Railtown AI Technologies Inc.

Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Railtown AI Technologies Inc.

Opinion

We have audited the consolidated financial statements of Railtown AI Technologies Inc. (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2024 and September 30, 2023 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2024 and September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the years 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group'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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Our responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Diana Huang.

Crowe MacKay LLP

Chartered Professional Accountants
Vancouver, Canada
January 28, 2025

RAILTOWN AI TECHNOLOGIES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	September 30, 2024	September 30, 2023
Assets		
Current assets		
Cash	$ 1,668,521	$ 672,940
Receivables	104,062	48,843
Prepaid expenses (Note 3)	302,784	533,057
	2,075,367	1,254,840
Equipment (Note 4)	19,308	17,454
Right of use asset (Note 6)	92,708	127,473
	$ 2,187,383	$ 1,399,767
Liabilities and Shareholders' Equity		
Current liabilities		
Trade payables and accrued liabilities (Notes 5 and 8)	$ 278,543	$ 122,380
Lease liability current portion (Note 6)	35,712	30,439
Derivative liability (Note 10)	1,280,065	-
	1,594,320	152,819
Convertible debenture (Note 7)	-	346,600
Lease liability (Note 6)	73,148	108,860
	1,667,468	608,279
Shareholders' equity		
Share capital (Note 9)	13,371,624	6,897,684
Contribution surplus (Notes 7 and 9)	1,262,681	893,672
Equity portion of convertible debenture (Note 7)	-	26,924
Deficit	(14,114,390)	(7,026,792)
	519,915	791,488
	$ 2,187,383	$ 1,399,767

Nature of operations (Note 1)
Subsequent events (Note 14)

Approved on behalf of the Board on January 28, 2025

"Cory Brandolini" — Director

"Paul Woodward" — Director

See accompanying notes to the consolidated financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
Years ended September 30,

	2024	2023 (restated – Note 2)
Expenses		
Consulting fees (Note 8)	$ 974,542	$ 128,933
Depreciation (Notes 4 and 6)	45,725	43,090
Filing fees	104,686	34,887
Interest on lease (Note 6)	16,352	20,008
Investor relations	1,312,569	70,833
Marketing and promotion	1,418,496	144,448
Office	203,725	78,403
Product development	435,746	165,769
Professional fees	148,960	276,941
Salaries and benefits (Note 8)	1,418,436	981,960
Share-based compensation (Note 9)	114,364	150,071
Travel	31,102	46,378
Loss before other items	(6,224,703)	(2,141,721)
Other items		
Accretion and interest on convertible debenture (Note 7)	(52,043)	(82,303)
Loss on change in fair value of warrants (Note 10)	(746,820)	-
Other income	-	3,511
Unit issuance expenses (Note 9)	(64,032)	-
Loss before income taxes	(7,087,598)	(2,220,513)
Deferred income tax recovery (Note 13)	-	26,536
Net and comprehensive loss for the year	$(7,087,598)	$(2,193,977)
Weighted average number of common shares outstanding – basic and diluted	108,337,835	80,695,979
Basic and diluted loss per common shares	$ (0.07)	$ (0.03)

See accompanying notes to the consolidated financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years ended September 30,

	2024	2023
Operating activities:		
Net loss for the year	$ (7,087,598)	$ (2,193,977)
Items not involving cash:		
Depreciation	45,725	43,090
Interest on lease	16,352	20,008
Accretion and interest on convertible debenture	52,043	82,303
Share-based compensation	114,364	150,071
Deferred income tax recovery	-	(26,536)
Loss on change in fair value of warrants	746,820	-
Unit issuance expenses	64,032	-
Changes in non-cash working capital items:		
Receivables	(55,219)	(3,847)
Prepaid expense	230,273	(506,894)
Trade payables and accrued liabilities	156,163	6,854
Net cash used in operating activities	(5,717,045)	(2,428,928)
Investing activities:		
Purchase of equipment	(12,814)	(13,626)
Net cash used in investing activities	(12,814)	(13,626)
Financing activities:		
Proceeds from private placements	5,769,468	2,064,950
Unit issuance costs – cash	(450,869)	(96,236)
Proceed from convertible debenture	-	565,000
Issuance costs from convertible debenture	-	(60,200)
Lease payments	(46,791)	(46,454)
Proceeds from exercise of warrants	1,453,632	9,960
Net cash provided by financing activities	6,725,440	2,437,020
Change in cash	995,581	(5,534)
Cash, beginning of the year	672,940	678,474
Cash, end of the year	$ 1,668,521	$ 672,940
Supplemental cash flow information		
Cash paid for interest	$ 16,352	$ 20,008
Non-cash investing and financing activities		
Fair value transfer of Convertible debentures converted	$ 438,165	$ 117,259
Brokers' warrants issued for unit issuance cost	$ 305,500	$ 67,600
Fair value transfer of Brokers' warrants exercised	$ 38,257	$ 6,809

See accompanying notes to the consolidated financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital					
	Shares	Amount	Equity portion of convertible debenture	Contribution surplus	Deficit	Total
Balance, September 30, 2022	76,507,999	$ 4,836,256	$ -	$ 639,312	$ (4,832,815)	$ 642,753
Private placements	13,766,332	2,064,950	-	-	-	2,064,950
Share issuance costs – cash	-	(96,236)	-	-	-	(96,236)
Share issuance costs – shares	100,000	-	-	-	-	-
Share issuance costs – warrants	-	(67,600)	-	67,600	-	-
Convertible debenture	-	-	36,656	17,152	-	53,808
Convertible debenture – exercised	1,061,309	131,545	(9,732)	(4,554)	-	117,259
Convertible debenture – referral fees	100,000	12,000	-	30,900	-	42,900
Exercise of warrants	66,400	16,769	-	(6,809)	-	9,960
Share-based compensation	-	-	-	150,071	-	150,071
Net and comprehensive loss	-	-	-	-	(2,193,977)	(2,193,977)
Balance, September 30, 2023	91,602,040	6,897,684	26,924	893,672	(7,026,792)	791,488
Private placements	31,611,836	5,769,468	-	-	-	5,769,468
Unit issuance costs – cash	-	(413,987)	-	-	-	(413,987)
Unit issuance costs – warrants	-	(278,350)	-	305,500	-	27,150
Derivative liability – unit warrants	-	(533,245)	-	-	-	(533,245)
Exercise of warrants	5,317,061	1,491,889	-	(38,257)	-	1,453,632
Convertible debenture – exercised	3,196,710	438,165	(26,924)	(12,598)	-	398,643
Share-based compensation	-	-	-	114,364	-	114,364
Net and comprehensive loss	-	-	-	-	(7,087,598)	(7,087,598)
Balance, September 30, 2024	131,727,647	$13,371,624	$ -	$ 1,262,681	$ (14,114,390)	$ 519,915

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Railtown AI Technologies Inc. (the “Company” or “Railtown”) was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 11, 2011. The Company’s principal business activity is the development and commercialization of software technology.

The head office of the Company is located at Unit 104 – 8337 Eastlake Drive, Burnaby, BC, V5A 4W2. The registered office of the Company is located at 3148 Highland Boulevard, North Vancouver, British Columbia, V7R 2X6.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2024, the Company is not able to finance day to day activities through operations and incurs losses. The Company is in the business of research and development that by its nature involves a high degree of risk. There can be no assurance that the Company’s business and strategy will enable it to become profitable or sustain profitability in future periods. The Company’s information technology systems are subject to disruption, damage or failure from a number of sources. This may result in a material adverse effect on the Company’s business, financial condition, results of operations, cash flows or prospects. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and or private placement of common shares. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

2. Material accounting policies and basis of presentation

Statement of compliance

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accompanying consolidated financial statements have been prepared by and are the responsibility of the management.

The policies applied in the consolidated financial statements are presented below and are based on IFRS issued and outstanding as of the date the Board of Directors approved the consolidated financial statements.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

(Expressed in Canadian Dollars)

2. Material accounting policies and basis of presentation (continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary as at September 30, 2024. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiary as if they formed a single entity. All inter-company transactions and balances between the companies are therefore eliminated in full.

The consolidated financial statements include the financial information of the Company and its subsidiary listed in the following table:

Name of subsidiary	Country of incorporation	Ownership interest at September 30, 2024	Ownership interest at September 30, 2023
1503193 B.C. Ltd	Canada	100%	-

On September 23, 2024, the Company incorporated a subsidiary, 1503193 B.C. Ltd. under the law of British Columbia, Canada. Since its inception, there have been no business activities yet.

Prior period restatement

In accordance with IFRS, the consolidated statements of comprehensive loss for the prior period has been restated to reflect a reclassification of certain expenses between various categories. The reclassification was made to better align the presentation of the Company's expenses with their nature and to provide a more accurate display of information. The reclassification did not impact the overall profit or loss of the Company.

Expenses	2023 (restated)	2023 (previously)
Consulting fees	$128,933	$382,202
Investor relations	$ 70,833	$ -
Marketing and promotion	$144,448	$127,781
Product development	$165,769	$ -

Significant estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. The most significant estimates are the discount rate used to determine the Company's convertible debenture fair value on initial recognition and the unobservable inputs used to determine the fair value of the derivative liability at initial and subsequent recognition.

Significant judgments

The preparation of the consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

2. Material accounting policies and basis of presentation (continued)

Foreign currency translation

The consolidated financial statements are presented in Canadian dollar which is the Company and its subsidiary's functional and presentation currency. Transactions in foreign currencies are translated at rates in effect at the time of the transaction. Monetary assets and liabilities are translated at the exchange rate prevailing at the reporting date. Gains and losses are included in profit or loss.

Equipment

Equipment are recorded at cost and depreciated using the straight line method at the following rates per annum.

Computer	3 years
Equipment	5 years

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. For the year ended September 30, 2024, 4,375,000 (2023 – 3,275,000) stock options and 22,608,320 (2023 – 9,543,947) warrants were not included in the calculation of diluted loss per shares because their inclusion was anti-dilutive.

Financial instruments

Financial instruments classified at fair value through profit or loss ("FVTPL") are measured at fair value.

Financial instruments classified at amortized cost are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Asset or liability	**Classification**
Cash	FVTPL
Receivables	Amortized cost
Trade payable and accrued liabilities	Amortized cost
Convertible debenture	Amortized cost
Derivative liability	FVTPL
Lease liability	Amortized cost

2. Material accounting policies and basis of presentation (continued)

Valuation of equity units issued in private placements

The Company records proceeds from issuances of equity net of issue costs and any related tax effects. The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first attributes value to the shares based on their quoted trading price at issuance, and the residual amount, if any, is attributed to the value of the warrants. Any fair value attributed to the warrants is recorded within the warrant reserve. In cases where warrants issued as part of private placement units break the 'fixed-for-fixed' criterion, the residual value method first attributes value to the warrants using the Black-Scholes option pricing model, and the residual amount, if any, is attributed to the value of the shares.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant are measured using the Black-Scholes option pricing model and charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

2. Material accounting policies and basis of presentation (continued)

Leases

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

The Company, as lessee, is required to recognize a right-of-use asset (“ROU asset”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in profit or loss the in the period in which they are incurred.

Income taxes

<u>Current income tax:</u>
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Material accounting policies and basis of presentation (continued)

Income taxes (continued)

Deferred income tax:
Deferred income tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Convertible debentures

The host debt liability, equity conversion feature and other (when applicable) components of convertible debentures are presented separately on the consolidated statements of financial position at initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the face value of the convertible debentures at maturity which is recorded in profit or loss as accretion and interest expense.

The carrying amount of other components (when applicable), such as warrants, is determined using the Black-Scholes option pricing model. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible debentures, and is presented in equity as an equity component of convertible debentures.

The transaction costs are allocated between liability, equity and other (when applicable) components, on a pro-rata basis according to their carrying amounts.

Adoption of new accounting standards, interpretations and amendments

A number of new standards, and amendments to standards and interpretations, are not effective and have not been early adopted in preparing these consolidated financial statements. The following accounting standards and amendments are effective for future periods:

i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

2. Material accounting policies and basis of presentation (continued)

Adoption of new accounting standards, interpretations and amendments (continued)

This amended standard is effective for reporting periods beginning on or after January 1, 2024. The Company does not expect a material impact to the consolidated financial statements upon adoption of the amended standard.

ii) IFRS 18 - Presentation and Disclosure in Financial Statements - IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

  a) Three defined categories for income and expenses – operating, investing or financing – to improve the structure of the income statements, and require all companies to provide new defined subtotals, including operating profit;
  b) Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement; and
  c) Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company will be evaluating the impact of the above standard on its consolidated financial statements.

The Company adopted the following accounting standards during the year ended September 30, 2024:

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. The implementation of these amendments reduced disclosures in the notes to the consolidated financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the consolidated financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. There were no significant impact to the consolidated financial statements as a result of the implementation of these amendments.

(Expressed in Canadian Dollars)

3. Prepaid expenses

		September 30, 2024		September 30, 2023
Rental deposits	$	13,645	$	9,497
Insurance		11,444		644
Investor relations		273,063		314,583
Consulting		4,632		208,333
	$	302,784	$	533,057

4. Equipment

		Computer		Equipment		Total
Cost						
Balance, September 30, 2022	$	26,620	$	6,454	$	33,074
Additions		10,897		2,729		13,626
Balance, September 30, 2023		37,517		9,183		46,700
Additions		12,814		-		12,814
Balance, September 30, 2024	$	50,331	$	9,183	$	59,514
Accumulated depreciation						
Balance, September 30, 2022	$	19,123	$	1,799	$	20,922
Additions		7,120		1,204		8,324
Balance, September 30, 2023		26,243		3,003		29,246
Additions		9,724		1,236		10,960
Balance, September 30, 2024	$	35,967	$	4,239	$	40,206
Carrying amounts						
Balance, September 30, 2023	$	11,274	$	6,180	$	17,454
Balance, September 30, 2024	$	14,364	$	4,944	$	19,308

5. Trade payables and accrued liabilities

		September 30, 2024		September 30, 2023
Trade payables	$	177,193	$	85,413
Accrued liabilities		101,350		36,967
Trade payables and accrued liabilities	$	278,543	$	122,380

(Expressed in Canadian Dollars)

6. Right-of-use asset

On June 1, 2022, the Company entered into a 5-year office lease agreement. In analysing the identified agreement, the Company applied the lease accounting model pursuant to IFRS 16 and considered all the facts and circumstances surrounding the inception of the agreement. The lease term matures on May 31, 2027.

The right of use asset is depreciated on a straight-line basis over the term of the lease.

The continuity of the ROU asset for the years ended September 30, 2024 and 2023 is as follows:

Right of use asset, September 30, 2022	$	162,239
Amortization of ROU asset		(34,766)
Right of use asset, September 30, 2023		127,473
Amortization of ROU asset		(34,765)
Right of use asset, September 30, 2024	$	92,708

The continuity of the lease liability for the years ended September 30, 2024 and 2023 is as follows:

Lease liability, September 30, 2022	$	165,745
Interest expense		20,008
Lease payments		(46,454)
Lease liability, September 30, 2023		139,299
Interest expense		16,352
Lease payments		(46,791)
Lease liability, September 30, 2024	$	108,860
Current lease liability	$	35,712
Long-term lease liability		73,148
Total lease liability at September 30, 2024	$	108,860

7. Convertible debenture

On November 16, 2022, the Company closed a convertible debenture financing by way of a non-brokered private placement for aggregate gross proceeds of $565,000. The financing was comprised of 565 units at a price of $1,000 per unit, with each unit consisting of (i) one unsecured convertible debenture in the principal amount of $1,000 that matures in 36 months, bears simple interest at the rate of 10% per annum and is convertible into common shares of the Company at a price of $0.15 per share, and (ii) 3,335 common share purchase warrants, each of which is exercisable into one share at a price of $0.30 per share for a period of 36 months.

In connection with the financing, the Company paid one arm’s length entity $45,200 in cash finder’s fees and issued 301,333 non-transferable finder’s warrants at a value of $30,900 (see Note 9). Each finder’s warrant is exercisable into one share at a price of $0.15 per share for a period of 36 months. The Company also paid a referral fee of $15,000 and issued 100,000 shares valued at $12,000 as finder’s fees.

(Expressed in Canadian Dollars)

7. Convertible debenture (continued)

The fair value of the liability component at the time of issuance was calculated to be $381,556, using the discounted cash flows for the convertible notes, applying a 18% interest rate for notes without a conversion feature.

The fair value of the equity component was determined at the time of issuance as the difference between the face value of the convertible debentures and the fair value of the liability component. Since there are two equity components, the conversion feature of the convertible debenture and the warrant portion of the units, the residual value was allocated based on pro-rata fair values of the two equity components by valuing each component using the Black-Scholes Option Pricing Model. The equity component was calculated to be $98,277, of which $66,950 (see Note 9) was allocated to the equity portion of the convertible debenture, and $31,327 was allocated to contribution surplus for the warrant portion of the units. The equity component was determined by the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 172%; an expected life of 3 years; a dividend yield of 0%; and a risk-free rate of 3.83%.

The transaction costs of $103,100 were allocated to the components in proportion to the allocation proceeds, which is comprised of:

i) cash finder's fees of $45,200.
ii) 301,333 non-transferable finder's warrants at a value of $30,900. Each finder's warrant is exercisable into one share at a price of $0.15 per share for a period of 36 months (see Note 9).
iii) cash referral fee of $15,000.
iv) 100,000 common shares valued at $12,000.

The Company recognized deferred income tax recovery of $26,536 in proportion to the equity portion of the convertible debenture.

During the year ended September 30, 2023, the Company issued 1,061,309 common shares pursuant to the conversion of the debentures in settlement of liabilities of $117,259, and accordingly, the Company reallocated $9,732 of the equity portion of the convertible debenture and $4,554 of contribution surplus to share capital.

During the year ended September 30, 2024, the Company issued 3,196,710 common shares pursuant to the conversion of the debentures in settlement of liabilities of $398,643, and accordingly, the Company reallocated $26,924 of the equity portion of the convertible debenture and $12,598 of contribution surplus to share capital.

	Liability Component	*Equity Component*	*Contribution Surplus*	*Total*
Balance September 30, 2022	$ -	$ -	$ -	$ -
Issuance of convertible debentures	466,723	66,950	31,327	565,000
Issuance costs	(85,167)	(12,216)	(5,717)	(103,100)
Deferred income tax recovery	-	(18,078)	(8,458)	(26,536)
Accretion and interest	82,303	-	-	82,303
Conversion to 1,061,309 common shares	(117,259)	(9,732)	(4,554)	(131,545)
Balance September 30, 2023	346,600	26,924	12,598	386,122
Accretion and interest	52,043	-	-	52,043
Conversion to 3,196,710 common shares	(398,643)	(26,924)	(12,598)	(438,165)
Balance September 30, 2024	$ -	$ -	$ -	$ -

8. Related party transactions and Key management compensation

During the year ended September 30, 2024, the Company paid or accrued:

i) salaries of $416,870 (2023 - $348,271) paid or accrued to directors and officers of the Company, and
ii) consulting fees of $50,000 (2023 - $Nil) paid or accrued to a company associated with a director of the Company.

During the year ended September 30, 2024, the Company granted a loan of $35,000 to a director of the Company at a rate of 5% per annum with maturity at April 29, 2025. As of September 30, 2024, receivables include a loan of $35,000 (2023 - $Nil). The loan is secured by shares of a publicly traded company.

As at September 30, 2024, trade payables and accrued liabilities include $47,250 (2023 – $Nil) owing to related parties. The amount due to related parties is unsecured, non-interest bearing and has no specific terms of repayment.

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

9. Share capital

Authorized

Unlimited number of common shares without par value.

Escrowed shares

As of September 30, 2024, the Company has 7,982,228 shares (2023 – 23,946,682 shares) in escrow.

The terms of release are as follows:

i) 5,321,483 common shares are to be released on listing date (released).
ii) 7,982,225 common shares are to be released on 6 months after listing date (released).
iii) 7,982,225 common shares are to be released on 12 months after listing date (released).
iv) 7,982,226 common shares are to be released on 18 months after listing date (released).
v) 7,982,226 common shares are to be released on 24 months after listing date (released).
vi) 7,982,228 common shares are to be released on 30 months after listing date (released).
vii) 7,982,228 common shares are to be released on 36 months after listing date (subsequently released).

Shares issued

During the year ended September 30, 2024, the Company:

i) issued 19,330,333 units at a price of $0.15 per unit for gross proceeds of $2,899,550. Each unit is comprised of one common share and one-half share purchase warrant, of which $Nil was allocated to the warrant component of the unit. Each warrant will entitle the holder to purchase one common share at a price of $0.30, expiring on or before a 24-month period after the closing date.

   In connection with the financing, the Company paid cash of $252,577 and granted 1,793,034 brokers' warrants valued at $159,400. Each brokers' warrant will entitle the holder to purchase one common share at a price of $0.15, expiring on or before a 24-month period after the closing date.

ii) issued 5,317,061 common shares pursuant to exercise of warrants for gross proceeds of $1,453,632, and accordingly, the Company reallocated $38,257 of the contribution surplus to share capital.

9. Share capital (continued)

Shares issued (continued)

iii) issued 5,281,503 units at a price of US$0.12 ($0.1642) per unit for gross proceeds of US$633,780 ($867,043). Each unit is comprised of one common share and one-half share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of US$0.24, expiring on or before an 18-month period after the closing date. The Company recognized a derivative liability valued at $160,037 associated with the warrants.

In connection with the financing, the Company paid cash of US$27,580 ($38,393) and granted 262,666 brokers' warrants valued at $41,600. Each brokers' warrant will entitle the holder to purchase one common share at a price of US$0.125, expiring on or before a 60-month period after the closing date. Unit issuance costs of $14,765 related the derivative liability was expensed to profit and loss.

iv) issued 7,000,000 units at a price of US$0.21 ($0.286) per unit for gross proceeds of US$1,470,000 ($2,002,875). Each unit is comprised of one common share and one-half share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of US$0.42, expiring on or before a 18-month period after the closing date. The Company recognized a derivative liability valued at $373,208 associated with the warrants.

In connection with the financing, the Company paid cash of US$117,634 ($159,899) and granted 519,618 brokers' warrants valued at $104,500. Each brokers' warrant will entitle the holder to purchase one common share at a price of US$0.21, expiring on or before an 18-month period after the closing date. Unit issuance costs of $49,267 related the derivative liability was expensed to profit and loss.

v) issued 3,196,710 common shares valued at $438,165 pursuant to the exercise of the convertible debentures in settlement of $398,643, and accordingly, the Company reallocated $26,924 of the convertible debenture equity portion and $12,598 of contribution surplus to share capital (Note 7).

During the year ended September 30, 2023, the Company:

i) issued 66,400 common shares pursuant to exercise of warrants.

ii) issued 100,000 common shares valued at $12,000 pursuant to the issuance costs for the convertible debenture (Note 7).

iii) issued 13,766,332 units at a price of $0.15 per unit for gross proceeds of $2,064,950. Each unit is comprised of one common share and one-half transferable share purchase warrant, of which $Nil was allocated to the warrant component of the unit offering completed. Each warrant will entitle the holder to purchase one common share at a price of $0.25, expiring on or before a 36-month period after the closing date.

In connection with the financing, the Company paid cash of $96,236, issued 100,000 common shares, and granted 541,573 brokers' warrants valued at $67,600. Each brokers' warrant will entitle the holder to purchase one common shares at a price of $0.15, expiring on or before a 36-month period after the closing date.

iv) issued 1,061,309 common shares valued at $131,545 pursuant to the exercise of the convertible debentures in settlement of $117,259, and accordingly, the Company reallocated $9,732 of the convertible debenture equity portion and $4,554 of contribution surplus to share capital (Note 7).

9. Share capital (continued)

Options

The Company adopted a stock option plan to grant options to individuals exercisable up to 10 years from the date of grant to purchase shares at the market price, less applicable discount, if any. Such grants not to exceed an aggregate of 10% of the issued and outstanding shares and vesting periods will be determined by the Board of Directors.

During the year ended September 30, 2024, the Company granted 1,100,000 stock options at a price of $0.25 per share, expiring on November 1, 2028. The stock options are valued at $112,600. The options vest as follows:

i) 50,000 options vest immediately.

ii) 500,000 options vest as follows:
   a. 150,000 options vest on May 1, 2024;
   b. 150,000 options vest on May 1, 2025; and
   c. 200,000 options vest on May 1, 2026.

iii) 300,000 options vest as follows:
   a. 60,000 options vest on September 14, 2024;
   b. 100,000 options vest on September 14, 2025; and
   c. 140,000 options vest on September 14, 2026.

iv) 250,000 options vest as follows:
   a. 50,000 options vest on September 12, 2024;
   b. 70,000 options vest on September 12, 2025;
   c. and 130,000 options vests on September 12, 2026.

During the year ended September 30, 2024, the Company recognized share-based compensation of $114,364.

During the year ended September 30, 2023, the Company granted 1,650,000 stock options at a price of $0.25 per share, expiring on February 9, 2028. The stock options are valued at $234,800. The options vest as follows:

i) 350,000 options vest immediately.

ii) 350,000 options vest as follows:
   a. 150,000 options vest on November 15, 2023; and
   b. 200,000 options vest on November 15, 2024.

iii) 100,000 options vest as follows:
   a. 50,000 options vest on October 24, 2024; and
   b. 50,000 options vest on October 24, 2025.

iv) 350,000 options vest as follows:
   a. 150,000 options vest on March 3, 2023; and
   b. 200,000 options vest on March 3, 2024.

v) 100,000 options vest as follows:
   a. 30,000 options vest on October 24, 2023;
   b. 30,000 options vest on October 24, 2024; and
   c. 40,000 options vest on October 24, 2025.

(Expressed in Canadian Dollars)

9. Share capital (continued)

Options (continued)

During the year ended September 30, 2023, 400,000 options were forfeited. The Company recognized share-based compensation of $150,071.

Details of stock option activities for the and years ended September 30, 2024 and 2023:

Stock options outstanding	**Year ended September 30, 2024**		**Year ended September 30, 2023**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Outstanding – beginning of year	3,275,000	0.25	2,025,000	0.25
Granted	1,100,000	0.25	1,650,000	0.25
Expired/Forfeited	-	-	(400,000)	0.25
Outstanding – end of year	4,375,000	0.25	3,275,000	0.25

The following table discloses the number of options outstanding and exercisable as at September 30, 2024:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
March 15, 2026	$0.25	1,900,000	1,900,000
May 13, 2026	$0.25	125,000	125,000
February 9, 2028	$0.25	1,250,000	880,000
November 1, 2028	$0.25	1,100,000	310,000
		4,375,000	3,215,000

As at September 30, 2024, the options outstanding had a weighted average remaining life of 2.67 years (2023 – 3.19 years).

The fair value of options granted and vested was calculated using the Black-Scholes Model for total share-based compensation based on the following weighted average assumptions:

	Year Ended September 30, 2024	Year Ended September 30, 2023
Risk-free interest rate	3.35%	3.20%
Expected life of options	4.81 years	5.00 year
Annualized volatility	178.31%	162.04%
Dividend yield	0%	0%

Volatility is determined based on comparable publicly listed entities.

9. Share capital (continued)

Warrants

During the year ended September 30, 2024, the Company granted:

i) 41,667 brokers' warrants exercisable at $0.15 per share until February 15, 2026. The estimated fair value of these brokers' warrants at the grant date was $3,700.

ii) 625,000 warrants exercisable at $0.30 per share until February 15, 2026. The estimated fair value of these warrants at the grant date was $Nil.

iii) 8,108,333 warrants exercisable at $0.30 per share until February 28, 2026. The estimated fair value of these warrants at the grant date was $Nil.

iv) 1,565,000 brokers' warrants exercisable at $0.15 per share until February 28, 2026. The estimated fair value of these brokers' warrants at the grant date was $139,100.

v) 931,833 warrants exercisable at $0.30 per share until March 1, 2026. The estimated fair value of these warrants at the grant date was $Nil.

vi) 186,367 brokers' warrants exercisable at $0.15 per share until March 1, 2026. The estimated fair value of these brokers' warrants at the grant date was $16,600.

vii) 2,640,750 warrants exercisable at US$0.24 per share until December 7, 2025. The Company recognized a derivative liability valued at $160,037 associated with the warrants on grant date.

viii) 262,666 brokers' warrants exercisable at US$0.125 per share until June 7, 2029. The estimated fair value of these brokers' warrants at the grant date was $41,600.

ix) 3,500,000 warrants exercisable at US$0.42 per share until January 12, 2026. The Company recognized a derivative liability valued at $373,208 associated with the warrants on grant date.

x) 519,618 brokers' warrants exercisable at US$0.21 per share until January 12, 2026. The estimated fair value of these brokers' warrants at the grant date was $104,500.

During the year ended September 30, 2023, the Company granted:

i) 1,884,275 warrants exercisable at $0.30 per share until November 16, 2025 in connection with the issuance of convertible debt. The estimated fair value of these warrants at the grant date was $31,327 (Note 7).

ii) 301,333 finder's warrants exercisable at $0.15 per share until November 16, 2025. The estimated fair value of these finder's warrants at the grant date was $30,900 (Note 7).

iii) 488,053 finder's warrants exercisable at $0.15 per share until June 21, 2026. The estimated fair value of these finder's warrants at the grant date was $60,920.

iv) 5,521,666 warrants exercisable at $0.25 per share until June 21, 2026. The estimated fair value of these warrants at the grant date was $Nil.

v) 53,520 broker's warrants exercisable at $0.15 per share until June 27, 2026. The estimated fair value of these brokers warrants at the grant date was $6,680.

(Expressed in Canadian Dollars)

9. Share capital (continued)

Warrants (continued)

vi) 1,361,500 warrants exercisable at $0.25 per share until June 27, 2026. The estimated fair value of these warrants at the grant date was $Nil.

Details of warrant activity for the years ended September 30, 2024 and 2023:

Warrants outstanding	**Year ended September 30, 2024**		**Year ended September 30, 2023**	
	Number of Warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Outstanding – beginning of year	9,543,947	0.25	821,350	0.35
Granted	18,381,234	0.34	9,610,347	0.25
Exercised	(5,317,061)	0.27	(66,400)	0.15
Expired	-	-	(821,350)	0.35
Outstanding – end of year	22,608,120	0.32	9,543,947	0.25

The following table discloses the number of warrants outstanding as at September 30, 2024:

Expiry Date	Exercise Price	Number of Warrants Outstanding
November 16, 2025	$0.30	1,317,325
November 16, 2025	$0.15	202,079
January 12, 2026	US$0.42	3,500,000
January 12, 2026	US$0.21	519,618
February 15, 2026	$0.30	75,000
February 15, 2026	$0.15	14,167
February 28, 2026	$0.30	6,472,800
February 28, 2026	$0.15	1,488,000
March 1, 2026	$0.30	598,500
March 1, 2026	$0.15	143,394
June 21, 2026	$0.25	3,924,166
June 21, 2026	$0.15	369,135
June 27, 2026	$0.25	1,027,000
June 27, 2026	$0.15	53,520
December 7, 2025	US$0.24	2,640,750
June 7, 2029	US$0.125	262,666
		22,608,120

As at September 30, 2024, the warrants outstanding had a weighted average remaining life of 1.46 years (2023 – 2.60 years).

(Expressed in Canadian Dollars)

9. Share capital (continued)

Warrants (continued)

The fair value of broker's warrants was calculated using the Black-Scholes Model based on the following weighted average assumptions:

	Year Ended September 30, 2024	Year Ended September 30, 2023
Risk-free interest rate	4.11%	4.31%
Expected life of warrants	2.26 years	3.00 years
Annualized volatility	131.91%	153.11%
Dividend yield	0%	0%

Volatility is determined based on comparable publicly listed entities.

10. Derivative liability

During the year ended September 30, 2024 the Company:

i) recognized a derivative liability valued at $160,037 associated with the warrants on grant date. As at September 30, 2024, the Company revalued the derivative liability to $648,646 (2023 - $Nil), resulting in an unrealized loss on change in fair value of warrants of $488,609 (2023 - $Nil) through profit and loss for year ended September 30, 2024.

ii) recognized a derivative liability valued at $373,208 associated with the warrants on grant date. As at September 30, 2024, the Company revalued the derivative liability to $631,419 (2023 - $Nil), resulting in an unrealized loss on change in fair value of warrants of $258,211 (2023 - $Nil) through profit and loss for year ended September 30, 2024.

The continuity of the derivative liability for the years ended September 30, 2024 and 2023 is as follows:

September 30, 2022 and 2023	$	-
Initial recognition		533,245
Change in fair value of warrants		746,820
September 30, 2024	$	1,280,065

The fair value of the warrant component was calculated using the Black-Scholes Model based on the following weighted average assumptions:

	Year Ended September 30, 2024	Year Ended September 30, 2023
Risk-free interest rate	3.92%	-
Expected life of warrants	1.50 years	-
Annualized volatility	115.96%	-
Dividend yield	0%	-

11. Financial instruments

Fair value

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

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

The fair value of the Company's receivables and trade payables and accrued liabilities, lease liability and convertible debenture approximate their carrying values due to their short-term maturity or capacity of prompt liquidation.

	Level 1	Level 2	Level 3
As at September 30, 2024			
Cash	$1,668,521	$ -	$ -
Derivative liability	$ -	$ -	$1,280,065
As at September 30, 2023			
Cash	$ 672,940	$ -	$ -
Derivative liability	$ -	$ -	$ -

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company does not have a material receivables balance.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. Management considers the risk to be minimal.

(Expressed in Canadian Dollars)

11. Financial instruments (continued)

Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates. Management considers the risk to be minimal.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. At September 30, 2024, the Company had working capital of $481,047 (2023 - $1,102,021). Management considers the risk to the minimal.

12. Capital disclosure

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the year ended September 30, 2024.

13. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended September 30, 2024	Year ended September 30, 2023
Net loss before tax	$ (7,087,598)	$ (2,220,513)
Statutory tax rate	27%	27%
Expected income tax recovery	$ (1,913,651)	$ (599,539)
Unrecognized items for tax purposes	240,966	42,780
Capital and other	(136,009)	(28,083)
Change in unrecognized deferred tax benefits	1,808,694	558,306
Income tax recovery	$ -	$ (26,536)

The deferred income tax recovery was the direct result of the initial recognition of the equity components of the convertible debenture and was charged directly to equity.

(Expressed in Canadian Dollars)

13. Income taxes (continued)

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

	September 30, 2024	Expiry Date	September 30, 2023	Expiry Date
Capital assets	$ 1,040,000	None	$ 1,029,000	None
Share issuance costs	$ 580,000	2025-2028	$ 325,000	2024-2027
SR & ED pool	$ 100,000	None	$ 100,000	None
Non-capital loss carry forwards	$ 11,612,000	2032-2044	$ 5,150,000	2032-2043
Lease liability	$ 109,000	None	$ 139,000	None

The following is the analysis of recognized deferred tax assets and deferred tax liabilities.

	Year ended September 30, 2024	Year ended September 30, 2023
Deferred tax liabilities		
Convertible debenture	$ -	$ (31,000)
Right of use asset	(25,000)	(34,000)
Deferred tax liabilities	(25,000)	(65,000)
Deferred tax assets		
Non-capital losses	25,000	65,000
Deferred tax assets	25,000	65,000
Net deferred tax assets (liabilities)	$ -	$ -

14. Subsequent events

Subsequent to year ended September 30, 2024, the Company:

i) granted 2,800,000 stock options at a price of $0.50 per share, expiring on November 22, 2029.

ii) issued 7,000,000 units at a price of $0.30 per unit for gross proceeds of $2,100,000. Each unit is comprised of one common share and one-half share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of $0.60, expiring on or before a 24-month period after the closing date.

In connection with the financing, the Company paid cash of $163,681 and granted 545,602 brokers' warrants. Each brokers' warrant will entitle the holder to purchase one common shares at a price of $0.30, expiring on or before a 24-month period after the closing date.

iii) issued 230,850 common shares pursuant to the exercise of warrants.