ALPHINAT INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2023 AND 2022

The interim financial statements for the three-months periods ended on November 30, 2023 and 2022, have not been audited or reviewed by the Company's external auditors.

These interim financial statements are presented in Canadian dollars unless otherwise specified.

ALPHINAT INC.

BALANCE SHEETS

AS AT NOVEMBER 30, 2023 AND AUGUST 31, 2023

(in Canadian dollars)

		November 30, 2023	August 31, 2023
ASSETS		**$**	$
Current assets			
Cash		**-**	67,919
Accounts receivable and other receivables	5	**517,061**	393,001
Work in progress		**-**	56,325
Prepaid expenses		**11,250**	31,554
		528,311	548,799
Non-current assets			
Fixed assets	6	**3,594**	4,272
Intangible assets	7	**4,896**	-
Right-of-use assets	8	**35,781**	53,419
Total assets		**572,582**	606,490
LIABILITIES			
Current liabilities			
Bank overdraft		**20,434**	-
Accounts payable and accrued liabilities	9	**832,009**	843,910
Deferred revenues		**206,204**	228,144
Current portion of lease liability	8	**50,052**	70,462
		1,108,699	1,142,516
Non-current liabilities			
Loan	10	**54,857**	53,327
Total liabilities		**1,163,556**	1,195,843
NEGATIVE SHAREHOLDERS' EQUITY			
Share capital	11	**6,713,719**	6,713,719
Contributed surplus	12	**1,952,126**	1,942,891
Deficit		**(9,256,819)**	(9,245,963)
Total negative shareholders' equity		**(590,974)**	(589,353)
Total liabilities and shareholders' equity		**572,582**	606,490

Going concern (note 1)

On behalf of the Board

(signed) Mahtab Abbasigaravand, President   *(signed) Marc Chartrand*, Chief financial officer

ALPHINAT INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTHS PERIODS ENDED NOVEMBER 30, 2023 AND 2022

(in Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total
	$	$	$	$
Balance - August 31, 2023	6,713,719	1,942,891	(9,245,963)	(589,353)
Issuance of stock options	-	9,235	-	9,235
Net income	-	-	(10,856)	(10,856)
Balance - November 30, 2023	**6,713,719**	**1,952,126**	**(9,256,819)**	**(590,974)**

	Share capital	Contributed surplus	Deficit	Total
Balance - August 31, 2022	6,713,719	1,900,386	(9,406,560)	(792,455)
Net income	-	-	9,919	9,919
Balance - November 30, 2022	6,713,719	1,900,386	(9,396,641)	(782,536)

ALPHINAT INC.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE-MONTHS PERIODS ENDED NOVEMBER 30, 2023 AND 2022

(in Canadian dollars)

	Note	**November 30, 2023 (3 months)**	November 30, 2022 (3 months)
		$	$
REVENUES			
Licenses		**63,167**	55,966
Support		**102,097**	107,862
Professional services		**59,474**	202,126
		224,738	365,954
OPERATING EXPENSES			
Cost of services, administrative, selling and development	14	**197,452**	303,100
Stock based compensation	12	**9,235**	-
		206,687	303,100
NET INCOME (NET LOSS) BEFORE THE FOLLOWING ITEMS		**18,051**	62,854
Financial expenses	18	**10,487**	34,076
Depreciation - fixed assets		**678**	815
Amortization - intangible assets		**104**	406
Depreciation - Right of use assets		**17,638**	17,638
		28,907	52,935
NET INCOME (NET LOSS) BEFORE INCOME TAXES		**(10,856)**	9,919
INCOME TAXES		-	-
NET INCOME (NET LOSS) AND COMPREHENSIVE INCOME (COMPREHENSIVE LOSS)		**(10,856)**	9,919
Basic and diluted earnings per share	15	**(0.00017)**	0.00016
Weighted average number of common shares outstanding		**63,148,956**	63,148,956

Going concern (note 1)

ALPHINAT INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTHS PERIODS ENDED NOVEMBER 30, 2023 AND 2022
(in Canadian dollars)

	Note	**November 30, 2023 (3 months)**	November 30, 2022 (3 months)
		$	$
OPERATING ACTIVITIES			
Net income		**(10,856)**	9,919
Adjustments for :			
Depreciation - fixed assets		**678**	815
Amortization - intangible assets		**104**	406
Depreciation right-of-use assets		**17,638**	17,638
Stock-based compensation		**9,235**	-
Accretion expense		**1,530**	1,439
Interest on lease liability		**1,003**	2,324
		19,332	32,541
Net change in non cash working capital items	4 a)	**(81,272)**	(26,394)
		(61,940)	6,147
INVESTING ACTIVITIES			
Acquisition of fixed assets		**(5,000)**	-
		(5,000)	-
FINANCING ACTIVITIES			
Repayment of lease liability		**(21,413)**	(27,911)
		(21,413)	(27,911)
NET CHANGE IN CASH		**(88,353)**	(21,764)
CASH, BEGINNING OF PERIOD		**67,919**	6,718
BANK OVERDARFT, END OF PERIOD		**(20,434)**	(15,046)

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

The Company was incorporated on March 12, 2004 under the Canada Business Corporations Act. Its mission is to develop and market software products that meet leading edge industry standards and that allow for the implementation of self service solutions and Web based work space, thereby facilitating all dealings between the organization and its clients, partners, suppliers, employees and shareholders.

Alphinat Inc. operates, grouped under one activity area, in four primary markets:
- Public sector
- Telecommunications
- Healthcare sector
- Financial institutions

The solutions provided help to reduce the complexity and costs of an organization's business processes by computerizing data input, processing, switching and dissemination.

These solutions offer a one stop service to users who must deal with many different stakeholders and information sources within an organization whether it is a business or government organization.

Alphinat Inc.'s common shares are trading on the TSX Venture Exchange in Toronto under the NPA symbol. Stock options are not traded on a stock exchange.

The Company's registered head office is located at 2000 Peel Street, Suite 680, Montreal, Quebec, Canada, H3A 2W5.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis. Under the going concern assumption, a company is viewed as being able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of

Although these condensed interim financial statements have been prepared on a going concern basis, certain facts and circumstances raise doubts as to this assumption. The Company incurred major operating losses in the past. Its current liquidities may be insufficient to meet its obligations as the Company's current liabilities exceed its current assets by $580,388 as at November 30, 2023 ($593,717 as at August 31, 2023).

The cash flow shortfall was covered during the year ended August 31, 2023, by the support of suppliers, creditors and government authorities who have tolerated late payments. In previous years, these shortfalls were covered by loans from directors, shareholders, an individual related to an important insider shareholder, a company under common control and other and by the issuance of debentures. However, in November 2018, the Company entered into a settlement with the majority of debenture holders by converting debentures into share capital. This settlement has reduced the financial expenses of the Company. Also because of the results of the fiscal year ended August 31, 2022 the Company was able to repay the debentures. These situations indicate the existence of material uncertainties that may cast significant doubt about the Company ability to pursue its activities.

The Company has focused on developing strong channel partner alliances in United States, in Canada and in France while improving versions of its SmartGuide® software. Deferred revenues totaling $206,204 as at November 30, 2023 ($228,144 as at August 31, 2023) will be recognised in revenues in the coming years.

The Company's continued operations depend on management's ability to successfully implement its business plan, under which it expects to be able to increase its operating revenues from existing products and have agreements and partnerships with third parties. There is no assurance that these measures implemented by management will provide results. These condensed interim financial statements do not include any adjustments that would be required if the Company was unable to continue operating. Should the Company be required to realize the value of its assets and settle its obligations in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the condensed interim financial statements. These adjustements could be material.

1. DESCRIPTION OF BUSINESS AND GOING CONCERN (CONTINUED)

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all financial years presented in these condensed interim financial statements, unless otherwise indicated.

BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared on an accrual basis under the historical cost method.

CASH AND CASH EQUIVALENTS

The Company's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn.

FINANCIAL INSTRUMENTS

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those account receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
- amortised cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

In the years presented the Company does not have any financial assets categorised as FVTPL or FVOCI. The classification is determined by both:
- the entity’s business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, except for impairment of account receivables which is presented within cost of services, administrative, selling and development.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash, accounts receivable (except income tax credits receivable) fall into this category of financial instrument.

Impairment of financial assets

IFRS 9’s impairment requirements use more forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’.

The Company must considers a broad range of information to assess the credit risk and measuring expected credit losses, especially past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and;
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2).

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on an individual basis.

Classification and measurement of financial liabilities

The Company's financial liabilities include bank overdraft, accounts payable and accrued liabilities (except for salaries, benefits and sales taxes payables), debentures and loans.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges are included within finance expenses.

FIXED ASSETS

Fixed assets are initially recorded at cost, including acquisition fees and all the preparation fees directly related to the asset before it can be used. Subsequent to the initial measurement, fixed assets are recorded at cost, less accumulated depreciation and impairment.

Depreciation is recognised on a straight-line basis, in line with the asset's useful life, as follows:

	Methods	Duration
Office furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years

The Company allocates the amount initially recognised for a fixed assets to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gain and losses on disposals of fixed assets are determined by comparing the proceeds with the carrying amount of the asset and are included as part of the net income in other revenues or other charges.

INTANGIBLE ASSETS

The Company's intangible assets are capitalized and amortized on a straight-line basis in the statement of income over their expected useful lives as follows:

	Methods	Duration
Trademarks	Straight-line	4 years

Residual value and useful life duration are reviewed each year at year-end.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIREMENT OF FIXED ASSETS

Fixed assets, intangible assets and right-of-use assets subject to depreciation or amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is required to assess at each reporting date whether there is any indication that an asset may be impaired. Where such an indication exists, the asset's recoverable amount is compared to its carrying value, and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, or cash-generating units ("CGU"). In determining the value in use of a given asset or CGU, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fixed assets, intangible assets and right-of-use assets subject to depreciation or amortization that suffered impairment are reviewed for possible reversal of the impairment if there has been a change, since the date of the most recent impairment test, in the estimates used to determine the impaired asset's recoverable amount. However, an asset's carrying amount, increased due to the reversal of a prior impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, had the original impairment not occurred.

SHAREHOLDERS' EQUITY

Common shares and warrants issued with a share issuance, are classified as equity and are recorded in shareholders' equity at their issuance value. The Company applies the residual value method to value warrants issued jointly with common shares. Incremental costs directly attributable to the issuance of shares are recorded in share capital, net of tax deduction.

OTHER COMPONENTS OF EQUITY

Contributed surplus includes stock based compensation expense until the exercice of those financial instruments. When exercised, the cost of the stock based compensation expense is credited to share capital. Deficit includes all the losses for current and past years.

TAX CREDITS

Tax credits for the developement of e-business are recognised when there is reasonable assurance that they will be received. Government authorities may not agree with the company's interpretation as it relates to admissibility of its demands. When tax credits relate to an asset, they are recognised as a decrease in the asset acquisition cost. When they relate to an expense item, they are reported in earnings.

DEVELOPMENT EXPENSES

Development expenses that do not meet the accepted accounting criteria for deferral and research expenses are charged to expenses in the year in which they are incurred. Development costs are deferred if they meet accepted accounting criteria for deferral and amortization and are amortized over the estimated period of economic benefits. As at November 30, 2023 and 2022 no development costs have been deferred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

In accordance with IAS 37 (provisions, contingent liabilities and contingent assets) provisions for risk and charges are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. In the case where a potential obligation resulting from past events exists, but where the occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management's best estimate of the outcome on the basis of facts known at the reporting date.

Disputes are subject, case by case, to regular monitoring by the Company with the help of outside counsel for litigation that are more significant and complex. A provision is recognised when it becomes probable that a present obligation arising from past events will require a settlement whose amount can be measured reliably. The evaluation of the provision is the best estimate of the outflow of resources allowing the extinction of this obligation.

REVENUE RECOGNITION

Professional service revenues are recognised according to the percentage of completion method. Percentage of completion is established by comparing the accrual costs incurred to the total cost of the contract. Work in progress is established by taking into account services rendered that have not yet been invoiced.

Revenues from the sale of software licenses are recognised when there is persuasive evidence of a valid arrangement, the software product has been delivered and accepted by the client, and no significant obligations from the Company remain.

Revenues from after-sales technical support are recognised on a straight-line basis over the contractual service period and revenues from other services are recognised as the services are rendered.

The Company conducts transactions involving many of its services and products such as software sales and support services. In all cases, the total transaction price of a given contract is distributed among the various obligations in proportion to the specific selling prices of each.

The Company recognizes deferred revenue as a liability for consideration received in payment of unfulfilled performance obligations. Likewise, if the Company fulfills an obligation of the service before having received the corresponding consideration, it is recognized as work in progress in current assets in its balance sheet.

LEASES

The Company recognizes a right-of-use asset and a lease liability with respect to a lease on the date the underlying asset is available for use by the Company (hereinafter "commencement date").

The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments made on or before the commencement date, plus the initial direct costs incurred and an estimate of all the costs for dismantling and removing the underlying asset, less any rental incentive received.

The right-of-use asset is amortised over the shorter of the estimated useful life of the underlying asset or the lease term on a straight-line basis. Additionally, the cost of a right-of-use asset is reduced by any accumulated impairment losses and, as appropriate, adjusted for any remeasurement of the related lease liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

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

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Lease payments relating to extension options that the Company is reasonably certain it will exercise.

The Company has elected not to recognise separately non-lease components of leases for office space (buildings). Accordingly, lease payments and the lease liability include payments relating to lease and non-lease components. Interest expense related to lease liabilities is accounted in the statement of income under the effective interest rate method.

The lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or when the Company changes its measurement with respect to the exercise of a purchase, extension or termination option. The lease liability adjustment is adjusted against the related right-of-use asset or recorded in profit or loss if the right-of-use asset is reduced to zero.

GOVERNMENT GRANTS

During the course of its activities, it is possible that the Company receives different grants. These grants are recognised when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for a specific expense incurred are recognised in the statement of income against the expenses.

INCOME TAXES

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is determined using the weighted average number of shares outstanding during the period.

Diluted earnings per share is determined using the weighted average number of shares outstanding during the period plus the dilutive potential effect of the common shares outstanding during the period. The diluted earnings per share is calculated using the treasury stock method as if all the potential dilutive shares had been issued no later than the beginning of the period or the issuance date, and the proceeds received had been used to redeem the Company's shares at the average market price during the period.

When funds are received, at the date of issuance of dilutive instruments, the net amount is adjusted net of tax expenses related to these instruments.

Diluted earnings per share is the same as basic earnings per share due to the anti-dilutive effect of stock options when the Company suffers losses or the stock options are issued at a premium to the average market price.

STOCK BASED COMPENSATION

The Company has granted stock options as described in note 12 a). Stock based compensation expense is recorded using the fair value method for the options granted to directors, officers and employees. Under this method, the stock based compensation expense is measured at the fair value at the date of grant using an option pricing model and is recognised over the vesting year of the options.

The Company estimates the fair value of options using the Black Scholes option pricing model. The Black Scholes model was developed to estimate the fair value of traded options that have no vesting or transfer restrictions. Furthermore, this pricing model requires the use of subjective assumptions including expected stock price volatility.

When goods or services are obtained in exchange for stock options or warrants, the Company estimates the goods or services received and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless the fair value cannot be reliably estimated. If the Company cannot estimate reliably the fair value of the goods or services received, it evaluates the value and the corresponding increase in equity, indirectly, by reference to the fair value of equity instruments granted.

All considerations paid for stock options and the amount previously included for these stock options in shareholders' equity (contributed surplus) are credited to the share capital when the options are exercised.

ACCOUNTS DENOMINATED IN FOREIGN CURRENCIES

Presentation currency and foreign currency operations

The Canadian dollar is the Company's presentation currency, which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency environment in which the entity operates using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the date of the statement of financial position are converted into functional currency at the exchange rates prevailing at that date. All resulting changes are recognised in profit of loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STANDARDS, MODIFICATIONS AND FUTURE INTERPRETATIONS

Standards, modifications and interpretations of existing standards that are not yet in force and that the Company has not adopted in anticipation

At the authorization date for publication of these condensed interim financial statements, new standards, new amendments and new interpretations of existing standards have been published, but are not yet in force. The company did not adopt them early. It plans to adopt them according to their date of entry into force but they are not expected to have a material impact on the Company's condensed interim financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements in accordance with IFRS often requires management to make estimates and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's condensed interim financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the condensed interim financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustments.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's condensed interim financial statements.

Fair value of stock options

Determining the fair value of stock options at the grant date requires judgment related to the choice of a pricing model, the estimation of stock price volatility and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or other components of shareholders' equity.

Provisions

Provisions are recognized when the current obligations (legal or constructive), resulting from a past event, are likely to result in an outflow of resources representing economic benefits of the Company and the amounts can be reliably estimated. Provisions are liabilities of uncertain deadline or amount.

The valuation of provisions corresponds to the expenses estimated to be necessary to settle the current obligation, based on the most reliable evidence available at the end of the period, including the risks and uncertainties associated with the current obligation. Provisions are discounted when the time value of money is significant.

Judgment is used to determine whether a past event has given rise to a liability that should be recognized in the condensed interim financial statements as a provision or whether it should be presented as a contingent liability. Quantifying these liabilities involves judgments and estimates. These judgments are based on several factors, such as the nature of the claim or conflict, legal procedures, the potential amount payable, previous experience and the likelihood of a loss occurring. Several of these factors cause uncertainty in the estimates.

Provisions are reviewed at the end of each fiscal year and adjusted to reflect the best estimates at that date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Revenue allocation of multiple component contracts

The Company's arrangements often include a mix of services and products. If an arrangement involves the provision of multiple components, the total arrangement value is allocated to each separately identifiable component based on its relative selling price. A component is considered to be separately identifiable if it has value to the client on a stand-alone basis. Assessing whether an arrangement involving the provision of multiple components has separately identifiable components requires judgment by management. When estimating selling price, the Company maximizes the use of observable prices which are established using the Company's prices for same or similar components. When observable prices are not available, the Company estimates selling prices based on its best estimate of selling price. The best estimate of selling price is the price at which the Company would normally expect to offer the services or products and is established by considering a number of internal and external factors including, but not limited to, the Company's pricing policies, internal costs and margins. The appropriate revenue recognition method is applied for each separately identifiable component.

Deferred income taxes

When the company incurs losses that cannot be associated with current or past profits, it evaluates the probability of generating taxable income in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable revenues and expenses and specific regulations relating to the use of unused credit or unused tax losses. When the forecasts indicate that future taxable profits will be sufficient for temporary differences to be deductible, a deferred tax asset is recognised for all deductible temporary differences.

Government assistance

The Company is entitled to government assistance in the form of tax credits. These are applied either against the related expenses or the cost of the asset acquired. Tax credits are available based on eligible expenses. Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognised when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Work in progress

Revenues from long-term contracts are accounted for using the stage of completion method. The stage of completion is determined by comparing the incurred actual costs to anticipated total costs to complete the contract, excluding costs that are not representative in measuring the stage of completion. Estimated revenues include revenues from order changes and claims, when it is probable that they will result in additional revenue and that the amount can be reliably estimated. If a revision of a contract indicates a negative gross margin, the total expected loss on the contract is recognised in cost of services in the period during which the negative gross margin is determined.

Leases contracts

Recognising leases requires judgement and use of estimates and assumptions. Judgement is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised. Furthermore, management estimates are used to determine the lease terms and the appropriate interest rate to establish the lease liability (refer to note 8).

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The current situation indicates the existence of a material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. Further information regarding going concern is outlined in note 1.

4. SUPPLEMENTARY CASH FLOW INFORMATION

a) Net change in non-cash working capital items is as follows for the periods ended :

	November 30, 2023 (3 months)	November 30, 2022 (3 months)
	$	$
Accounts receivable and other receivables	**(124,060)**	26,303
Work in progress	**56,325**	(77,717)
Prepaid expenses	**20,304**	21,240
Accounts payable and accrued liabilities	**(11,901)**	5,764
Deferred revenues	**(21,940)**	(1,984)
	(81,272)	(26,394)

b) Changes arising from financing activities are as follows for the years ended :

	November 30, 2023 (3 months)	November 30, 2022 (3 months)
	Loans	Loans
	$	$
Balance, beginning of period	**53,327**	47,533
Accretion expense	**1,530**	1,439
Balance, end of period	**54,857**	48,972

5. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	November 30, 2023	August 31, 2023
	$	$
Accounts receivable in Canadian currency [1]	**196,099**	126,952
Accounts receivable in US currency [1]	**20,706**	4,850
Unbilled revenues	**129,542**	121,658
Tax credits for the developement of e-business	**170,714**	139,541
	517,061	393,001

[1] The terms of these accounts receivable are detailed in the following table:

Breakdown of accounts receivable:	**November 30, 2023**	August 31, 2023
	$	$
0 to 30 days	**110,470**	99,986
31 to 60 days	**43,619**	6,904
61 to 90 days	**6,897**	1,271
More than 90 days	**55,819**	23,641
	216,805	131,802

(in Canadian dollars)

6. FIXED ASSETS

	Office furniture and equipment	Computer equipment	Total
Cost	$	$	$
Balance as at August 31, 2023	12,843	39,576	52,419
Acquisitions	-	-	-
Balance as at November 30, 2023	12,843	39,576	52,419
Accumulated depreciation			
Balance as at August 31, 2023	12,745	35,402	48,147
Depreciation	28	650	678
Balance as at November 30, 2023	12,773	36,052	48,825
Net book value as at November 30, 2023	70	3,524	3,594

	Office furniture and equipment	Computer equipment	Total
Cost	$	$	$
Balance as August 31, 2022	12,843	38,376	51,219
Acquisitions	-	1,200	1,200
Balance as at August 31, 2023	12,843	39,576	52,419
Accumulated depreciation			
Balance as August 31, 2022	12,633	32,593	45,226
Depreciation	112	2,809	2,921
Balance as at August 31, 2023	12,745	35,402	48,147
Net book value as at August 31, 2023	98	4,174	4,272

7. INTANGIBLE ASSETS

	Trademarks
Cost	$
Balance as at August 31, 2023	38,000
Acquisitions	5,000
Balance as at November 30, 2023	43,000
Accumulated amortization	
Balance as at August 31, 2023	38,000
Amortization	104
Balance as at November 30, 2023	38,104
Net book value as at November 30, 2023	4,896

	Trademarks
Cost	$
Balance as August 31, 2022	38,000
Acquisitions	-
Balance as at August 31, 2023	38,000
Accumulated amortization	
Balance as August 31, 2022	36,645
Amortization	1,355
Balance as at August 31, 2023	38,000
Net book value as at August 31, 2023	-

(in Canadian dollars)

8. LEASES

The Company leases an office space. The leases have an initial term of 8 years and has a renewal option of 5 years after that date. The lease terms are negotiated individually and encompass a wide range of different terms and conditions. The leases do not specify any restrictions and the leased property cannot be used to secure loans. The right-of-use asset and lease liability recognised by the Company relate to office space.

Right-of-use asset	Building
	$
Balance as at August 31, 2021	198,883
Revaluation	(4,360)
Depreciation	(141,104)
Balance as at August 31, 2022	53,419
Depreciation	(17,638)
Balance as at November 30, 2023	35,781

Lease liability	
	$
Balance as at August 31, 2021	245,762
Lease payments	(190,736)
Revaluation	(4,360)
Interest expenses on lease liability	19,796
Balance as at August 31, 2023	70,462
Lease payments	(21,413)
Interest expenses on lease liability	1,003
Balance as at November 30, 2023	50,052
Current portion	50,052
	50,052

Contractual undiscounted payments under lease liabilitiy are as follows:

	$
Within one year	50,365
Total	50,365

	November 30, 2023	August 31, 2023
	$	$
Other amounts recognised in profit or loss		
Interest expenses on lease liability	**1,002**	12,242
Cash flow amounts		
Total cash outflow for lease	**21,413**	99,894
Interest expenses on lease liability	**1,002**	12,242

8. LEASES (CONTINUED)

Renewal option

The lease for office space include renewal options that can be exercised at the Company's option. This option is not reflected in measuring lease liability because the option is not reasonably certain to be exercised by the Company. This is also the case when the underlying office space is not vital to the Company and there are other alternative solutions to replace the underlying asset. The Company's practice is to ensure that the space meets its needs, which evolve other time. The table below summarises potential future rental payments as at November 30, 2023, relating to years following the exercise dates of extension options:

	$
Potential future lease payments not included in lease liability (discounted)	285,083

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2023	August 31, 2023
	$	$
Accounts payable and accrued liabilities, contracted in Canadian currency	**217,669**	214,541
Accounts payable, contracted in US currency	**-**	114
Salaries, vacation, bonus and fringe benefits payable	**191,240**	211,229
Canadian sales tax payable	**19,509**	17,870
European value-added taxes payable, contracted in Euro currency	**403,591**	400,156
	832,009	843,910

10. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

The Company received a loan of $60,000 under the Canada Emergency Business Account program for the canadian companies. If the Company repays an amount totaling $40,000 of the loan by January 18, 2024, no further amount will be repayable. Otherwise, the balance of the loan will bear interest at the rate of 5%, repayable at maturity on December 31, 2026.

Although government assistance of $20,000 is not repayable if the Company repays the amount of $40,000 by January 18, 2024, this amount will be recognized in income when the Company has reasonable assurance that it will comply with the terms of early repayment of this aid. In addition, upon initial recognition, the Company measured the loan at fair value resulting in an adjustment of $22,902 recognized in earnings as government assistance.

11. CAPITAL STOCK

a) Authorized

An unlimited number of participating and voting common shares.

b) Issued	**November 30, 2023**	August 31, 2023
	$	$
63,148,956 common shares as at November 30, 2023 and August 31, 2023	**6,713,719**	6,713,719

(in Canadian dollars)

12. STOCK OPTIONS

a) Stock options

Pursuant to the terms of the plan modified in February 2010, February 2013 and February 2021, the Board of Directors is authorized to grant directors, officers, employees and consultants of the Company's options to acquire common shares of the Company. The maximum number of options that can be granted under this plan is 12,629,790, which is 20% of the issued and outstanding ordinary common shares. Options granted under this plan have a maximum term of five years and will be granted at a price and for other conditions determined by the directors in order to achieve the objective of the plan, the whole in accordance with the applicable regulatory policies. The exercice price of the option may not be below the market price.

The maximum number of options that may be granted to a beneficiary of the Company cannot exceed 5% of the total outstanding common shares. The maximum number of options that may be granted to consultants cannot exceed 2% of the total outstanding common shares.

The following table presents information concerning outstanding stock options forthe three-month period ended November 30, 2023 and the year ended August 31, 2023:

	Number of options	Weighted average exercise price per share
		$
Balance - August 31, 2022	6,250,000	0.12
Cancelled	(200,000)	0.12
Expired	(4,275,000)	0.12
Granted	4,625,000	0.08
Balance as at August 31, 2023	**6,400,000**	**0.09**
Expired	(600,000)	0.08
Balance as at November 30, 2023	**5,800,000**	**0.09**

Transactions during the year ended August 31, 2023

During the year ended August 31, 2023, the Company granted 4,625,000 stock options that entitle the holder to purchase 4,625,000 common shares at an exercise price of $0.08, for a period of five years. The fair value of $65,393, or $0.01 per stock option, was estimated on the grant date using the Black and Scholes pricing model. These stock options were issued on April 26, 2023 and will vest every three months for six vesting periods. Also during the year 4,275,000 stock options have expired and 200,000 were canceled.

The following assumptions were used:

	Issuance on April 27, 2023
Risk-free interest rate	3.09%
Expected volatility	97%
Dividend yield	0%
Share price	$0.025
Expected life	5 years

(in Canadian dollars)

12. STOCK OPTIONS (CONTINUED)

Transactions during the three-month period ended November 30, 2023

Durant the three-month period ended November 30, 2023, 600,000 stock options have expired.

The volatility has been estimated based on the historical share prices of the Company over the expected average life of the options. An amount of $51,740 was accounted for as stock-based compensation within statement of income and credited to contributed surplus.

The following table summarizes information about outstanding stock options granted by the Company as at November 30, 2023 and August 31, 2023 :

Outstanding options				Exercisable options	
Range of exercise price	Number of options	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
$			$		$
As at August 31, 2023					
0.09	6,400,000	41	0.09	6,400,000	0.09
As at November 30, 2023					
0.09	**5,800,000**	**38**	**0.09**	**5,800,000**	**0.09**

b) Contributed surplus

Contributed surplus includes outstanding and expired stock options. The balance is as follows :

	November 30, 2023	August 31, 2023
	$	$
Outstanding stock options	**109,087**	108,144
Expired stock options	**1,818,039**	1,809,747
Others	**25,000**	25,000
	1,952,126	1,942,891

13. FINANCIAL INSTRUMENTS

Fair value

The Company measured the fair value of its financial instruments based on current interest rates, fair value and the current price of financial instruments with comparable characteristics. Unless otherwise indicated, the carrying value is considered approximately equal to fair value. IFRS 7 requires additional disclosure regarding fair value measurements, including a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of hierarchy regarding fair value measurements are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2 – Inputs, other than quoted prices, for which assets or liabilities are directly or indirectly observable;
Level 3 – Inputs that are not based on observable market data.

(in Canadian dollars)

13. FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the loan was determined by analyzing the cash flows based on the current rates applicable to similar loans.

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at amortized cost				
Cash	67,919	-	-	67,919
Accounts receivable and unbilled revenues	-	253,460	-	253,460
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	-	(203,084)	-	(203,084)
Loan	-	(53,327)	-	(53,327)
As at August 31, 2023	67,919	(2,951)	-	64,968
Financial assets at amortized cost				
Accounts receivable and unbilled revenues	-	346,347	-	346,347
Financial liabilities at amortized cost				
Bank overdraft	(20,434)	-	-	(20,434)
Accounts payable and accrued liabilities	-	(198,781)	-	(198,781)
Loan	-	(54,857)	-	(54,857)
As at November 30, 2023	**(20,434)**	**92,709**	**-**	**72,274**

Credit risk

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flow, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

As at November 30, 2023, the Company had a credit concentration since more than 73% of its accounts receivable were due from three customers (77% as at August 31, 2023 due from two customers). Due to these customers' excellent financial situation, management is of the opinion that this credit risk is limited.

Interest rate risk

The Company is exposed to interest rate risk on its financial instruments at a fixed interest rate. Financial instruments at fixed-interest rate subject the Company to a fair value risk.

The following table presents the Company's exposure to interest rate risk:

Accounts receivable and other receivables	Non-interest bearing
Accounts payable and accrued liabilities, except interest payable	Non-interest bearing
Loan	Non-interest bearing until January 18, 2024

Market risk

The future performance of the Company is dependent on the continued popularity of its existing solutions and its ability to develop and release updated and upgraded versions of SmartGuide® software suite that gain acceptance and satisfy consumer demands in its targeted markets. The popularity or relevance of any of its solutions may decline over time as consumer preferences change or as new competing softwares are introduced to target markets. The development of new solutions and their distribution within the target market, require significant investments.

13. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

In order to meet additional capital requirements, the Company may consider collaborative arrangements and additional public or private financing to fund all or a part of particular software development programs and/or working capital needs. Private financing could include incurring debt and the issuance of additional equity securities, which could result in dilution to shareholders. There can be no assurance that additional funding will be available. The corporation manages this risk by establishing a detailed cash forecast, as well as long term operating and strategic plans. According to this forecast, cash flows from operating activities will be generated by government license and maintenance fees and professional services sales directly and through partnerships.

As at November 30, 2023, all financial liabilities mature in less than three months with the exception of the loan maturing on January 18, 2024.

Foreign exchange risk

Because of its leasing and sales of licenses in Euros and its operations in US currency, the Company is exposed to foreign exchange risk (notes 5 and 9 show details of accounts receivable and payable in foreign currencies). These risks are partially offset by its marketing expenses in United States and Europe. The risk is not hedged.

The following table details the Company's sensitivity to an increase or decrease of 10% in foreign exchange rate compared to the Canadian currency. The analysis only considers current monetary items :

	Increase of 10%		Decrease of 10%	
	November 30, 2023	November 30, 2022	**November 30, 2023**	November 30, 2022
	$	$	**$**	$
US currency versus Canadian $				
Net gain (loss) and shareholders' equity (i)	**2,071**	(4,462)	**(2,071)**	4,462

(i) Essentially due to exposure to receivables and payables denominated in foreign currencies.

14. COST OF SERVICES, ADMINISTRATIVE, SELLING AND DEVELOPMENT EXPENSES

	November 30, 2023 (3 months)	November 30, 2022 (3 months)
	$	$
Insurance	**14,769**	13,774
Other administrative expenses	**1,788**	21,384
Income tax credits	**(31,173)**	(33,181)
Travel expenses	**267**	5,263
Publicity and promotion	**5,297**	(1,010)
Professional fees	**28,804**	(15,473)
Salaries and fringe benefits	**184,700**	312,343
Grant	**(7,000)**	-
	197,452	303,100

(in Canadian dollars)

15. EARNINGS PER SHARE

For the three-month periods ended November 30, 2023 and 2022, there was no difference between the basic and diluted earnings per share due to the fact that all stock options that have been issued have an antidilutive effect and consequently, were not included in the calculations. The basic and diluted earnings per share was calculated using the weighted average number of common shares outstanding.

16. IMPORTANT CLIENTS

Sales made to the most important clients in relation with total sales :

	November 30, 2023 (3 months)	November 30, 2022 (3 months)
	$	$
Global technology solutions provider	**69,484 (31%)**	55,966 (15%)
Leading provider of solutions for public sector agencies	**36,829 (16%)**	54,520 (14%)
Agency of a province in Canada	**18,244 (8%)**	18,244 (5%)

17. GEOGRAPHICAL DISTRIBUTION

Sales made by geographic regions based on client location:

	November 30, 2023 (3 months)	November 30, 2022 (3 months)
	$	$
Canada	**152,730 (67%)**	299,688 (82%)
United States	**70,847 (32%)**	66,266 (18%)
Other	**1,161 (1%)**	-

18. INFORMATION ON INCOME - FINANCIAL EXPENSES

	November 30, 2023 (3 months)	November 30, 2022 (3 months)
	$	$
Interest and bank charges	**508**	362
Penalties and interest paid to governements (refunds)	**4,757**	3,162
Interest on lease liability	**1,003**	2,324
Interest revenue	**-**	(140)
Accretion expense	**1,531**	1,439
Foreign exchange loss	**2,688**	26,929
	10,487	34,076

19. CAPITAL DISCLOSURES

With regards to capital management, the Company's objective, from the beginning of its operations, is the continuity of its operations in order to carry on with the development and marketing of the SmartGuide® software suite, the protection of its assets, while maximizing the shareholders' return on investment. The Company is not subject to any externally imposed capital requirements. The Company has several options regarding its capital needs such as issuance of capital shares, debentures and other current and long term financing.

The Company defines its capital as the sum of its shareholders' equity and the loan. The shareholders' deficiency of $(590,794) as at November 30, 2023 ($(589,353) as at August 31, 2023) includes share capital and contributed surplus related to stock options issued in exchange of services and deficit. The loan amounts to $54,857 as at November 30, 2023 ($53,327 as at August 31, 2023). As at November 30, 2023 capital is ($536,117) (($536,206) as at August 31, 2023).

There was no significant changes in the Company's approach to capital management during the three-month period ended November 30, 2023.

20. RELATED PARTY TRANSACTIONS

a) Key management and directors compensation

Key management compensation, i.e. the president, paid as salaries, for the three-month period ended November 30, 2023 was $20,738 ($67,308 for the three-month period ended November 30, 2022). The chief financial officer and a director compensation, paid as professional fees, for the three-month period ended November 30, 2023 was $5,535 ($4,830 for the three-month period ended November 30, 2022).

Key management and directors compensation, paid as stock options, for the three-month period ended November 30, 2023 was $2,239 ($0 for the three-month period ended November 30, 2022).

21. CONTINGENCY

In the normal course of business, the Company is exposed to litigation or claims arising from transactions with customers or suppliers or resulting from verifications by local and foreign regulatory authorities. The Company cannot predict the outcome of such situations and the probability of an outflow of economic resources. The Company recognizes a contingent liability when the time and amount of the outflow are more likely than not to occur. For the three-month period ended November 30, 2023 and 2022, no provision was recorded.

22. SUBSEQUENT EVENTS

On January 12, 2024, the company granted its employees 275,000 stock options allowing the purchase of 275,000 common shares at an exercise price of $0.08, for a period of five years.