales, which usually occur in bulk at the outset of a new customer contract or in phases as customers roll out Newtopia's programs to its at-risk employees. Recurring engagement revenues, which follow Welcome Kit sales, are subject to seasonality with greater participant engagement at the start of the calendar year. As new clients onboard or as new phases within existing clients launch, Welcome Kit revenue is followed by recurring engagement revenues. Success Fees are typically triggered by milestones such as a participant's one year mark in the program.

Strategic Growth Drivers and Outlook

In order to continue to expand its market share and further enhance overall engagement levels, the Company is focusing on three key pillars of growth.

First, Newtopia will look to expand its current client base beyond the existing customer pipeline. The addressable market for chronic disease prevention is significant and growing. The Centers for Disease Control reports that 90% of the $4.0 trillion annual healthcare costs paid for by health insurers in the United States are spent to cover chronic physical and mental health conditions. Clients are expected to be generated from one of three verticals, though there can be additional opportunities to expand beyond these identified target markets. United States-based verticals include the 140 million lives covered by self-insured employers, the 100 million lives covered by private insurers and 100 million lives covered by the public and government insurers such as Medicare and Medicare Advantage. The Canadian market also offers an additional 38 million individuals covered by government supplied health insurance. The Company is in its early stages in the

Classified as Highly Confidential

Canadian market, having at present signed with a single prevention pilot program. In the large public and private health plans, Newtopia has been leveraging its world-class advisors to wire into many of these accounts in 2023.

The Company is also in the early stages of opening new client channels by repackaging its current offerings that focus on self-insured employers to make such offerings accessible to public and private health plans, including the Medicare Advantage market. Health plan funding is highly dependent on a five-star quality system. Star ratings are released on an annual basis and reflect the experience of a health plan's membership base. An increase in a half a star could result in millions of dollars in additional funding for that health plan. The Newtopia platform is therefore resonating with health plans' ability to increase their star ratings by working directly with Newtopia to fill in gaps in care that ultimately result in improved star ratings and funding.

The second core pillar of growth will come from improving product density within new markets or cross-selling of current products within Newtopia's existing customer base. This cross-selling of products will include those on the prevention side, including weight management and diabetes prevention offerings, as well as those that reverse and slow chronic disease, including hypertension and related heart health conditions, all of which are aimed at improving resiliency and building strong, long-term habits. In 2021, the Company also added new mental health offerings to its disease prevention platform as a means by which to provide whole health care (physical and mental) to the participant. Opportunities to cross-sell mental health offerings also now offer incremental revenue opportunities, and the Company believes it has positioned itself very strongly for future customer expansion. Newtopia's research and development team is actively looking into identifying other chronic disease risk identifiers that will continue to differentiate the Company from other health tech providers.

The third pillar of growth will be to increase enrolment rates with its existing customers. Newtopia's customer contracts are often set up in phases where only a portion of the total at-risk population is offered to onboard onto the Company's health tech platform initially. As a result of this phased, strategic approach to customer contracts, the Company has only rolled out to approximately 30% of the potential population across Newtopia's entire customer base at present. While an improvement in sales is not guaranteed, expanding with this current customer base offers significant opportunity for potential incremental revenue for the Company.

To support these efforts and promote the aforementioned pillars of growth, the Company has invested approximately $3.3 million on a new engagement platform. The new platform includes a state-of-the-art participant experience for habit change and enhanced communications and nudges that combined enable the personalized programs that are core to Newtopia. The new engagement platform is anticipated to drive both operational and technological efficiencies so that the Company can enhance its Inspirator to participant service ratios. Increasing the number of participants per Inspirator should also lead to improved gross margin.

Going forward, Newtopia will focus on making strategic investments in its technology that increase the efficiency of its services and provide participants with improved user engagement and better leverage of its health coaches while still maintaining a high-level of individualized care. As the Company expands its participant base, it may also make a number of investments to scale the business further including, but not limited to: bringing on additional Inspirators to maintain the same level of one-on-one service; enhancing claims processing and reimbursement toolset; and improving its enterprise risk management integrations.

Classified as Highly Confidential

Liquidity and capital resources

The table below sets forth the cash flows for the twelve months ended December 31, 2023 and 2022:

	Twelve Months Ended December 31,			
	2023	2022	Change	
	$	$	$	%
Cash from (used) in				
Operating activities	**(2,269,743)**	(5,915,218)	3,645,475	62%
Investing activities	**(2,548)**	(989,175)	986,627	100%
Financing activities	**2,313,680**	6,438,759	(4,125,079)	(64%)
Increase (Decrease) in cash	**41,389**	(465,634)	507,023	109%

Cash used in operating activities during the twelve months ended December 31, 2023 decreased by $3.6 million or 62% compared to the same period ended December 31, 2022. This improvement is mainly attributed to the reduction in operating loss (excluding non-cash items such as impairment, amortization and depreciation, share-based compensation) by $4.0 million, partially offset by increase in non-cash working capital of $0.4 million comparing to last fiscal year.

Cash used in investing activities during the twelve months ended December 31, 2022 related to the investment by the Company on the acquisition and integration of a new engagement platform software. This development was completed in July 2022, and no development costs were incurred during the twelve months ended December 31, 2023.

Cash inflow from financing activities during the twelve months ended December 31, 2023 decreased by $4.0 million or 64% over the same period of the previous year due mainly to reductions in credit facility net drawings by $2.5 million and net cash proceeds from share issuance by $1.4 million.

Financing

The Company may be adversely impacted by uncertain market conditions and adverse results from operations. The Company may face challenges due to such factors as the loss of a major customer contract, entry of new competitors or significant changes in healthcare regulations. Should expected revenue growth not materialize, the Company may be required to seek additional financing through the sale of equity securities and/or through debt.

Below is a summary of recent, successfully raised financing activities:

Upon the maturity of Debentures on September 15, 2023, the Company amended $1,735,000 of the $2,545,000 8% Debentures to (a) extend the maturity date of the Debentures by one year to September 15, 2024; (b) bear interest at a rate of 12% for the period from September 15, 2023 until the new maturity date; and (c) include an early repayment fee equal to (i) six percent (6%) of the principal amount of the Debentures if such repayment occurs prior to March 15, 2024; or (ii) four percent (4%) of the principal amount of the 8% Debentures if such repayment occurs following March 15, 2024 but prior to September 15, 2024 (the "Amendment Debentures"). As consideration, the holders that agree to the amendments will receive, for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Amendment Shares") as is equal to 10% of the principal of amount of Amendment Debentures held divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September

Classified as Highly Confidential

11, 2023. The Bonus Amendment Shares are subject to a four month hold period that expires on January 16, 2024. An aggregate of 1,505,682 Bonus Amendment Shares were issued to the holders of the $1,735,000 Amendment Debentures.

In addition to the above amendments to the 8% Debentures, $780,000 of the $2,545,000 8% Debentures was extended at the maturity date by one month until October 15, 2023 to allow the Company additional time to raise up to $2,545,000 in a non-brokered offering of replacement debenture units announced by the Company on September 15, 2023 (see (iii)) to repay any of the 8% Debentures that do not agree to the amendments provided under the Amendment Debentures.

On September 15, 2023, the Company repaid $30,000 of the $2,545,000 8% Debentures that matured on September 15, 2023. On October 15, 2023 the Company repaid the extended $780,000 8% Debentures.

On September 11, 2023, the Company announced a non-brokered offering (the "Replacement Offering") of subordinated and postponed 12% secured non-convertible debenture units (the "Replacement Units"). Up to 255 Units may be issued pursuant to the Replacement Offering. Each Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "Replacement Debentures"); and (ii) for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Replacement Shares") as is equal to 10% of the principal amount of Debentures purchased divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Debentures will mature on the date that is 12 months from the closing date of the Replacement Offering and are secured by the assets of the Company and bear interest at a rate of 12% per annum payable quarterly in arrears in cash. The Replacement Debentures may be repaid in part or in full at any time subject to an early repayment fee equal to: (i) six percent (6%) of the principal amount of the Replacement Debentures if such repayment occurs prior to six months following the closing date; or (ii) four percent (4%) of the principal amount of the Replacement Debentures if such repayment occurs following the date that is six months following the closing date but prior to the maturity date.

The Company will pay to the holders of the Replacement Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash to be paid on the date that is two months following the completion of the Replacement offering.

As consideration for certain services provided to the Company in connection with the Replacement Offering, the Company may pay a finder's fee comprised of a cash fee equal to 6% of the principal amount of Replacement Debentures purchased by subscribers that are introduced to the Company by each such finder and such number of compensation options to purchase common shares in the capital of the Company (the "Replacement Compensation Options") calculated based on 6% of the principal amount of Replacement Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. Each Replacement Compensation Option is exercisable into one common share of the Company at $0.115 per share, subject to adjustments in certain events, until the date that is 24 months following the closing date.

On September 29 and October 15, 2023, the Company closed the first and second tranches of Replacement Units for gross proceeds of $380,000 and $425,000 respectively. The Debentures issued in connection with these tranches have a 12-month term, and the Company will pay to the holders a work and credit maintenance fee of 2% of the principal amount in cash payable on October 29 and November 15, 2023. The Company will defer and amortize the maintenance fee over the date the fee is due to the maturity date.

Classified as Highly Confidential

On July 14, 2023, the Company closed a non-brokered offering of subordinated and postponed 13% secured non-convertible debenture units (the "July 2023 Units"). Each July 2023 Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures maturing on July 14, 2025; and (ii) for no additional consideration, such number of common shares in the capital of the Company equal to 20% of the principal amount of debentures purchased divided by $0.065, being the closing market price of the common shares of the Company on the TSX Venture Exchange on June 29, 2023. The Company issued 150 July 2023 Units for gross proceeds of $1,500,000 and pursuant to the offering issued 4,615,366 Common Shares.

On March 7, 2023, the Company closed a private placement offering of units (the "March 2023 Units") at a price of $0.07 per unit for gross proceeds of $1,534,960. Each March 2023 Unit is comprised of: (i) one Common Share in the capital of the Company; (ii) a first one-half of one Common Share purchase warrant (each whole first warrant, an "A Warrant"); and (iii) a second one-half of one Common Share purchase warrant (each whole second warrant, a "B Warrant"). Each A Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.10 per A Warrant Share for a period of six months from the closing date of the offering. Each B Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per B Warrant Share for a period of 24 months from the closing date of the Offering. As consideration for certain services provided to the Company in connection with the offering, the Company paid an aggregate of $42,151 and issued 595,021 compensation options exercisable to acquire one Common Share at a price of $0.07 per Common Share for a period of 24 months following the closing date of the offering, as finders' fees to certain persons.

Subsequent to the fiscal year 2023, on February 29, 2024 the Company closed a brokered private placement offering of 14,430,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $721,500. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.10 per common share, subject to adjustments in certain events, until March 1, 2027.

The Company also concurrently closed a non-brokered private placement of 500,000 units for gross proceeds of $25,000 on the same terms as the above-mentioned brokered private placement offering.

Credit Facility

On December 4, 2020, the Company closed an Operating Credit Line Agreement (the "**Facility**") in the amount of $5,000,000 with a schedule 1 bank (the "**Bank**"). The Company could avail itself of the operating credit under the Facility by way of either Canadian dollars at prime lending rate plus 2.25% or United States dollars at the U.S. base lending rate plus 2.25%. The Facility is secured by all Newtopia property and is subject to certain covenants where the Company is required to meet minimum cash runway ratios.

In connection with the Facility, the Company was required to obtain a guarantee from Export Development Canada of 50% of the available Facility plus accrued and unpaid interest up to a maximum of 120 days (the "Guaranteed Amount"). The Company agreed to pay a guarantee fee of 2.35% of the Guaranteed Amount and guaranteed interest on outstanding amounts at the lender's prime rate minus 0.05%. The initial guarantee covered the period from October 14, 2020 to September 30, 2021. In October 2021 the guarantee was extended until September 30, 2022, and in October 2022 the guarantee was further extended until October 2024.

Classified as Highly Confidential

In accordance with the terms of the Facility, the lender received 210,526 warrants on December 4, 2020, with each warrant entitling the lender to acquire one common share at a price of $0.95 at any time within the earlier of the Maturity Date and December 4, 2025.

On September 30, 2021, the Company refinanced the Facility for an increased revolving credit facility of $7.5 million, up from the $5.0 million in funding secured previously. In October 2021 the guarantee obtained from Export Development Canada was extended until September 30, 2022.

On June 29, 2022, the Company entered into a 2nd amendment of the Facility with the Bank to replace the cash runway ratio covenant with a covenant to maintain minimum total liquidity thresholds for the months from May to September 2022 and to reduce the cash runway ratio covenant for the month of October 2022.

The Company was not in compliance with the covenants of the Facility from September 30, 2022 to the date of this MD&A. On November 1, 2022, the Bank agreed to not accelerate repayment of the Facility on the conditions that the Company receives minimum capital injections of $700,000 by November 11, 2022 and $2,500,000 by December 15, 2022. The maximum credit on the Facility was capped at $4,880,760. Any injection in the form of debt financing would be fully subordinated to the Facility.

On May 15, 2023, the Bank issued a letter to the Company with the following amendments i) the Company was to provide evidence by May 31, 2023 of its intention to raise capital no less than $1,500,000 by June 30, 2023, ii) the Facility was to be repaid on or prior to November 30, 2023, iii) effective May 23, 2023, the Company is to pay 15% annual interest on advances in excess of the lesser of the borrowing base and the maximum limit of the Facility which is adjusted from $4,880,760 to $4,900,000, and iv) pricing on the Facility is increased by 3%, payable in kind and subject to ratable forgiveness tied to full repayment of the loan before November 30, 2023. On July 14, 2023, the Company successfully raised $1.5M from a private placement of debenture units (See above). The credit facility needs to be repaid, refinanced or extended at the discretion of the bank by May 31, 2024.

On January 11, 2024, the Bank issued a letter to the Company maintaining the existing loan facilities until May 31, 2024. The Facility shall be subject to the agreement by the Company to the following: i) the Company is to provide evidence by February 15, 2024 of its intention to raise capital of no less than $500,000 by February 29, 2024, ii) the Company is to provide evidence of refinance from a third-party lender by March 31, 2024, and present a binding commitment to the Bank by April 30, 2024. Subsequent to the year ended December 31, 2023, on February 29, 2024, the Company raised a capital of $746,500. As of the date of issuance of the MD&A, the Company has not repaid or refinanced the credit facility. The Company continues to work closely with the bank and provides regular updates on all corporate and strategic developments.

Classified as Highly Confidential

Issued and Outstanding Share Capital

The Company's authorized capital consists of an unlimited number of Common Shares and unlimited number of Class A Preferred Shares, issuable in series. As of the date of this MD&A, the issued and outstanding shares consists of 173,265,303 Common Shares with no Class A Preferred Shares outstanding.

The Company has established a stock option plan (the "**Plan**") for the benefit of its employees, directors, officers and consultants. On September 14, 2022 the Company amended and restated the existing plan. Under the new plan (the "**2022 Option Plan**"), the maximum number of options that may be granted cannot exceed 23,598,557, representing 20% of the aggregate of issued and outstanding Common Shares on September 14, 2022 being the date of the annual and special meeting of shareholders of the Company. As of the date of this MD&A, there are 19,482,823 stock options outstanding under the Plan.

As of the date of this MD&A, there are a total of 39,950,290 outstanding warrants consisting of 36,644,000 non-broker warrants to purchase up to 36,644,000 Common Shares and 3,306,290 compensation options to purchase up to 3,306,290 Common Shares.

Material Accounting Policies and Estimates

The Company's material accounting policies and accounting estimates under International Financial Reporting Standards ("**IFRS**") are contained in the Annual Financial Statements. Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. Actual results may differ from estimates under different assumptions and conditions. Significant judgments include income taxes and significant estimates include fair value measurements and the valuation process.

New and Revised IFRS Standards issued but not yet effective

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of "settlement" of a liability. The amendments are effective January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management does not expect any material impact to the Corporation's financial statements upon adoption of these amendments.

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. Management does not expect any material impact to the Company's financial statements upon adoption of these amendments.

Classified as Highly Confidential

Related party transactions

The Company's key management is comprised of the Board of Directors and current or former members of the executive team of the Company. Key management compensation for the three and twelve months ended December 31, 2023 and 2022 consisted of the following:

	Three Months Ended December 31,		Twelve months Ended December 31,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Salaries, fees and short-term benefits	**670,723**	880,585	**2,956,237**	3,338,994
Share-based benefits	**114,932**	124,293	**528,821**	526,019
	785,655	1,004,878	**3,485,058**	3,865,013

On March 10, 2023, the Company issued 2.2M stock options to the directors of the Company for fees related to the three months ended December 31, 2022 and year ended December 31, 2023 of $33,125 and $165,625, respectively. Each option vests quarterly over one year and is exercisable at a price of $0.10 per common share at any time up to March 3, 2028. The fair value of the stock options was determined at $198,000 using the Black-Scholes option pricing model with the following assumptions: grant date share price $0.09, risk free interest rate 3.16%, expected life of 5 years and expected volatility of 124.19%.

As at December 31, 2023, aggregate bonuses payable to members of the Company's executive team were $133,600 (December 31, 2022 - $196,100).

Financial Instruments and Risk Management

The Company may be exposed to risks of varying degrees of significance that affect its ability to achieve its strategic objectives. The main objectives of the Company's risk processes are to ensure that the risks are properly identified and managed within Board approved policies and guidelines. The principal risks to which the Company is exposed to are as follows:

Customer Concentration Risk

Newtopia's client base is fairly concentrated with two customers comprising 89% of the total revenues. In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. During the twelve months ended December 31, 2023, revenue from the client was $2,999,310.

Credit risk

Credit risk is the risk of financial loss to the Company that arises from the possibility that the Company's customers may experience financial difficulty and be unable to fulfil their contract commitments. The

Classified as Highly Confidential

Company mitigates the risk of credit loss by entering into contracts with large and established customers and by placing its cash with major financial institutions.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which its customers operate. A customer is considered to be at default when they are unable to fulfill their contractual commitments and make the required payments on their debt obligations. Given the customer base is comprised of large established corporations, customer balances are also considered to be in default when they are more than 90 days past due. The gross carrying amount of a trade receivable is written off when the Company has no reasonable expectations of recovering the balance in its entirety or a portion thereof. The Company makes an assessment on a customer-by-customer basis with respect to the timing and amount of write-off based on the specific circumstances of the customer and determines the amount to write-off based on whether there is a reasonable expectation of recovery.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness. The majority of the Company's current customers are large established corporations with high credit quality consisting primarily of U.S. healthcare insurance payors or self-insured employers. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 1-2 months. When determining whether there is an increase in credit risk of any of its trade receivables, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information, that includes forward-looking information. At December 31, 2023 and 2022, none of these customer's balances have been written off or are credit impaired at the reporting date. There has been no change to the Company's policies and processes with respect to the way it manages credit risk.

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

At December 31, 2022 and 2021, the exposure to credit risk for trade receivables and contract assets was limited to the United States. At December 31, 2023, two customers whose trade receivables exceeded 10% of the total trade and other receivables balance represented 89% (December 31, 2022 – 84%) of the Company's trade and other receivables.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate based on the changes in foreign exchange rates. The Company enters into transactions to purchase and sell goods denominated in foreign currencies, which relate to revenues, cost of sales, expenses, cash, accounts receivable and accounts payable balances.

As at December 31, 2023 and 2022, the following items were denominated in foreign currency:

	2023	2022
	$	$
Balances (U.S. Dollars)		
Cash	**292,861**	255,426
Trade and other receivables	**997,032**	1,008,451

Classified as Highly Confidential

Trade and other payables	**360,208**	590,667

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, on the translation of the Company's foreign currency denominated monetary assets and liabilities as at December 31, 2023 and 2022.

	Change in USD rate	Effect on loss before tax in CAD
		$
2023	**10%**	**122,960**
	-10%	**(122,960)**
2022	10%	91,180
	-10%	(91,180)

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. There has been no change to the Company's policies and processes with respect to the way it manages liquidity risk.

The following are the contractual maturities of the financial liabilities as at December 31, 2023:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Trade and other payables	1,825,356	1,825,356	-	-	-
Credit facility	4,767,006	4,767,006	-	-	-
Debentures	5,390,000	3,890,000	1,500,000	-	-
	11,982,362	10,482,362	1,500,000	-	-

The following are the contractual maturities of the financial liabilities as at December 31, 2022:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Trade and other payables	2,584,039	2,584,039	-	-	-
Credit facility	4,823,545	4,823,545	-	-	-
Lease obligations	544,700	544,700	-	-	-
Debentures	3,895,000	2,545,000	1,350,000	-	-
	11,847,284	10,497,284	1,350,000	-	-

Classified as Highly Confidential

Events after December 31, 2023 year end

In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. During the twelve months ended December 31, 2023, revenue from the client was $2,999,310 (2022 - $2,172,684). To address the financial impact upon the departure of this client, management is actively reducing variable costs associated with this lost revenue, accelerating new market opportunities, and exploring a variety of strategic alternatives.

On February 29, 2024 the Company closed a brokered private placement offering of 14,430,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $721,500. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.10 per common share, subject to adjustments in certain events, until March 1, 2027.

The Company also concurrently closed a non-brokered private placement of 500,000 units for gross proceeds of $25,000 on the same terms as the above-mentioned brokered private placement offering.

Risks and Uncertainties

The achievement of Newtopia's objectives, is in part, dependent on the successful mitigation of the business risks identified below. They are affected by various factors including general economic and market conditions, equity and credit markets, fluctuations in interest costs, competition, credit worthiness of customers and various other factors.

Limited Operating History

Newtopia was founded in 2008 and spent several years experimenting with direct to consumer distribution before settling on an enterprise sales model in 2012. Following the completion of a three-year Aetna sponsored RCT in 2013, the Company launched commercially in 2016. This limited operating history makes the Company's current business and future prospects difficult to evaluate.

The Company has encountered and will continue to encounter risks and uncertainties frequently experienced by new and growing companies in rapidly changing industries, such as determining appropriate investments of its limited resources, market adoption of the Company's existing and future offerings, competition from other companies, acquiring and retaining customers, managing customer deployments, hiring, integrating, training and retaining skilled personnel, developing new offerings, determining prices for its services, unforeseen expenses and challenges in forecasting accuracy. If the Company's assumptions regarding these and other similar risks and uncertainties, which the Company uses to plan its business, are incorrect or change as the Company gains more experience operating its business or due to changes in its industry, or if Newtopia does not address these challenges successfully, its operating and financial results could differ materially from expectations and its business could suffer.

Lack of Profitability and Negative Operating Cash Flow

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to

Classified as Highly Confidential

continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares.

Market Forces

The disease prevention market is immature and volatile, and if it does not develop or if it develops more slowly than the Company expects, or if it does not achieve expected levels of engagement and outcomes, the growth of business will be harmed. The disease prevention market is new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand and market adoption. The Company's success will depend to a substantial extent on the willingness of employers and insurers to internally promote Newtopia's service offering and its ability to drive engagement and outcomes. If employer or insurer customers and participants do not perceive the benefits of the Company's offering or its offering does not drive engagement and outcomes, then disease prevention market might not develop at all, or it might develop more slowly than the Company expects, either of which could significantly adversely affect the Company's operating results. In addition, the Company has limited insight into trends that might develop and affect its business. The Company might make errors in predicting and reacting to relevant business, legal and regulatory trends, which could harm its business. If any of these events occur, it could materially adversely affect the Company's business, financial condition or results of operations.

The U.S. healthcare industry is massive, with a number of large market participants with conflicting agendas and is subject to significant government regulation and is currently undergoing significant change. Changes in the industry, such as the emergence of new technologies as more competitors enter the market, could result in Newtopia's solution being less desirable or relevant. For example, the Company currently derive substantially all of its revenue from sales to customers that are self-insured employers. The demand for Newtopia's offering depends on the need of self-insured employers to manage the costs of health care services that they pay on behalf of their employees. While the percentage of employers who are self-insured has been increasing over the past decade, there is no assurance that this trend will continue. Various factors, including changes in the health care insurance market or in government regulation of the health care industry, could cause the percentage of self-insured employers to decline, which would adversely affect the Company's business and operating results. Furthermore, such trends and Newtopia's business could be affected by changes in health care spending resulting from the *Patient Protection and Affordable Care Act*. There is no guarantee that the Company would be able to compensate for the loss in revenue from employers by increasing sales of its solution to health insurance companies or to individuals or government agencies. In such a case, the Company's results of operations would be adversely affected. If healthcare benefits

Classified as Highly Confidential

trends shift or entirely new technologies are developed that replace existing solutions, Newtopia's existing or future solutions could be rendered obsolete and its business could be adversely affected.

Competition

Newtopia's competitors, as well as a number of other companies, within and outside the disease prevention industry, may be pursuing new services, programs and technologies for the purpose of preventing or treating chronic conditions. Any technological breakthroughs in monitoring, treatment or prevention could reduce the potential market for Newtopia's platform, which would significantly reduce its market appeal.

The frequent introduction by competitors of solutions that are or claim to be superior to the Company's platform may create market confusion, which may make it difficult for potential clients to differentiate the benefits of Newtopia's platform over competitive products. As a result, the Company's sales may decline significantly or may not increase in line with forecasts, either of which would adversely affect the Company's business, financial condition and results of operation.

Some of the Company's competitors may have greater name and brand recognition, longer operating histories, significantly greater resources and may be able to offer similar programs at more attractive prices. Further, current or potential customers may be acquired by third parties with greater available resources. As a result, Newtopia's competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or client requirements and may have the ability to initiate or withstand substantial price competition. In addition, Newtopia's competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their solutions in the marketplace.

New competitors or alliances may emerge that have greater market share, a large client base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces, which could put the Company at a competitive disadvantage. Newtopia's competitors could also be better positioned to serve certain segments of the Company's market, which could create additional price pressure. In light of these factors, even if Newtopia's platform is more effective than those of its competitors, current or potential clients may accept competitive solutions in lieu of purchasing Newtopia's solution. If the Company is unable to successfully compete, its business, financial condition, and results of operations could be adversely affected.

Customer Concentration

The Company's current customer base is concentrated to a few large customer contracts and the contract with the Company's largest customer contains a termination for convenience feature allowing the customer to terminate on 30 days' notice. In the event that a contract with one of its major customers is terminated and the Company is unable to find new customers or other sources of comparable revenue within a reasonable time period, the Company's operations and financial results would be adversely affected.

During the year ended December 31, 2023, the Company derived 89% of its services and product revenues from two customers (December 31, 2022 - 84%).

In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. During the twelve months ended December 31, 2023, revenue from the client was $2,999,310. To address the financial impact upon the departure of this client, management is actively reducing variable costs associated with this lost revenue, accelerating new market opportunities, and exploring a variety of strategic alternatives.

Classified as Highly Confidential

Participant Enrollment and Engagement

Certain fees the Company charges customers are dependent upon voluntary participant participation in the platform and the achievement of clinical outcomes. If participants drop out of the platform, leave their employer, choose to participate in the platform sporadically or not at all, or do not achieve clinical outcomes, the Company will lose revenue and this will negatively affect its operations. If the number of employees covered by one or more of its customer's health plan programs were to be reduced, this decrease would also lead to a decrease in the Company's revenue. In addition, the growth forecasts of Newtopia's customers are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate and their enrollment in Newtopia's platform could fail to grow at anticipated rates, if at all, which could have an adverse effect on its business, financial condition or results of operations.

In addition, the Company's ability to achieve significant growth in revenue in the future will depend, in large part, upon its ability to attract new employer and insurer customers. If the Company fails to attract new customers and fails to maintain and expand new customer relationships, its revenue may grow more slowly than expected and business may be adversely affected.

Customer Rollout

The rollout of Newtopia's platform can vary widely by customer and is typically phased out over time across the enterprise. Its employer customers have the ability to alter the size and timing of phased rollouts to at-risk employees which affects the timing of the Company's revenue and makes revenue difficult to forecast. In addition, if the Company's customers do not allocate the internal resources necessary for a successful rollout for their employees, or the rollout date is delayed, the Company could incur significant costs, the customer enrollment rate may decline and/or customers could become dissatisfied and decide not to increase utilization of Newtopia's platform.

Regulatory Risks

The Company faces regulatory risks, many of which are outside of its control. Healthcare laws and regulations are constantly evolving and could significantly change in the future. The Company closely monitors these developments and will modify its operations from time to time as the regulatory environment requires. There can be no assurances, however, that the Company will always be able to adapt its operations to address new laws or regulations or that new laws or regulations will not adversely affect its business. Potential changes to laws and regulations, more vigorous enforcement thereof, or unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Compliance with various laws and regulations including but not limited to the *Genetic Information Nondiscrimination Act* ("**GINA**") and HIPAA in the U.S. and the *Genetic Non-Discrimination Act* ("**GNDA**") in Canada, is necessary for the Company to achieve its business objectives. Failure to comply with such laws and regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. Although the Company believes that is operating materially in compliance with applicable federal and state laws and regulations, neither the Company's current or anticipated business operations nor the operations of the Company's contracted suppliers have been the subject of judicial or regulatory interpretation. The Company cannot assure that a review of the Company's business by courts or regulatory authorities will not result in a determination that could materially adversely affect the Company's operations.

Classified as Highly Confidential

Genetic Testing

The marketing, sale and use of the genetic testing component of Newtopia's platform could subject it to liability for errors in, misunderstandings of, providing genetic counseling, or inappropriate reliance on, information it provides to participants, and lead to claims against the Company. A product liability or professional liability claim could result in substantial damages and be costly and time-consuming for the Company to defend. Although the Company maintains liability insurance, including for errors and omissions, there is no assurance that the Company's insurance would fully protect from the financial impact of defending against these types of claims or any judgments, fines or settlement costs arising out of any such claims. Any liability claim, including an errors and omissions liability claim, brought against the Company, with or without merit, could increase the Company's insurance rates or prevent it from securing insurance coverage in the future. Additionally, any liability lawsuit could cause injury to Newtopia's reputation. The occurrence of any of these events could adversely affect the Company's business, reputation and results of operations.

Ethical, legal and social concerns related to the use of genetic information could impact Newtopia's business. Currently, the GINA and GNDA protects individuals from discrimination based on their genetic information in both health insurance and employment. However, governmental authorities could, for social or other purposes, limit, regulate or prohibit the use of genetic information or genetic testing. Similarly, these concerns may lead participants to refuse to engage in genetic testing, even if permissible. These and other ethical, legal and social concerns may limit market acceptance of genetic testing which could adversely affect the Company's business, financial condition, or results of operations.

Liability

As a provider of lifestyle coaching, recommending nutrition, exercise and behaviour modification, Newtopia is exposed to the risk of liability claims. To mitigate against this risk, Newtopia has taken the following steps:

- Newtopia's programs have been designed by a team of leading experts, each with accountability to oversight bodies, in compliance with medical and lifestyle guidelines including: Center of Disease Control, Clinical Obesity Guidelines, Food Guides, Physical Activity Guidelines and Mental Health Association Guidelines;
- Newtopia's personal profile tool identifies nutrition, exercise, behaviour and medical contraindications that must be explored before a client is enrolled in a Newtopia program;
- Participants complete a comprehensive limitation of liability waiver and genetic consent agreement within Newtopia's service agreement upon program enrolment;
- Newtopia programs are standardized and rules-based to ensure that coaches do not exercise personal discretion in the application of lifestyle recommendations; and
- Newtopia carries extensive insurance policies covering personal, general and professional liability along with property.

It is the Company's belief that its platform does not constitute the practice of medicine or provide medically necessary services and is strictly offered for educational purposes only. To the extent that the Company extends to other market areas (i.e., Medicare and Medicaid) or changes billing methods, it may be exposed to increased regulatory requirements under the *Employee Retirement Income Security Act of 1974* ("**ERISA**"), a federal law that sets minimum standards for employee benefit plan maintained by private-sector employers. The Company is not currently bound by ERISA standards, but should it become bound,

Classified as Highly Confidential

violating these standards can have serious and costly consequences that could adversely affect the Company's business, financial condition or results of operation.

The Company's platform is also not currently subject to regulation or pre-approval by the Food and Drug Administration ("**FDA**"). The FDA is a federal agency of the U.S. Department of Health and Human Services and is responsible for regulating a wide range of products, including foods, medical devices, drugs and cosmetics. If the scope of regulation under the FDA were to be broadened or the Company expands its platform in such a way as to fall under the existing scope of the FDA, the Company may be exposed to pre-approval and increased regulatory requirements, which could require changes to the Company's operations and lead to increased compliance costs. Should the Company become subject to the FDA and fail to comply with these new regulatory requirements, a number of sanctions could be imposed that could adversely affect the Company's business, financial condition or results of operation.

Employee Misconduct

The Company's employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability and harm to Newtopia's reputation. The Company is exposed to the risk of employee fraud or other misconduct, including intentional failure to comply with laws and regulations. The Company has a Code for its directors, officers and employees, but it is not always possible to identify and deter employee misconduct, and the precautions it takes to detect and prevent this activity may not be effective in controlling risks or losses or in protecting from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on business and results of operations, including the imposition of significant fines or other sanctions.

Reliance on Suppliers

The Company relies on a number of suppliers, or, in some cases, sole suppliers for genetic testing and physician prescription services for genetic testing. While the Company does have service agreements in place with these suppliers, they could cease to provide such services and as a result, limit the Company's ability to fulfill its service obligations to customers. There are alternative supplier options, however, transitioning to a new supplier could be time consuming and expensive. Therefore, any such interruption could significantly affect Newtopia's business, financial condition, results of operations and reputation.

The Company relies on genetic testing lab to maintain compliance with applicable laws and regulations, including maintenance of required licensing and certificates. Newtopia's genetic testing labs are subject to the *Clinical Laboratory Improvement Amendments of 1988* ("**CLIA**"), a U.S. federal law that regulates clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention, or treatment of disease. CLIA regulations establish specific standards with respect to personnel qualifications, facility administration, proficiency testing, quality control, quality assurance, and inspections. The College of American Pathologists ("**CAP**") maintains a clinical laboratory accreditation program. Designed to go well beyond regulatory compliance, CAP asserts that the program helps laboratories achieve the highest standards of excellence to positively impact patient care. Failure to maintain proper CLIA certification and CAP accreditation could significantly affect Newtopia's business, financial condition, results of operations and reputation.

Classified as Highly Confidential

Failure to comply with applicable clinical laboratory licensure requirements may result in a range of enforcement actions, including license suspension, limitation, or revocation, directed plan of action, onsite monitoring, civil monetary penalties, criminal sanctions, as well as significant adverse publicity.

Data Privacy and Security

Security breaches, loss of data, changes to genetic or phenotypic data ownership and other disruptions could compromise sensitive information related to the Company's business and expose it to liability, which could adversely affect Newtopia's business and reputation.

In the ordinary course of business, the Company collects, uses and stores sensitive data, including legally protected health information, genetic data, personally identifiable information, intellectual property and proprietary business information. The Company manages and maintains its applications and data utilizing a combination of on-site systems, managed data center systems, and cloud-based data center systems. These applications and data encompass a wide variety of business-critical information including commercial information, and business and financial information. The Company faces a number of risks relative to protecting this critical information, including loss of access risk, inappropriate disclosure, inappropriate modification, and the risk of being unable to adequately monitor and modify controls over such critical information.

The secure processing, storage, maintenance and transmission of this critical information are vital to the Company's operations and business strategy, and it devotes significant resources to protecting such information. Although the Company takes measures to protect sensitive information from unauthorized access or disclosure, Newtopia's information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other disruptions. Any such breach or interruption could compromise the Company's networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under federal or state laws that protect the privacy of personal information, such as Canada's PIPEDA which, along with its provincial counterparts, governs the collection, use and disclosure of personal information in the course of commercial activities by private sector organizations in Canada, and the U.S.' HIPAA and the HITECH Act as well as regulatory penalties. HIPAA establishes privacy and security standards that limit Newtopia's use and disclosure of personal health insurance ("**PHI**") and requires it to implement administrative, physical and technical safeguards to ensure the confidentiality, integrity and availability of PHI, as well as notify the Company's covered entity customers of breaches of unsecured PHI and security incidents. The Company acts as a HIPAA "business associate" to its covered entity customers because it collects, uses and maintains PHI in order to provide services to these customers. HIPAA requires the Company to enter into satisfactory written business associate agreements with its covered entity customers, which contain specified written assurances that the Company will safeguard PHI that it creates or accesses and will fulfill other material obligations. Under the Omnibus Final Rule, whose primary purpose is to implement HITECH Act mandates, the Company may be held directly liable under its business associate agreements and HIPAA for any violations of HIPAA. Therefore, the Company could face liability to its customers under its contracts with them as well as liability to the government under HIPAA if the Company does not comply with its business associate obligations and those provisions of HIPAA that are applicable to us. While the Company takes measures to comply with applicable laws and regulations as well as its own internally disseminated privacy and security policies, such laws, regulations and related legal standards for privacy and security continue to evolve and any failure or perceived failure to comply with applicable laws, regulations and standards may result in threatened or actual proceedings, actions and public statements against the Company

Classified as Highly Confidential

by government entities, private parties, consumer advocacy groups or others, or could cause the Company to lose clients, which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company could be exposed to risk of a data breach affecting any of its subcontractors. The penalties for a violation of HIPAA are significant and, if imposed, could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the interpretation and application of consumer, health-related, and data protection laws in Canada, the U.S. and elsewhere are often uncertain, contradictory and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Company's practices. If so, this could result in government-imposed fines or orders requiring that the Company change its practices, which could adversely affect its business. Complying with these various laws could cause us to incur substantial costs or require the Company to change its business practices and compliance procedures in a manner adverse to the Company's business.

Security Threats

Cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks could result in any person gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, including personally identifiable information, corrupting data or causing operational disruption. Cyber-attacks could also result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect the Company's business and financial results.

The Company has not experienced any material losses to date related to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future which could be in excess of any available insurance and could materially adversely affect its business and financial results. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Managing Growth

Newtopia may not be able to manage future growth effectively, which could make it difficult to execute its business strategy. Expected future growth could create a strain on the Company's organizational, administrative and operational infrastructure, including coaching, customer service, technology, marketing and sales, and management. The Company may not be able to maintain the quality of or expected turnaround times for its services or satisfy customer demand as it grows. The Company's ability to manage and scale its growth properly will require it to continue to improve its operational, technological, financial and management controls, as well as its reporting systems and procedures. If the Company is unable to manage its growth effectively, it may be difficult for the company to execute its business strategy and business could be harmed. Future growth could also make it difficult to maintain corporate culture.

Participant Support

In implementing and using the Company's platform, its participants depend on support to resolve issues in a timely manner. The Company may be unable to respond quickly enough to accommodate short-term increases in demand for such support. Increased participant demand for support could increase costs and

Classified as Highly Confidential

adversely affect the Company's results of operations and financial condition. The Company's sales are highly dependent on its reputation and on positive recommendations from its existing participants and clients. Any failure to maintain high-quality participant support, or a market perception that the Company does not maintain high-quality participant support, could adversely affect Newtopia's reputation and in turn could have a material adverse effect on the Company's business, operating results or financial condition.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

In addition, as the Company continues to grow, it may be unable to continue to attract or retain the personnel needed to maintain its competitive position. In addition to hiring new employees, the Company must continue to focus on retaining its best talent. The Company may need to invest significant resources on new and existing employees and may never realize returns on these investments. If the Company is not able to effectively increase and retain talent, its ability to achieve its strategic objectives will be adversely impacted, and Newtopia's business will be harmed.

Possible Acquisitions

As part of its business strategy, the Company may pursue acquisitions of complementary businesses or assets, form joint ventures or make investments in other companies or technologies that could harm its operating results, dilute stockholders' ownership, or cause it to incur debt or significant expense. The Company also may pursue strategic alliances to expand its offerings or distribution or make investments in other companies. As an organization, Newtopia has limited experience with respect to acquisitions as well as the formation of strategic alliances and joint ventures. If the Company makes any acquisitions in the future, it may not be able to integrate these acquisitions successfully into its existing business, and the Company could assume unknown or contingent liabilities. Any future acquisitions by the Company also could result in significant write-offs or the incurrence of debt and contingent liabilities, any of which could harm its operating results. Integration of an acquired company or business also may require management resources that otherwise would be available for ongoing development of the Company's existing business. The Company may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and the Company may not realize the anticipated benefits of any acquisition, technology license, strategic alliance, joint venture or investment. To finance any acquisitions or investments, the Company may choose to raise additional funds. If the Company raises funds by issuing equity securities, dilution to its stockholders could result. Any equity securities issued also may provide for rights, preferences or privileges senior to those of holders of the Company's Common Shares. If the Company raises funds by issuing debt securities, these debt securities would have rights, preferences and privileges senior to those of holders of its Common Shares. The terms of debt securities issued or borrowings could impose significant restrictions on the Company's operations. If the Company raises funds through collaborations and licensing arrangements, it might be required to relinquish significant rights to its technologies or products or grant licenses on terms that are not favourable to the Company. It may be necessary for the Company to raise additional funds for these activities through public or private financings. Additional funds may not be available on terms that are favourable, or at all.

Classified as Highly Confidential

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests provided that such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that could interfere with their ability to devote time to the Company's business and affairs and that may adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors to the detriment of the Company. In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Litigation

The Company may become party to litigation from time to time which could adversely affect its business. It is the Company's belief that its platform does not constitute the practice of medicine or subject it to professional malpractice claims. Nonetheless, such claims relating to the services the Company provides may arise. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and is successful, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

Intellectual Property Rights

The Company relies on trade secret, patent, copyright and trademark laws, and confidentiality, licensing and other agreements with executives, consultants and third parties, all of which offer only limited protection. If the Company is compelled to spend significant time and money protecting or enforcing its intellectual property, its business and financial prospects may be harmed. If the Company is unable to effectively protect the intellectual property it owns, other companies may be able to offer the same or similar services, which could materially adversely affect its competitive business position and business prospects. The Company's patent may be challenged, narrowed, invalidated or circumvented, which could limit its ability to stop competitors from marketing the same or similar services. Even if the Company's patent is unchallenged, it may not adequately protect its intellectual property, provide exclusivity for its services or prevent others from designing around its claims. Any of these outcomes could impair the Company's ability to prevent competition from third parties, which may have an adverse impact on Newtopia's business.

Classified as Highly Confidential

International Expansion

The Company may in the future expand its operations and business into jurisdictions outside of Canada and the U.S. There can be no assurance that any market for the Company's products will develop in any such foreign jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, lack of brand familiarity and the effects of competition. These factors may limit the Company's capability to successfully expand its operations and may have a material adverse effect on the Company's business, financial condition and results of operations.

Technical Problems

The Company may encounter technical obstacles, and it is possible that it discovers additional problems or design defects that prevent its platform from operating properly. If the platform is not performed properly and reliably, malfunctions or fails to achieve customer expectations in terms of performance, customers could assert liability claims against the Company or attempt to cancel their contracts. This could damage Newtopia's reputation and impair ability to attract or maintain customers.

Any real or perceived errors, failures, bugs or other vulnerabilities discovered in the Company's products could result in negative publicity and damage to its reputation, loss of clients, loss of participants, loss or delay in market acceptance of its platform, loss of competitive position, loss of revenue or liability for damages, overpayments and/or underpayments, any of which could harm enrollment rates. Similarly, any real or perceived errors, failures, design flaws or defects in the Company's products could have similar negative results. In such an event, the Company may be required or may choose to expend additional resources in order to help correct the problem. Such efforts could be costly, or ultimately unsuccessful. Even if the Company is successful at remediating issues, it may experience damage to its reputation and brand.

Economic Conditions

A potential downturn in general economic conditions and the associated market volatility and uncertainty, could have a negative impact on both the Company's customers' and its ability to accurately forecast and plan future business activities. In addition, these conditions could cause the Company's customers or prospective customers to decrease headcount, benefits or human resources budgets, which could decrease corporate spending on its services, resulting in delayed and lengthened sales cycles, a decrease in new customer acquisition and loss of existing customers. Furthermore, during challenging economic times, the Company's customers may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us and adversely affect the Company's revenue. If that were to occur, the Company's financial results could be harmed. Further, challenging economic conditions might impair the ability of the Company's customers to pay for the services they have already purchased from the Company and, as a result, the Company's write-offs of accounts receivable could increase. The Company cannot predict the timing, strength, or duration of any potential economic slowdown or recovery and such a slowdown could cause its business to be harmed.

Seasonality

The Company's revenue fluctuates quarterly depending on the level of Welcome Kit sales which usually occur in bulk at the outset of a new customer implementation or in phases as customers introduce the Company's platform to its employees.

Classified as Highly Confidential

Subscription revenues are subject to seasonality with greater engagement at the start of the calendar year. The Company may be affected by seasonal trends in the future, particularly as its business matures. To the extent the Company experiences this seasonality, it may cause fluctuations in its operating results and financial metrics and make forecasting future operating results and financial metrics more difficult.

Additional Taxes

The Company may be subject to assessments for additional taxes, including sales taxes, which could reduce the Company's operating results. In accordance with current law, the Company pays, collects and/or remits taxes in those jurisdictions where it maintains a physical presence. In computing its tax obligations in these jurisdictions, the Company is required to take various tax accounting and reporting positions on matters that may not be entirely free from doubt and for which the Company has not received rulings from the governing authorities.

While the Company believes it has appropriately remitted all taxes based on its interpretation of applicable law, it is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on the Company if the applicable authorities do not agree with its positions. A successful challenge by a tax authority, through asserting either an error in the Company's calculation, or a change in the application of law or an interpretation of the law that differs from the Company's own, could adversely affect its results of operations.

Exchange Rate Fluctuations

Due to the Company's operations in the U.S., the Company may be exposed to the effects of fluctuations in currency exchange rates. The Company generates revenue and incurs expenses for employee compensation and other operating expenses in Canadian dollars. Fluctuations in the exchange rates between the Canadian dollar and the U.S. dollar could result in the dollar equivalent of such revenue and expenses being lower, which could have a negative net impact on the Company's reported operating results.

Brand Awareness

The Company believes that developing and maintaining strategic awareness of its brand in a cost-effective manner is critical to achieving widespread acceptance of its services and attracting new clients. The Company's marketing efforts are primarily directed at the development of new clients and increased penetration of existing clients. Brand promotion activities may not generate client awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses the Company incurs in building its brand. If the Company fails to successfully promote and maintain its brand, or incur substantial expenses, it may fail to attract or retain clients necessary to realize a sufficient return on the Company's brand-building efforts, or to achieve the widespread brand awareness that is critical for broad client adoption of the Company's Program.

Corporate Culture

The Company believes that its corporate culture is a critical component of its success. As the Company develops the infrastructure of a public company and continues to grow, the Company may find it difficult to maintain these valuable aspects of its corporate culture. Failure to preserve its corporate culture could negatively impact the Company's future success, including its ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue its corporate objectives.

Classified as Highly Confidential

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures

The CEO and CFO have designed or caused to be designed controls to provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time frame specified in the securities legislation. Based on the evaluations, the CEO and CFO have concluded that the Company's disclosure controls and procedures were adequate and effective.

Internal controls over financial reporting

Newtopia has established internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. Management, including the CEO and CFO, have determined that as at December 31, 2023, the internal controls over financial reporting were effective.

Inherent limitations

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

Classified as Highly Confidential



Management's Discussion and Analysis

Dated: June 5, 2024

For the First Quarter Ended March 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("**MD&A**") is provided to enable readers to assess the results of the operations and financial condition for Newtopia for the three months ended March 31, 2024. This MD&A is dated June 5, 2024. Unless the context indicates otherwise, references to "Newtopia", "the Company", "we", "us" and "our" in this MD&A refer to Newtopia Inc. and its operations.

Forward-looking information

Certain information included in this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This information includes, but is not limited to, statements made in "Business Overview", "Results from Operations", "Debt Operations", "Debt-Profile" and other statements concerning Newtopia's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events or the negative thereof. Such forward-looking information reflects management's beliefs and is based on information currently available. All forward-looking information in this MD&A is qualified by the following cautionary statements.

Forward-looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Although Newtopia believes that the expectations reflected in such forward-looking information is reasonable and represents the Company's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Company's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include, but are not limited to: ability to maintain and expand its customer base with products that result in lasting health benefits to customers; ability to invest in technology as tools to support and enhance the customer experience; risks of regulatory changes applicable to the healthcare industry in the United States; general economic conditions that we operate in; and the ability to raise financing to fund capital expenditures and operations. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this MD&A is made as of the date of this MD&A and should not be relied upon as representing the Company's view as of any date subsequent to the date of this MD&A. Management undertakes no obligation, except as otherwise required by applicable law, to publicly update

or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Business Overview

Newtopia was incorporated on May 9, 2008, pursuant to the provisions under the Ontario *Business Corporations Act*. The Company's shares are listed on the TSX Venture Exchange under the symbol "NEWU" and on the U.S. OTCQB® Venture Market under the ticker "NEWUF".

The Company's registered and head office is 33 Bloor Street East, 5th Floor, Toronto, Ontario, M4W 3H1.

Newtopia is a tech-enabled whole health platform helping people create positive lifelong habits that prevent, slow, or reverse chronic disease while reducing healthcare costs for health insurers. The platform leverages genetic, social and behavioral insights to create individualized prevention programs with a focus on metabolic disease, diabetes, mental health challenges, hypertension, weight management and musculoskeletal disorders. With a person-centered approach that combines virtual care, digital tools, connected devices and actionable data science, Newtopia delivers sustainable clinical and financial outcomes.

Each personalized program aims to sustainably reduce the five primary metabolic risk factors of chronic disease, including (1) waist circumference or BMI, (2) blood pressure, (3) blood glucose, (4) triglycerides, and (5) cholesterol, along with mental and emotional health risk factors, thereby delivering proven meaningful and growing healthcare risk reduction to individuals and cost savings to risk-bearing employers or insurers. While many population and disease management companies today focus on either managing those with chronic disease or offering general wellness or engagement solutions across the entire member population, the Company's platform instead targets the approximately 50% to 80% at-risk population. Newtopia enables participants to sustainably change habits, maintain health, avoid or reduce their likelihood of developing chronic disease and reduce exorbitant healthcare costs in the United States by delivering clinical and cost savings outcomes proven to grow and improve over time.

The Company's personalized habit change platform focuses on physical and mental health risk reduction (i.e. whole person care) rather than disease management or aesthetic weight loss. The Company believes it is time to get ahead of the increasing prevalence of chronic disease and focus on sustainable prevention rather than disease management. The key to achieving sustainable risk and cost reduction is a focus on building confidence and habit change as opposed to increasing knowledge and education. While disease prevention is still limited in the market, most disease prevention guidelines and offerings focus on teaching a "one-size-fits-all" curriculum in order to build greater knowledge of how to live a healthier lifestyle. Built on similar assumptions as those within the dominant one-size-fits-all education model, the end goal of curriculum-based prevention is to educate individuals in order to build enough knowledge that will hopefully translate into the appropriate behaviour changes to reduce risk. However, in a personalized habit change model, the ultimate goal is not to teach and build knowledge; rather, it is to inspire and instill confidence in order to build new progressive habits and reduce risk. The biggest advantage of a habit change platform relative to a learning platform is sustainability and growth of outcomes and cost savings. With a habit change platform, the value increases over 12 and 24 months (and beyond) as opposed to producing short-term outcomes within the first few months, with both clinical risk factors and costs returning the following year. Therefore, habit change platforms produce a higher level of engagement, clinical risk reduction and cost savings that grow over time compared to many existing knowledge-based models.

The Company's patented persuasive enterprise technology platform converges genetic testing and the latest social and behavioural science with real-time online human coaching and a cutting-edge virtual platform,

wireless tracking devices, personalized gamification and a curated social health network to ensure lasting results at scale and a strong return on investment for risk-bearing insurers.

The Company markets to individuals (employees of the self-insured employer market or members of private and public health plans) covered by risk-bearing insurers that have out-of-range physical and mental health risk factors and is paid by the risk-bearing insurer on behalf of the member. These out-of-range factors can be identified by leveraging existing risk identification data including in-person biometric test outcomes, health risk assessments, claims or risk screener data. Eligible at-risk individuals are offered an exclusive invitation to enroll. Once enrolled, they are referred to as participants, and complete a personal profile which helps the Company understand their personality type, level of motivation, readiness to change, eating habits, activity level and underlying social determinants of health. Participants are then personality-matched with a Company Inspirator who acts as a personal health coach and works with each participant to build confidence and develop new progressive habits with respect to nutrition, exercise and behavioural/mental well-being. Participants and Inspirators meet virtually which leverages a combination of online video, text messaging, email or telephone. The use of virtual care has been part of the Newtopia program since day one, enabling the company to continually optimize its philosophy of humans helping humans amplified by technology.

In addition to working with a health coach, participants are also provided tools for success in their personal program. These tools can include a genetic test, smart scale, activity tracker, and access to a personalized mobile or web app. The Company's mobile platform provides participants access to their Inspirator, video lessons, reporting from bio-sensors, goals, messaging, and their progress from anywhere in the world. It also helps to extend the relationship between participant and Inspirator and increase accountability and engagement between coaching sessions.

Newtopia is a pioneer in genetic engagement and leveraging behavioral genetic testing primarily for habit change and engagement purposes. Newtopia's genetic testing allows the Company to help participants understand if they have inherited genetic factors that may be having an impact on their physical or mental health and to personalize lifestyle recommendations by gaining a deeper understanding of how genes impact an individual's risk. Newtopia's behavior genetic test is designed specifically to look for genetic characteristics related to physical and mental health as well as lifestyle management. The Company provides specific genetically-driven recommendations that are evidence and guideline-based for nutrition, exercise and behaviour management to combat the potential effect of those genetic characteristics. These recommendations could include changes in the proportion of fats, carbohydrates and proteins the participant eats, the form and intensity of exercise required to burn a sufficient number of calories and appropriate behavioural and mental health support and exercises related to satiety signals, cravings and resilience to stress. These genetically driven recommendations are then incorporated into the participant's personalized lifestyle plan to further refine and personalize each participant's experience in order to create more durable habit change. Newtopia's Innovation Lab is frequently working on identifying new genes that could prove helpful in chronic disease prevention.

In addition to its whole person care solution for lowering risk for broad chronic disease prevention, Newtopia delivers individualized support through the following personalized program focus areas:

1. Habit Change and Resiliency
2. Weight Management
3. Diabetes Prevention
4. Hypertension and Heart Health
5. Healthy Living with Diabetes

Corporate Update

Operating results

Revenue during the three months ended March 31, 2024 of $1,814,000 decreased by 32% over the same period of the previous year. This decline was driven by a structural incentive change with one of our clients, and we're actively working with said client to offset with future avenues for growth.

Operating expenses during the three months ended March 31, 2024 of $1,656,471 decreased $745,311 or 31% over the same quarter of the previous year. The decreases are mainly driven by reductions in technology headcounts, lower expenses in web and software development, and sales & marketing expenses that did not meet the Company's ROI performance indicator.

Net loss for the three months ended March 31, 2024 was $1,209,371, an improvement of $163,456 (12%) compared to prior year, driven by lower operating expenses.

Financing activities

On February 29, 2024, the Company closed a brokered private placement offering of 14,430,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $721,500 (net $617,690 after transaction costs). Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant ("Bonus Warrants"). Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.10 per common share, subject to adjustments in certain events, until March 1, 2027.

The Company also concurrently closed a non-brokered private placement offering of 500,000 units for gross proceeds of $25,000 (net $23,750 after transaction costs) on the same terms as the brokered private placement offering. Net proceeds from these two offerings totaling $641,440 were used to fund the operations of the Company.

On March 7, 2023, the Company closed a private placement offering of units at a price of $0.07 per unit for gross proceeds of $1,534,960. Each unit is comprised of: (i) one Common Share in the capital of the Company; (ii) a first one-half of one Common Share purchase warrant (each whole first warrant, an "A Warrant"); and (iii) a second one-half of one Common Share purchase warrant (each whole second warrant, a "B Warrant"). Each A Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.10 per A Warrant Share for a period of six months from the closing date of the offering. Each B Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per B Warrant Share for a period of 24 months from the closing date of the Offering. The Company received net proceeds of $1,467,295 after deducting finders' fees closing costs.

In connection with the operating credit Line facility in the amount of $5,000,000 provided by a Canadian Schedule I bank, the Company provides regular updates on all strategic alternatives to the bank, and the bank is continuing to provide credit as Company plans begin to materialize.

Recent development

In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. To address the financial impact upon the departure of this client,

management is actively reducing variable costs associated with this lost revenue, accelerating new market opportunities, and exploring a variety of strategic alternatives.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

Apart from the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

The Company's financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a comprehensive loss of $1,209,371 for the quarter ended March 31, 2024, which was 12% or $163,456 lower than the same quarter of previous fiscal year 2023. The Company has an accumulated deficit of 74,183,815 as at March 31, 2024. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. There is no certainty additional financing will be available to the Company on favourable terms, or at all. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the company's ability to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company.

Selected Financial Information

	Three Months Ended March 31,			
	2024	2023	Favourable (Unfavourable) Change	
	$	$	$	%
Revenue	1,814,000	2,648,657	(834,658)	(32%)
Cost of revenue	899,396	1,275,682	376,286	29%
Gross profit	914,604	1,372,975	(458,371)	(33%)
Gross profit margin	50%	52%	(2 ppts)	(4%)
Operating expenses	1,656,471	2,401,782	745,311	31%
Operating loss	(741,867)	(727,454)	(14,413)	(2%)
Other expenses	497,504	344,020	(123,484)	(36%)
Net loss and comprehensive loss	(1,209,371)	(1,372,827)	163,456	12%
Basic and diluted loss per share	(0.01)	(0.01)	-	-%

As a result of losses reported during the three months ended March 31, 2024 and 2023, the outstanding stock options and warrants have an anti-dilutive effect and are not included in the computation of diluted loss per share. Consequently, basic and diluted loss per share are the same.

Revenue

The Company's performance-based revenue model consists of three elements: (1) Welcome Kit sales, (2) monthly subscription fees, and (3) outcome milestone fees. Welcome Kit sales are recognized when they are delivered to participants upon enrollment. Subscription fees are tied to participant engagement in the Company's programs based on specific criteria outlined in an individual contract.

Certain customer contracts contain clauses that trigger success fees and/or outcome guarantees. Success fees are paid by customers upon the completion of certain target metrics such as a specific percentage weight loss on average across participants engaged in the program. Upon achievement of those metrics, success fees are billed on a monthly basis. Outcome guarantees result in a repayment of a portion of the engagement fees previously earned by the Company in the event that average participant weight-loss does not meet a targeted range.

Revenue for the three months ended March 31, 2024 decreased by 32% over the same periods in the previous year. The decrease in revenue is mainly attributed to lower engaged participant fees which were charged based on engagement criteria as defined in each customer's contract such as the number of coaching sessions or logging weight through a smart weight scale.

Gross Profit

Gross profit is comprised of revenue less direct expenses, which consists of the cost of Welcome Kits sold to new participants, and the labour costs associated with the Company's coaching team or "Inspirators"

Cost of revenue for the three months ended March 31, 2024 decreased by 29% over the same quarter in the previous year. The decrease is due primarily to decrease in the shipment of welcome kits and no amortization of intangible asset compared to amortization of $206,514 in the same quarter of last year. The absence of amortization in the current quarter was the result of the recording of intangible impairment in the last quarter of fiscal year 2003 (see the annual audited financial statements and related notes for the years ended December 31, 2023 and 2022).

Operating Expenses

	Three Months Ended March 31,			
	2024	**2023**	**Change**	
	$	**$**	**$**	**%**
Technology and development	435,242	922,065	(486,823)	(53%)
Sales and marketing	248,372	426,170	(177,798)	(42%)
General and administrative	898,457	958,708	(60,251)	(6%)
Share-based compensation	73,665	93,290	(19,625)	(21%)
Depreciation of property and equipment	735	1,549	(814)	(53%)
Depreciation of right-of-use asset	-	-	-	
	1,656,471	2,401,782	(745,311)	(31%)

Operating expenses consist of technology and development, sales and marketing and general and administrative expenses.

Technology and development expenditures during the three months ended March 31, 2024 decreased by 53% over the same period in the prior year, driven by headcount reductions and reduced web and software development costs.

Sales and marketing expenses during the three months ended March 31, 2024 decreased by 42% over the same periods in the prior year. The Company eliminate marketing activities that did not meet ROI performance indicator.

General and administrative expenses during the three months ended March 31, 2024 decreased by 6% over the same period of the previous year due to headcount reductions, partially offset by lower corporate expense in the same quarter of last year due to a rent credit recorded in that quarter.

Share-based compensation expenses during the three months ended March 31, 2024 decreased $19,625 or 21 % over the same period of the previous year because stock options issued prior to fiscal year 2021 that were still being amortized in the same quarter of fiscal year 2023 had been fully amortized and had no expense during the current quarter.

Other Expenses

The table below sets forth the details of other expenses for the three months ended March 31 , 2024 and 2023:

	Three Months Ended March 31,			
	2024	**2023**	**Change**	
	$	**$**	**$**	**%**
Interest on lease obligations	-	12,590	(12,590)	(100%)
Interest and accretion expense	267,361	169,695	97,666	58%
Finance charges	129,025	109,648	19,377	18%
Foreign exchange loss	3,308	18,272	(14,964)	(82%)
Loss on settlement of related party payable	9,797	-	9,797	100%
Amortization of deferred finance charges	58,013	33,815	24,198	72%
	467,504	344,020	123,484	36%

Interest on lease obligations as of March 31, 2024 decreased by 100% over the prior year periods. The Company terminated its expensive headquarters lease when it adopted a remote office model in the final quarter of 2022.

Interest and accretion expense relates to the accretion of the debt portion of the subordinated, postponed and secured non-convertible debenture units and interests on the debentures. Interest and accretion expense for the three months ended March 31, 2024 increased by 58% over the same periods of the previous year, reflecting debenture issuances in July, September and October 2023 at higher interest rates.

Finance charges relate to interest and fees connected to the credit facility and other loans. Finance charges for the three months and ended March 31, 2024 increased by 18% over the same periods of the previous year, driven by the rising macro interest rate environment.

The Company derives most of its revenue in U.S. currency. The Company's USD denominated assets include U.S. cash and 100% of its trade receivables. The exchange loss during the current quarter was lower than the same quarter of last year because the exchange rate flotation in the current quarter was lower than the same quarter of last year.

Amortization of deferred finance charges relates to the fees paid to the EDC to guarantee 50% of the Company's credit facility with a Schedule 1 Canadian bank and the maintenance fees paid to the lenders of the debentures. The charges are deferred and amortized over their respective terms. Amortization for the three months ended March 31, 2024 increased by 72% as compared to the same quarter of prior year relating to the maintenance fees for the issuance of July, September and October 2023 debentures.

	As at			
	March 31, 2024	**December 31, 2023**	**Change**	
	$	**$**	**$**	**%**
Total assets	2,300,788	2,332,893	(32,105)	(1%)
Total liabilities	12,203,917	11,751,553	452,364	4%
Deficit	(9,903,129)	(9,418,660)	(484,469)	(5%)
Total liabilities and deficit	2,300,788	2,332,893	(32,105)	(1%)

Total Assets

Total assets as at March 31, 2024 decreased by 1% from total assets as at December 31, 2023. Various small decreases in cash, receivables, contract assets and deferred costs were partially offset by increase in prepaid expenses.

Total Liabilities

The Company's total liabilities as at March 31 ,2024 increased by 4% from December 31, 2023, primarily as result of the increase in trade and other payables.

Summary of Quarterly Results

The table below sets forth selected financial data for the quarters ended March 31, 2024,

(In thousands, except loss per share)

Quarter-ended	**Revenue (Unaudited)**	**Net Loss (Unaudited)**	**Loss per Share (Unaudited)**
	$	**$**	**$**
March 31, 2024	1,814	(1,209)	(0.01)
December 31, 2023	2,343	(3,226)	(0.02)
September 30, 2023	2,435	(770)	(0.01)
June 30, 2023	2,357	(1,231)	(0.01)
March 31, 2023	2,649	(1,373)	(0.01)
December 31, 2022	3,114	(1,590)	(0.01)
September 30, 2022	2,653	(2,251)	(0.02)
June 30, 2022	2,532	(2,232)	(0.02)
March 31, 2022	2,867	(1,628)	(0.02)

The Company's revenues fluctuate quarterly depending on the level of Welcome Kit sales, which usually occur in bulk at the outset of a new customer contract or in phases as customers roll out Newtopia's programs to its at-risk employees. Recurring engagement revenues, which follow Welcome Kit sales, are subject to seasonality with greater participant engagement at the start of the calendar year. As new clients onboard or as new phases within existing clients launch, Welcome Kit revenue is followed by recurring engagement revenues. Success Fees are typically triggered by milestones such as a participant's one year mark in the program.

Strategic Growth Drivers and Outlook

In order to continue to expand its market share and further enhance overall engagement levels, the Company is focusing on three key pillars of growth.

First, Newtopia will look to expand its current client base beyond the existing customer pipeline. The addressable market for chronic disease prevention is significant and growing. The Centers for Disease Control reports that 90% of the $4.0 trillion annual healthcare costs paid for by health insurers in the United States are spent to cover chronic physical and mental health conditions. Clients are expected to be generated from one of three verticals, though there can be additional opportunities to expand beyond these identified target markets. United States-based verticals include the 140 million lives covered by self-insured employers, the 100 million lives covered by private insurers and 100 million lives covered by the public and government insurers such as Medicare and Medicare Advantage. The Canadian market also offers an additional 38 million individuals covered by government supplied health insurance. The Company is in its early stages in the Canadian market, having at present signed with a single prevention pilot program. In the large public and private health plans, Newtopia has been leveraging its world-class advisors to wire into many of these accounts in 2023.

The Company is also in the early stages of opening new client channels by repackaging its current offerings that focus on self-insured employers to make such offerings accessible to public and private health plans, including the Medicare Advantage market. Health plan funding is highly dependent on a five-star quality system. Star ratings are released on an annual basis and reflect the experience of a health plan's membership base. An increase in a half a star could result in millions of dollars in additional funding for that health plan. The Newtopia platform is therefore resonating with health plans' ability to increase their star ratings by working directly with Newtopia to fill in gaps in care that ultimately result in improved star ratings and funding.

The second core pillar of growth will come from improving product density within new markets or cross-selling of current products within Newtopia's existing customer base. This cross-selling of products will include those on the prevention side, including weight management and diabetes prevention offerings, as well as those that reverse and slow chronic disease, including hypertension and related heart health conditions, all of which are aimed at improving resiliency and building strong, long-term habits. In 2021, the Company also added new mental health offerings to its disease prevention platform as a means by which to provide whole health care (physical and mental) to the participant. Opportunities to cross-sell mental health offerings also now offer incremental revenue opportunities, and the Company believes it has positioned itself very strongly for future customer expansion. Newtopia's research and development team

is actively looking into identifying other chronic disease risk identifiers that will continue to differentiate the Company from other health tech providers.

The third pillar of growth will be to increase enrolment rates with its existing customers. Newtopia's customer contracts are often set up in phases where only a portion of the total at-risk population is offered to onboard onto the Company's health tech platform initially. As a result of this phased, strategic approach to customer contracts, the Company has only rolled out to approximately 30% of the potential population across Newtopia's entire customer base at present. While an improvement in sales is not guaranteed, expanding with this current customer base offers significant opportunity for potential incremental revenue for the Company.

To support these efforts and promote the aforementioned pillars of growth, the Company has invested approximately $3.3 million on a new engagement platform. The new platform includes a state-of-the-art participant experience for habit change and enhanced communications and nudges that combined enable the personalized programs that are core to Newtopia. The new engagement platform is anticipated to drive both operational and technological efficiencies so that the Company can enhance its Inspirator to participant service ratios. Increasing the number of participants per Inspirator should also lead to improved gross margin.

Going forward, Newtopia will focus on making strategic investments in its technology that increase the efficiency of its services and provide participants with improved user engagement and better leverage of its health coaches while still maintaining a high-level of individualized care. As the Company expands its participant base, it may also make a number of investments to scale the business further including, but not limited to: bringing on additional Inspirators to maintain the same level of one-on-one service; enhancing claims processing and reimbursement toolset; and improving its enterprise risk management integrations.

Liquidity and capital resources

The table below sets forth the cash flows for the three months endedMarch 31, 2024 and 2023 :

	Three Months Ended March 31,			
	2024	**2023**	**Change**	
	$	**$**	**$**	**%**
Cash generated by (used in)				
Operating activities	(474,149)	(820,547)	346,398	(42%)
Investing activities	-	(1,099)	1,099	100%
Financing activities	416,372	814,066	(397,694)	(49%)
Decrease in cash	(57,777)	(7,580)	(50,197)	(662%)

Cash used in operating activities during the three months ended March 31, 2024 decreased by $346,398 or 42%compared to the same period ended March 31, 2023. This improvement is mainly attributed to the improvement in net loss and reduction in working capital, in particular increase in trade payables.

Cash inflow from financing activities during the three months ended March 31, 2024 decreased by $397,694 or 49% over the same period of the previous year due mainly to reduction in proceeds from private placement of share offerings by $825,855 (see "Financing activities" under Corporate Update section), partially offset by savings in lease obligations payments and lower credit facility repayments.

Financing

The Company may be adversely impacted by uncertain market conditions and adverse results from operations. The Company may face challenges due to such factors as the loss of a major customer contract, entry of new competitors or significant changes in healthcare regulations. Should expected revenue growth not materialize, the Company may be required to seek additional financing through the sale of equity securities and/or through debt.

Below is a summary of recent, successfully raised financing activities:

Private placement offerings

On February 29, 2024, the Company closed a brokered private placement offering of 14,430,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $721,500 (net $617,690 after transaction costs). Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant ("Bonus Warrants"). Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.10 per common share, subject to adjustments in certain events, until March 1, 2027.

The Company also concurrently closed a non-brokered private placement offering of 500,000 units for gross proceeds of $25,000 (net $23,750 after transaction costs) on the same terms as the brokered private placement offering. Net proceeds from these two offerings totaling $641,440 were used to fund the operations of the Company.

Credit Facility

On December 4, 2020, the Company closed an Operating Credit Line Agreement (the "**Facility**") in the amount of $5,000,000 with a Schedule I bank (the "**Bank**"). The Company could avail itself of the operating credit under the Facility by way of either Canadian dollars at prime lending rate plus 2.25% or United States dollars at the U.S. base lending rate plus 2.25%. The Facility is secured by all Newtopia property and is subject to certain covenants where the Company is required to meet minimum cash runway ratios.

In connection with the Facility, the Company was required to obtain a guarantee from Export Development Canada of 50% of the available Facility plus accrued and unpaid interest up to a maximum of 120 days (the "Guaranteed Amount"). The Company agreed to pay a guarantee fee of 2.35% of the Guaranteed Amount and guaranteed interest on outstanding amounts at the lender's prime rate minus 0.05%. The initial guarantee covered the period from October 14, 2020 to September 30, 2021. In October 2021 the guarantee was extended until September 30, 2022, and in October 2022 the guarantee was further extended until October 2024.

In accordance with the terms of the Facility, the lender received 210,526 warrants on December 4, 2020, with each warrant entitling the lender to acquire one common share at a price of $0.95 at any time within the earlier of the Maturity Date and December 4, 2025.

On September 30, 2021, the Company refinanced the Facility for an increased revolving credit facility of $7.5 million, up from the $5.0 million in funding secured previously. In October 2021 the guarantee obtained from Export Development Canada was extended until September 30, 2022.

On June 29, 2022, the Company entered into a 2nd amendment of the Facility with the Bank to replace the cash runway ratio covenant with a covenant to maintain minimum total liquidity thresholds for the months from May to September 2022 and to reduce the cash runway ratio covenant for the month of October 2022.

The Company was not in compliance with the covenants of the Facility. On November 1, 2022, the Bank agreed to not accelerate repayment of the Facility on the conditions that the Company receives minimum capital injections of $700,000 by November 11, 2022 and $2,500,000 by December 15, 2022. The maximum credit on the Facility was capped at $4,880,760. Any injection in the form of debt financing would be fully subordinated to the Facility.

On May 15, 2023, the Bank issued a letter to the Company with the following amendments i) the Company was to provide evidence by May 31, 2023 of its intention to raise capital no less than $1,500,000 by June 30, 2023, ii) the Facility was to be repaid on or prior to November 30, 2023, iii) effective May 23, 2023, the Company is to pay 15% annual interest on advances in excess of the lesser of the borrowing base and the maximum limit of the Facility which is adjusted from $4,880,760 to $4,900,000, and iv) pricing on the Facility is increased by 3%, payable in kind and subject to ratable forgiveness tied to full repayment of the loan before November 30, 2023. On July 14, 2023, the Company successfully raised $1.5M from a private placement of debenture units (See above). The Bank and Newtopia continue to work together and provide mutual updates on a regular basis, and as of the date of this MD&A no additional measures have been taken.

Issued and Outstanding Share Capital

The Company's authorized capital consists of an unlimited number of Common Shares and unlimited number of Class A Preferred Shares, issuable in series. As of the date of this MD&A, the issued and outstanding shares consists of 173,265,303 Common Shares with no Class A Preferred Shares outstanding.

The Company has established a stock option plan (the "**Plan**") for the benefit of its employees, directors, officers and consultants. On September 14, 2022 the Company amended and restated the existing plan. Under the new plan (the "**2022 Option Plan**"), the maximum number of options that may be granted cannot exceed 23,598,557, representing 20% of the aggregate of issued and outstanding Common Shares on September 14, 2022 being the date of the annual and special meeting of shareholders of the Company. As of the date of this MD&A, there are 19,482,823 stock options outstanding under the Plan.

As of the date of this MD&A, there are a total of 39,950,290 outstanding warrants consisting of 36,644,000 non-broker warrants to purchase up to 36,644,000 Common Shares and 3,306,290 compensation options to purchase up to 3,306,290 Common Shares.

Significant Accounting Policies and Estimates

The Company's significant accounting policies and accounting estimates under International Financial Reporting Standards ("**IFRS**") are contained in the Annual Financial Statements. Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. Actual

results may differ from estimates under different assumptions and conditions. Significant judgments include income taxes and significant estimates include fair value measurements and the valuation process.

New and Revised IFRS Standards issued but not yet effective

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of "settlement" of a liability. The amendments are effective January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management does not expect any material impact to the Corporation's financial statements upon adoption of these amendments.

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is asse202ssed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. Management does not expect any material impact to the Company's financial statements upon adoption of these amendments.

Related party transactions

The Company's key management is comprised of the Board of Directors and current or former members of the executive team of the Company. Key management compensation for the three ended March 31, 2024, and 2023 consisted of the following:

	Three Months Ended March 31,	
	2024	2023
	$	$
Salaries, fees and short-term benefits	**593,607**	872,888
Share-based benefits	**79,540**	126,787
	673,147	999,675

On March 10, 2023, the Company issued 2,200,000 stock options to the directors of the Company for fees related to the three months ended December 31, 2022 and year ended December 31, 2023 of $33,125 and $165,625, respectively. Each option vests quarterly over one year and is exercisable at a price of $0.10 per common share at any time up to March 3, 2028. The fair value of the stock options was determined at $198,000 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 3.16%, expected life of 5 years and expected volatility of 124.19%.

As at March 31, 2024, aggregate bonuses payable to members of the Company's executive team was $153,600 (December 31, 2023 - $133,600).

Financial Instruments and Risk Management

The Company may be exposed to risks of varying degrees of significance that affect its ability to achieve its strategic objectives. The main objectives of the Company's risk processes are to ensure that the risks are properly identified and managed within Board approved policies and guidelines. The principal risks to which the Company is exposed to are as follows:

Customer Concentration Risk

Newtopia's client base is fairly concentrated with two customers comprising 89% of the total revenues. In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. To address the financial impact upon the departure of this client, management is actively reducing variable costs associated with this lost revenue, accelerating new market opportunities, and exploring a variety of strategic alternatives.

Credit risk

Credit risk arises from the possibility that Newtopia's customers may experience financial difficulty and be unable to fulfil their contract commitments. The Company's exposure to credit risk is mitigated by its customer base, which consists primarily of US healthcare insurance payors or self-insured employers that are typically large, established Fortune 500 companies with high credit quality. In addition, the Company mitigates exposure to credit loss by placing its cash with major financial institutions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate based on the changes in foreign exchange rates. The Company enters into transactions to purchase and sell goods denominated in foreign currencies, which relate to revenues, cost of sales, expenses, cash, accounts receivable and accounts payable balances. These balances are subject to exchange rate fluctuations.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. There has been no change to the Company's policies and processes with respect to the way it manages liquidity risk.

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures

The CEO and CFO have designed or caused to be designed controls to provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time frame specified in

the securities legislation. Based on the evaluations, the CEO and CFO have concluded that the Company's disclosure controls and procedures were adequate and effective.

Internal controls over financial reporting

Newtopia has established internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. Management, including the CEO and CFO, have determined that as at March 31, 2024, the internal controls over financial reporting were effective.

Inherent limitations

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.