Legible Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024, and 2023

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

dmcl.ca

Independent Auditor's Report

To the Shareholders of Legible Inc.

Opinion

We have audited the consolidated financial statements of Legible Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 2 to the financial statements, which indicates that the Company has limited revenue and generated negative cash flows from operating activities. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The financial statements of the Company for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2024.

Other Information

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

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board., 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 Matthew Gosden.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2025

Legible Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2024, and 2023
(Expressed in Canadian dollars)

	Note	**December 31, 2024 $**	December 31, 2023 $
Assets			
Current assets			
Cash		**38,790**	74,831
Amounts receivable	4	**12,262**	2,864
Prepaid expenses	5	**17,963**	63,427
Total assets		**69,015**	141,122
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**2,683,128**	2,099,254
Credit facility	6	**640,737**	446,610
Loans payable	7	**862,149**	450,279
Due to related parties	10	**91,348**	11,130
Current portion of convertible debentures	8	**126,228**	-
Deferred revenue		**-**	1,152
Total current liabilities		**4,403,590**	3,008,425
Non-current liabilities			
Convertible debentures	8	**1,742,851**	99,933
Total non-current liabilities		**1,742,851**	99,933
Total liabilities		**6,146,441**	3,108,358
Shareholders' deficiency			
Share capital	9	**21,649,970**	20,956,541
Shares to be issued		**120,000**	120,000
Reserves	9	**3,331,085**	3,296,856
Equity component of convertible debentures	8	**936,176**	24,511
Deficit		**(32,114,657)**	(27,365,144)
Total shareholders' deficiency		**(6,077,426)**	(2,967,236)
Total liabilities and shareholders' deficiency		**69,015**	141,122

Basis of preparation and going concern (note 2)
Subsequent events (note 15)

Approved and authorized for issue by the Board of Directors on April 30, 2025:

"David Van Seters" — Director

"Shannon Kaustinen" — Director

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

Legible Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31, 2024, and 2023

(Expressed in Canadian dollars)

	Note	December 31, 2024 $	December 31, 2023 $
Revenues		**80,669**	53,445
Cost of sales		**55,665**	35,757
Gross margin		**25,004**	17,688
Operating expenses			
Amortization		**-**	12,302
Consultants		**449,017**	652,487
Directors' fees	10	**-**	60,000
General and administrative		**389,439**	332,444
Interest	6,7,8	**783,501**	419,318
Investor relations		**160,445**	261,301
Marketing and advertising		**455,132**	178,431
Professional fees		**171,640**	399,175
Salaries, wages, and benefits	10	**1,197,248**	1,435,951
Share-based compensation	9,10	**252,939**	912,403
Software development		**230,451**	303,361
Software subscriptions and hosting fees		**161,815**	302,174
Transfer agent and filing fees		**29,181**	30,387
Total operating expenses		**4,280,808**	5,299,734
Loss from operations		**4,255,804**	5,282,046
Other expenses (income)			
R&D tax recovery	11	-	(484,309)
Loss on settlement	8	**611,550**	-
Net loss before income tax		**4,867,354**	4,797,737
Deferred tax recovery	11	**117,841**	-
Net loss and comprehensive loss		**4,749,513**	4,797,737
Basic and diluted loss per share		**0.04**	0.04
Weighted average shares outstanding		**135,376,472**	110,273,015

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

Legible Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the years ended December 31, 2024, and 2023
(Expressed in Canadian dollars)

	Share capital			Reserves			
	Number of common shares	**Share capital $**	**Shares to be issued $**	**Share options and compensatory warrants $**	**Equity component of convertible debentures $**	**Deficit $**	**Total $**
Balance - December 31, 2022	77,774,786	15,881,125	263,000	2,282,529	480,903	(22,567,407)	(3,659,850)
Issuance of shares ($0.09 - $0.12)	36,511,464	3,551,088	(143,000)	-	-	-	3,408,088
Issuance of debt settlement ($0.135)	250,000	33,750	-	-	-	-	33,750
Warrants exercised ($0.10)	42,472	6,981	-	(2,734)	-	-	4,247
Issuance of shares regarding debt conversions	18,829,000	1,710,241	-	-	(456,392)	-	1,253,849
Less: share-issuance costs (note 9)	-	(226,644)		104,658			(121,986)
Share-based compensation	-	-	-	912,403	-	-	912,403
Net loss and comprehensive loss for the year	-	-	-	-	-	(4,797,737)	(4,797,737)
Balance - December 31, 2023	**133,407,722**	**20,956,541**	**120,000**	**3,296,856**	24,511	**(27,365,144)**	(2,967,236)
Issuance of shares for convertible debentures interest	1,666,652	103,181	-	-	-	-	103,181
Warrants exercised ($0.07)	3,374,936	456,737	-	(220,492)	-	-	236,245
Issuance of shares regarding debt conversion	1,728,136	133,511	-	-	(6,526)	-	126,985
Share-based compensation	-	-	-	252,939	-	-	252,939
Issuance of convertible debentures	-	-	-	1,782	1,036,032	-	1,037,814
Less: deferred income taxes	-	-	-	-	(117,841)	-	(117,841)
Net loss and comprehensive loss for the year	-	-	-	-	-	(4,749,513)	(4,749,513)
Balance - December 31, 2024	**140,177,446**	**21,649,970**	**120,000**	**3,331,085**	**936,176**	**(32,114,657)**	**(6,077,426)**

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

Legible Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2024, and 2023
(Expressed in Canadian dollars)

	Note	**December 31, 2024 $**	December 31, 2023 $
Cash flows from operating activities			
Net loss		**(4,749,513)**	(4,797,737)
Adjustments for non-cash items:			
Amortization		**-**	12,302
Interest		**739,572**	381,331
Deferred income taxes		**(117,841)**	-
Share-based compensation	9	**252,939**	912,403
Loss on settlement		**611,550**	
Shares issued for services		**-**	454,127
Changes in working capital			
Increase in amounts receivable		**(9,398)**	55,569
Decrease in prepaid expenses		**45,464**	46,573
Increase in due to related parties		**80,218**	-
Increase in accounts payable and accrued liabilities		**986,512**	90,822
Decrease in deferred revenue		**(1,152)**	-
Net cash flows used in operating activities		**(2,161,649)**	(2,844,610)
Financing activities			
Proceeds from share issuances		**-**	2,499,895
Proceeds from exercise of warrants	9	**56,013**	4,247
Proceeds from loans	7	**1,208,827**	820,659
Reduction of loans	7	**(285,775)**	(286,664)
Interest payments for convertible debentures	9	**(12,676)**	-
Credit facility proceeds / (repayments)	6	**(20,000)**	(147,149)
Proceeds from convertible debentures		**1,206,000**	-
Issuance costs		**(26,781)**	(121,986)
Net cash flows from financing activities		**2,125,608**	2,769,002
Net change in cash during the year		**(36,041)**	(75,608)
Cash - beginning of year		**74,831**	150,439
Cash - end of year		**38,790**	74,831
Non-cash investing & financing activities:			
Fair value of broker warrants		*1,782*	*104,658*
Loans settled with investment in convertible debentures	*7*	*544,625*	*436,065*
Debt payables settled through issuance of common shares		*-*	*93,750*
Conversion of convertible debt to shares		*133,511*	*1,710,242*
Interest converted into equity		*103,181*	*-*

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

1. CORPORATE INFORMATION

Legible Inc. (“Legible”, or the “Company”) is an eBook entertainment and media company that has developed a browser-first, globally distributed reading and publishing platform that offers a sophisticated and immersive reading experience to anyone with an internet-enabled device anywhere in the world, while solving key challenges faced by readers, publishers, and authors. This includes providing planned global access to literature without the need for e-readers and apps, improving the capacity to showcase marginalized voices, opening new device-agnostic markets, and innovating new digital publishing formats.

The Company and its wholly owned subsidiary, Legible Media Inc., were incorporated under the Alberta Business Corporations Act and the British Columbia Business Corporations Act, respectively. The head office is located at Suite 250 – 997 Seymour St., Vancouver, B.C. V6B 3M1. The Company’s common shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “READ” and trading commenced on December 1, 2021. On January 10, 2022, the Company’s common shares commenced trading on the Frankfurt Stock Exchange (FSE) under the trading symbol D0T (D/zero/T). On January 25, 2023, the Company began trading on the U.S. based OTCQB Venture Market under the symbol LEBGF.

2. BASIS of PREPARATION and GOING CONCERN

Statement of compliance

These consolidated financial statements, including comparatives, of the Company and its subsidiaries are prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Certain comparative figures have been reclassified to conform to the presentation used in the current year.

These consolidated financial statements were approved and authorized for issue by the directors of the Company on April 30, 2025.

Going concern

These consolidated financial statements have been prepared on a going-concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved scalable commercialization of its products.

As of December 31, 2024, the Company had limited revenue and generated negative cash flows from operating activities. The continued operations of the Company are dependent on its ability to generate future cash flows, or obtain additional financing. The Company had its current liabilities exceed its current assets by $4,334,575 at December 31, 2024 and an accumulated deficit of $32,114,657 since inception. Management has determined, in making its assessment, that these events or conditions create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

The Company’s ability to continue as a going concern depends on its ability to generate product sales, complete additional financings, and ultimately, attain and maintain profitable operations. While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern.

Basis of preparation and going concern: (continued)

Going concern (continued)

These consolidated financial statements do not reflect adjustments to the carrying values of the Company's assets and liabilities, revenue and expenses, and the statement of financial position that would be necessary if the going-concern assumption was not appropriate. Such adjustments could be material.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant judgments made by management in the process of applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the application of the going-concern assumption and the discount rates used in valuing the liability component of convertible debentures.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Legible Media Inc. A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances and transactions between the Company and its subsidiary have been eliminated in preparing the consolidated financial statements.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional and reporting currency of the Company and its subsidiary.

Basis of preparation and going concern: (continued)

Accounting standards issued but not yet effective

IFRS 18, Presentation and Disclosure of Financial Statements ("IFRS 18"): In April 2024, the IASB issued IFRS 18 to bring more transparency and comparability to the financial performance of companies, enabling investors to make better investment decisions. IFRS 18 introduces three sets of new requirements: improved comparability of the profit or loss statement (statement of income), improved transparency of management-defined performance measures, and more useful grouping of information in financial statements. IFRS 18 will replace IAS 1, Presentation of Financial Statements. This standard becomes effective for years beginning on or after January 1, 2027, and companies may apply it earlier subject to authorization by relevant regulators. The Company is assessing the impacts of adopting IFRS 18.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Financial instruments

Financial assets and financial liabilities, except for cash, amounts receivable, are recognized on the statement of financial position when the Company becomes a party to the financial instrument.

a. Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value through profit or loss ("FVTPL");
ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and
iii) 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 FVTPL (irrevocable election at the time of recognition). For 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 its business model for managing those assets changes. Financial liabilities are not reclassified.

b. Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs, which are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. 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

Material accounting policy information: (continued)

Financial instruments (continued)

accounting period. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Cash and amounts receivable are classified and subsequently measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities, credit facility, loans payable, due to related parties, and convertible debentures, which are classified and measured at amortized cost using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable information.

Fair value measurement

The Company's financial instruments carried at fair value are measured consistently with the hierarchy below:

- Level 1– Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value of the measurement is directly or indirectly observable; and
- Level 3 – Fair values based on inputs for the asset or liability that are not based on observable market data.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the years ended December 31, 2024, and 2023.

Material accounting policy information: (continued)

Income taxes

Income tax on the profit or loss for the periods presented comprises current tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Loss per share

Basic loss per share is calculated by dividing the earnings/(loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. For the years ended December 31, 2024, and 2023, the Company's diluted loss per share was the same as the basic loss per share as the outstanding options and warrants would be anti-dilutive.

Revenue recognition

To determine whether to recognize revenue, the Company follows a 5-step process:

(i) Identifying the contract with a customer.
(ii) Identifying the performance obligations.
(iii) Determining the transaction price.
(iv) Allocating the transaction price to the performance obligations.
(v) Recognizing revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time, or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers based on information or payment received from relevant counterparties.

The Company's revenue is derived from the sale of eBooks and audiobooks, monthly subscriptions of eBooks and audiobooks, and publishing services. Contract liability relates to amounts received in advance for the Company's subscriptions.

Material accounting policy information: (continued)

Revenue recognition (continued)

Ebook and audiobook sales

Sales are recognized when online access to the eBooks and audiobooks has been provided and are available to the Company's readers. There is no unfulfilled obligation that could affect the readers' acceptance of the products. Once online access to eBooks and audiobooks is provided to the Company's readers, the risks of obsolescence and loss have been transferred to the readers, and either the readers have accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Publishing services

Revenue from publishing services is recognized in the period in which the converted eBook has been delivered and accepted by the customer.

Share capital

Common shares, options, and warrants are classified as equity. Transaction costs directly attributable to the issue of common shares, options, and warrants are recognized as a deduction from equity, net of any tax effects, if applicable.

The Company recognizes units, when it engages in unit financings, which consist of common shares and share purchase warrants which are accounted for in share capital. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments. Warrants that are issued as part of a convertible debenture are accounted for as part of the equity component of convertible debentures. Commissions paid to agents and other related share issue costs are charged directly to share capital.

Share-based compensation

The fair value of share options granted to employees, officers, directors, consultants, or advisors is measured at the date of grant and recognized as an expense over the vesting period. The fair value of share-based compensation awards is determined at the grant date using the Black-Scholes option pricing model. The fair value of the award is charged to profit or loss (unless they are considered to be share issuance costs in which case they are booked as a reduction to share capital) and credited to reserves over the vesting period, after adjusting for the number of awards that are expected to vest. The expense for forfeited awards previously recognized is reversed. For awards that are cancelled, any expense not yet recognized is recognized immediately in profit or loss. Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement as measured at the date of modification, over the remainder of the vesting period.

(Expressed in Canadian Dollars)

Material accounting policy information: (continued)

Share-based compensation (continued)

The fair value of warrants granted to consultants and advisors at the date of grant is recognized as an expense. The fair value of the warrants granted is measured using the Black-Scholes option pricing model and is charged to profit or loss and credited to reserves.

4. AMOUNTS RECEIVABLE

A breakdown of amounts receivable as at December 31, 2024, and 2023, follows:

	December 31, 2024	December 31, 2023
GST receivable	**$ 11,425**	$ 2,402
Trade accounts receivable	**837**	462
Total amounts receivable	**$ 12,262**	$ 2,864

5. PREPAID EXPENSES

A breakdown of prepaid expenses as at December 31, 2024, and 2023, follows:

	December 31, 2024	December 31, 2023
Insurance	**$ -**	$ 25,000
Investor relations events	**12,522**	36,575
Software licensing	**5,441**	1,852
Total prepaid expenses	**$ 17,963**	$ 63,427

6. CREDIT FACILITY

On March 29, 2022, the Company entered into a credit facility arrangement, secured by a general security agreement, for principal of $308,000, for a term of 12 months with a monthly interest rate of 1.5% per month compounded monthly. When the Company came in breach of the loan agreement, additional monitoring fees of 2.0% per month compounded monthly along with administration fees of $1,000 per month were assessed. As of December 31, 2024, total repayments of $20,000 (2023 - $147,149) were made against the outstanding obligation. The Company accrued $82,660 (2023 - $68,931) in interest, $7,922 (2023 - $1,332) in administration costs, and $123,544 (2023 - $105,252) in monitoring fees for a total of $214,126 (2023 - $175,515). The total amount outstanding, as at December 31, 2024, was $640,737 (2023 - $446,610).

(Expressed in Canadian Dollars)

7. LOANS PAYABLE

A continuity schedule for loans payable for the years ended December 31, 2024, and 2023, is as follows:

Loans payable - December 31, 2022	**$**	**232,264**
Additions		820,659
Commitment fees		87,255
Accrued interest		32,830
Reduction of loans		(286,664)
Conversion of loans		(436,065)
Loans payable - December 31, 2023	**$**	**450,279**
Additions		1,208,827
Commitment fees		119,583
Accrued interest		94,092
Reduction of loans		(285,775)
Converted to convertible debentures		(544,625)
Converted to exercised warrants		(180,232)
Loans payable - December 31, 2024	**$**	**862,149**

For the year ended December 31, 2024, the Company received bridge loans for $1,208,827 (2023 - $820,695), with commitment fees of 10% and annual interest of 15%. An aggregate of $285,775 (2023 - $286,664) of loans were repaid for the year ended December 31, 2024. The bridge loans are due on demand and therefore the commitment fees were expensed on issuance.

In 2024, the Company received directions from debt holders' to convert an aggregate of $544,625 (2023 - $nil) into convertible debentures and $180,232 (2023 - $nil) to exercise warrants (note 8 and 9).

In 2023, the Company received directions from debt holders' to convert an aggregate of $436,065 into an equity private placement at a price between $0.09 and $0.12 per unit (note 9). Each unit consisted of one common share and one warrant.

8. CONVERTIBLE DEBENTURES

Convertible debentures are compound financial instruments, consisting of a debt instrument and an equity conversion and warrant feature. The debt instrument was measured at fair value using a rate applicable to a non-compound debt instrument and is carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument was allocated as the fair value of the equity component of the convertible debentures. For convertible debentures issued during the year ended December 31, 2024, the Company used a discount rate of 25%.

On April 26, 2024, Legible closed on 122.58 convertible debenture units at $9,000 per unit for gross proceeds of $1,103,262, which included $527,263 in settlement of outstanding indebtedness. Each debenture unit consisted of: (i) a 14% unsecured convertible debenture of the Company in the principal amount of $9,000; and (b) 100,000 common share purchase warrants. The debentures mature on April 26, 2026 and are convertible at the holder's option into common shares of the Company at a conversion price of $0.09 per share. The Company recorded a deferred income tax recovery of $62,525.

On July 16, 2024, Legible closed on 150 debenture units at $7,000 per unit for gross proceeds of $1,050,000, which included the issuance of 60 units in settlement of $420,000 of indebtedness. Each debenture unit consisted of: (i) a 15% unsecured convertible debenture of the Company in the principal amount of $7,000; and (ii) 100,000 common share purchase warrants. The debentures mature on July 16, 2026, and are convertible at the holder's option into common shares of the Company at a conversion price of $0.07 per common share. The Company recorded a deferred income tax recovery of $55,296.

For the convertible debentures issued to settle indebtedness of $947,263, the Company measured the equity conversion and warrant features at fair value resulting in an additional $611,550 recorded to equity and included in loss on settlement. The fair value of the equity conversion and warrant features were estimated using the Black-Scholes valuation model using the following assumptions: Risk-free interest rate - 4.30% and 3.77%, expected life - 2 years, share price - $0.09 and $0.06, exercise price - between $0.07 and $0.10, volatility - 95% and 86%, and dividend rate 0%.

(Expressed in Canadian Dollars)

Convertible debentures: (continued)

A continuity schedule for convertible debentures for the years ended December 31, 2024, and 2023, is as follows:

Convertible debentures - December 31, 2022	**$**	**1,266,719**
Conversion to shares at $0.10 per share		(1,253,849)
Interest accretion		87,063
Convertible debentures - December 31, 2023	**$**	**99,933**
Proceeds from debt holders		1,206,000
Conversion of loans		544,625
Conversion of debt settlements		402,638
Allocation to equity component		(436,450)
Allocation of transaction costs to equity component		(979)
Allocation of transaction costs to liability component		(3,683)
Transaction costs		(23,901)
Conversion to shares ($0.07 - $0.09)		(115,017)
Interest payments		(115,851)
Interest accretion		311,764
Convertible debentures - December 31, 2024	**$**	1,869,079
Less: current portion		(126,228)
Non - current portion	**$**	1,742,851

9. SHARE CAPITAL

Authorized:

The Company is authorized to issue an unlimited number of Class A voting common shares and B non-voting common shares and an unlimited number of Preferred non-voting shares, all of which are without par value, with holders of Class A common shares each entitled to one vote per share and to dividends, when declared.

Issued and outstanding:

As at December 31, 2024, the Company had 140,177,446 issued and outstanding (2023 - 133,407,722) class A common shares.

No Class B common shares or preferred shares are issued and outstanding.

<u>Share transactions for the year ended December 31, 2023</u>

On February 2, 2023, the Company issued 3,982,727 units at a price of $0.11 per unit with each unit including one common share and one purchase warrant, for gross proceeds of $438,100, less a finder's fee of $2,420 for net proceeds of $435,680; $18,000 of which was the settlement of outstanding indebtedness . Each purchase warrant entitled the holder to purchase one common share at a price of $0.15 for a period of one year from closing. The Company paid a finder's fee of $2,420 and issued 22,000 warrants with a fair market value of $1,100, with an exercise price of $0.11, expiring in one year.

On June 6, 2023, the Company closed the first tranche of a private placement for gross proceeds of $758,603, $481,553 of which was the settlement of outstanding indebtedness. Legible issued 8,428,921 units at $0.09 per unit, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of $0.12, expiring in one year.

On July 14, and July 28, 2023, the Company closed the second, and third and final tranches, respectively, of its non- brokered private placement for aggregate gross proceeds of $1,612,780, $279,990 of which was for the settlement of outstanding indebtedness. Legible issued 17,919,775 units at $0.09 per unit, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of $0.12, expiring in one year. Finders acting in connection with the private placement received fees in the aggregate amount of $90,168 in cash and 1,001,867 finders warrants with a fair market value of $84,644; each finder's warrant entitled the holder to purchase one common share at a price of $0.12.

On October 20, 2023, the Company closed its non-brokered equity private placement for aggregate gross proceeds of $741,605, $128,650 of which was for the settlement of outstanding payables. Legible issued 6,180,041 units at $0.12 per unit, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of $0.15, expiring in one year. Finders acting in connection with the private placement received fees in the aggregate amount of $29,398 in cash and 286,640 finders warrants with a fair market value of $18,914, each finders warrant entitled the holder to purchase one common share at a price of $0.15.

On October 23, 2023, the Company issued 250,000 common shares at $0.135 per share regarding the settlement of $33,750 in outstanding indebtedness. All common shares were subject to a 4-month hold period.

Share capital: (continued)

Issued and outstanding (continued)

For the year ended December 31, 2023, the Company issued an aggregate of 42,472 common shares from the exercise of brokers' warrants at an exercise price of $0.10 for proceeds of $4,247. In addition, an aggregate of 18,829,000 common shares were issued regarding convertible debenture conversions that totaled $1,882,900 at a conversion price of $0.10 per share.

<u>Share transactions for the year ended December 31, 2024</u>

On July 31, 2024, the Company issued 674,222 common shares at $0.05 per common share valued at $33,711, and paid cash of $4,797 in settlement of the first quarter interest indebtedness of $38,508 (first of eight total payments) regarding the convertible debentures that were issued on April 26, 2024.

On August 16, 2024, the Company closed on its Warrant Incentive Program ("Incentive Program") that was applicable to six classes of warrants. Under this program, 3,374,936 warrants were exercised at $0.07 for proceeds of $236,245, of which $180,232 was for the settlement of indebtedness that included a loan from a director for $15,750. 3,374,936 shares were issued upon exercise of warrants under the Incentive Program at a reduced strike price of $0.07 per common share. Pursuant to the Incentive Program, an additional 3,374,936 replacement warrants were issued to all persons participating, with an exercise price of $0.10, and an expiry date of August 16, 2025.

On October 7, 2024, the Company issued 627,083 common shares at $0.09 per common share valued at $56,437 for the conversion of convertible debentures that were originally purchased on April 26,2024.

On October 25, 2024, the Company issued 474,943 common shares at $0.07 per common share valued at $33,246, and paid cash of $6,021 in settlement of the first quarter interest indebtedness of $39,267 (first of eight total payments) regarding the convertible debentures that were issued on July 16, 2024.

On October 28, 2024, the Company issued 517,487 common shares at $0.07 per common share valued at $36,224, and paid cash of $1,851 in settlement of the second quarter interest indebtedness of $38,075 (second of eight total payments) regarding the convertible debentures that were issued on April 26, 2024.

In November, the Company issued 1,101,053 common shares at $0.07 per common share valued at $77,074 regarding the conversions of convertible debentures that were issued on July 16, 2024.

(Expressed in Canadian Dollars)

Share capital: (continued)

Warrants

As of December 31, 2024, the Company had a total of 30,647,707 (2023 - 50,617,796) warrants outstanding, which was comprised of the following:

- 30,615,707 purchase warrants (2023 - 47,639,289);
- Nil compensation warrants (2023 - 1,500,000); and
- 32,000 broker warrants (2023 - 1,478,507).

Continuity schedule of the Company's share purchase warrants issued and outstanding for the years ended December 31, 2024, and 2023, is as follows:

	Number of warrants	Weighted average exercise price $
Outstanding - December 31, 2022	**19,783,953**	**0.22**
Issued	37,821,971	0.13
Exercised	(42,472)	0.08
Expired	(6,945,656)	0.15
Outstanding - December 31, 2023	**50,617,796**	**0.16**
Issued	30,665,407	0.09
Exercised	(3,374,936)	0.07
Expired	(47,260,560)	0.13
Outstanding - December 31, 2024	**30,647,707**	**0.09**

The Company, on August 16, 2024, revised the terms for 14,491,645 outstanding share purchase and finders warrants that were issued with exercise prices between $0.10 and $1.25 per common share, with expiry dates between July 28, 2024 and April 26, 2026, and amended with an exercise price of $0.07, and an expiry of August 16, 2024. 3,374,936 warrants were exercised, and 11,116,709 expired, unexercised. As a result of the revised terms on 2,363,418 of the warrants that had been issued for services, the Company recorded a share-based compensation of $22,739. The fair value was estimated using the Black-Scholes valuation model using the following assumptions: Risk-free interest rate - 3.77%, expected life - 0.07 and 1 years, share price - $0.06, exercise price - $0.07 and $0.10, volatility – 72%, and dividend rate 0%.

(Expressed in Canadian Dollars)

Share capital: (continued)

Warrants (continued)

As at December 31, 2024, the following warrants were outstanding, and the weighted average remaining life of warrants outstanding was 1.16 years (2023 - 0.58 years).

Exercise price $	Expiry date	December 31, 2024
0.10	August 16, 2025	3,374,936 (1)
0.10	April 26, 2026	12,272,771 (2)
0.08	July 16, 2026	15,000,000 (2)
0.09		**30,647,707**

(1) The share purchase warrants have a term of 1 year. If the volume weighted average trading price of the common shares is at least $0.30 per share for a period of 10 consecutive trading days, the expiry date of the warrants may be accelerated by the Company to a date that is not less than 21 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.

(2) The share purchase and broker warrants have a term of 2 years. If the volume weighted average trading price of the common shares is at least $0.40 per share for a period of 5 consecutive trading days, the expiry date of the warrants may be accelerated by the Company to a date that is not less than 21 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.

(Expressed in Canadian Dollars)

Share capital: (continued)

Warrants (continued)

Broker Warrants

The following assumptions were used for the Black-Scholes valuation of warrants issued during the years ended December 31, 2024, and 2023:

	December 31, 2024	December 31, 2023
Risk-free interest rate	**4.28%**	5.37%
Expected life of warrants	**2 years**	1.0 year
Share price	**$0.09**	$0.15
Exercise price	**$0.10**	$0.13
Expected stock price volatility	**125%**	130%
Dividend rate	**0.00%**	0.00%
Fair value per broker warrant issued	**$0.055**	$0.08

For the years ended December 31, 2024, and 2023, 32,000 (2023 - 1,310,507) broker warrants were issued, and 32,000 (2023 - 1,478,507) were outstanding for the years ended December 31, 2024, and 2023, respectively. The Company recorded share issuance costs of $1,782 during the year ended December 31, 2024 (2023 - $104,658). The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

Stock Options

On December 30, 2020, the Company adopted a stock option plan whereby the Company may grant employees, officers, directors, consultants, and advisors ("Participants") options with a maximum term of ten years for up to 20% of the Company's issued and outstanding common shares at exercise prices to be determined by the market value on the date of grant. The number of common shares subject to an option may not exceed the maximum number permitted by the CSE and no single Participant may be granted options to purchase a number of shares equal to or more than 5% of the common shares issued of the Company in any 12-month period without shareholder approval and requirements being met with regards to the CSE.

Options shall not be granted to consultants if the exercise of the options would result in the issuance of more than 2% of the issued common shares of the Company in any twelve-month period. Options shall not be granted to persons employed to provide investor relations activities if the exercise of the options would result in the issuance of more than 2% of the issued common shares of the Company in any twelve-month period. Further, any options granted to consultants performing investor relations activities will contain vesting provisions that include vesting periods that occur over at least 12 months where no more than 25% of the options vest in any 3-month period.

(Expressed in Canadian Dollars)

Share capital: (continued)

Stock options (continued)

Continuity schedule of the Company's stock options granted and outstanding for the years ended December 31, 2024, and 2023, is as follows:

	Number of options	Weighted average exercise price $
Outstanding - December 31, 2022	**4,053,750**	**0.75**
Granted	5,655,000	0.20
Forfeited	(400,000)	0.38
Outstanding - December 31, 2023	**9,308,750**	**0.43**
Granted	4,526,250	0.16
Forfeited	(2,225,000)	0.21
Outstanding - December 31, 2024	**11,610,000**	**0.36**

As at December 31, 2024, the following stock options were outstanding and exercisable with an average remaining life of 8.44 years (2023 - 8.92 years):

Exercise price per share of option $	Expiry date	Weighted average remaining life (years)	Number of options outstanding	Number of options exercisable
0.50	December 30, 2030	6.00	75,000	75,000
1.00	June 29, 2031	6.49	425,000	425,000
1.25	October 29, 2031	6.83	1,450,000	1,450,000
0.40	February 28, 2032	7.16	653,750	600,688
0.20	November 3, 2032	7.84	1,000,000	1,000,000
0.20	January 25, 2033	8.07	1,150,000	1,150,000
0.20	July 19, 2033	8.56	2,025,000	2,025,000
0.20	October 23, 2033	8.81	1,130,000	1,130,000
0.20	February 7, 2034	9.11	780,000	780,000
0.14	October 16, 2034	9.78	2,921,250	-
		8.44	**11,610,000**	**8,635,688**

(Expressed in Canadian Dollars)

Share capital: (continued)

Stock options (continued)

The fair value of options recognized during the years ended December 31, 2024, and 2023, has been estimated using the Black-Scholes valuation of stock options with the following assumptions:

	December 31, 2024	December 31, 2023
Average risk-free interest rate	**3.38%**	3.40%
Average expected life of options	**5.53 years**	6.5 years
Average share price	**$0.10**	$0.13
Average exercise price	**$0.16**	$0.20
Average expected stock price volatility	**139%**	125%
Dividend rate	**0.00%**	0.00%
Fair value per option granted	**$0.08**	$0.15

For the year ended December 31, 2024, a total of 4,526,250 (2023 - 5,655,000) stock options were issued. The Company recorded share-based compensation of $230,200 during the year ended December 31, 2024 (2023 - $912,403). The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. Key management personnel consists of the Company's Board of Directors, corporate officers, and certain members of the senior executive team.

Transactions with related parties that are included in the consolidated statement of loss and comprehensive loss for the years ended December 31, 2024, and 2023, are summarized as follows:

	December 31, 2024	December 31, 2023
	$	$
Consultants and directors' fees	**-**	60,000
Salaries, wages, and benefits	**496,785**	463,006
Share-based compensation	**75,567**	233,084
	572,352	756,090

As of December 31, 2024, $91,348 (2023 - $11,130) was outstanding to key management personnel regarding employment and consulting agreement commitments which were recorded in due to related parties. For the year ended December 31, 2024, the Board of Directors were issued nil shares for services rendered (2023 - 746,970 shares with a value of $78,000).

(Expressed in Canadian Dollars)

11. INCOME TAX

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 27.00%. The tax expense at statutory rates for the Company can be reconciled to the reported loss for the years ended December 31, 2024, and 2023, per the consolidated statement of loss and comprehensive loss as follows:

	December 31, 2024	December 31, 2023
	$	$
Net loss before income taxes	(4,867,354)	(4,797,737)
Statutory income tax rate	27%	27%
Income tax recovery	(1,314,088)	(1,295,389)
Non-deductible expenditures	235,107	27,150
True-up	214,589	(581,115)
Change in unrecognized deferred tax assets	746,551	1,849,354
Deferred income tax recovery	(117,841)	-

	December 31, 2024	December 31, 2023
	$	$
Deferred income tax assets (liabilities) recognized:		
Non-capital loss carry-forwards	75,125	11,247
Convertible debentures	(75,125)	(11,247)
Net deferred income tax assets	-	-
Deferred income tax assets unrecognized:		
Non-capital loss carry-forwards	6,221,670	5,091,647
Share issue costs	174,656	302,291
Equipment	41,757	41,744
Intangible assets	224,032	479,882
Less: amounts not recognized	(6,662,115)	(5,915,564)
Net deferred income tax assets	-	-

Income tax: (continued)

During the year ended December 31, 2023, the Company received Scientific Research and Experimental Development ("SRED") tax refunds in aggregate of $484,309, that related to amounts incurred in the fiscal 2021 and 2020 periods.

The Company has non-capital losses of approximately $23,766,962 (2023 - $18,899,608) that start to expire in fiscal 2040, which have not been recognized as their recovery is not currently estimable. Tax attributes are subject to review and potential adjustment by tax authorities.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES and POLICIES

The risk exposure arising from financial instruments is summarized as follows:

(a) Credit risk - The Company's financial assets are cash and amounts receivable. The maximum exposure to credit risk, at the period-end, is the carrying value of the financial assets. The Company holds its cash in a bank account with a highly rated Canadian financial institution, therefore, minimizing the Company's credit risk in respect to its cash.

(b) Liquidity risk - The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors its forecasted and actual cash flows as well as any anticipated investing, and financing activities. The Company, currently, does not have significant recurring revenue, and is working on securing additional funding to meet short-term financial obligations after considering its operating obligations and cash on hand (see note 2).

As of December 31, 2024	On-Demand $
Accounts payable and accrued liabilities	**2,683,128**
Credit facility	**640,737**
Loans payable	**862,149**
Current portion of convertible debt	**126,228**
Due to related parties	**91,348**

(c) Market risk - The risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings or financial instruments. The Company's major activities have been transacted in Canadian dollars for the year ended December 31, 2024, and 2023, and has minimal market risks.

(Expressed in Canadian Dollars)

Financial risk management objectives and policies: (continued)

(d) Concentration risk - The risk occurs when the revenue has a significant exposure to a particular customer that contributes more than 10% of total revenues. During the year ended December 31, 2024, and 2023, the Company had three major customers contributing more than 10%, as noted below:

	2024	2023
Customer A	64%	47%
Customer B	-	17%
Customer C	14%	12%

13. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to maintain sufficient resources and raise funding to support current and long-term operating needs. The ability to continue as a going concern is essential to the Company's goal of providing returns to shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity. The Company manages its capital structure based on the level of funds available to the Company to manage its operations and in light of economic conditions. The Company balances its overall capital through new share or debt issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements. There have been no significant changes in the Company's approach to capital management during the year. These objectives and strategies are reviewed on a continuous basis.

14. CONTINGENCIES

The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the financial statements, and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Company.

15. SUBSEQUENT EVENTS

In January, 2025, the Company issued 885,714 common shares at $0.07 per common share valued at $62,000 regarding the conversions of convertible debentures that were purchased on July 16, 2024.

Also, in January, the Company issued 38,643 common shares at $0.06 per common share valued at $2,319 in settlement of the second quarter interest indebtedness regarding the convertible debentures that were issued on July 16, 2024.

From January to April, 2025, the Company received bridge loans for $80,846, and in April, short-term loans were received for $71,270 from directors and an officer. The bridge loans have commitment fees of 10% and interest of 15% per annum, and the short-term loans have $nil commitment fees and do not bear interest. $1,200 of the outstanding short-term loans was repaid to a director.