Critical Infrastructure Technologies Ltd.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended June 30, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Critical Infrastructure Technologies Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Critical Infrastructure Technologies Ltd. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2024 and 2023, and its financial performance and its 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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has an accumulated deficit of $13,483,583 as at June 30, 2024, and that the Company is dependent upon its ability to obtain additional financing to cover its operating costs. As stated in Note 1, these events and conditions 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 consolidated financial statements of the current year ended. 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Intangible Assets - Valuation

As described in Note 8 to the consolidated financial statements, the carrying amount of the Company's intangible assets is $3,968,037 as at June 30, 2024. As more fully described in Note 4, the Company capitalizes development costs provided they meet certain conditions and tests intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

The principal consideration for our determination that the valuation of intangible assets is a key audit matter is that significant judgement is required by management in order to assess the qualification criteria to capitalize development costs under IFRS, and significant estimation in determining the recoverable amount for the impairment test. This in turn lead to a significant degree of auditor judgement, subjectivity, and effort in performing procedures to evaluate audit evidence relating to these estimates and judgments made by management. As a result, we consider this to be a key audit matter.

Our audit procedures included, but were not limited to:

- Testing a sample of capitalized additions and assessing the satisfaction of criteria under IAS 38.
- Assessing the stage of development of the intangible assets and whether they were available for use in the manner intended by management.
- Obtaining support for significant inputs used by management in their determination of the recoverable amount of the intangible asset

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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 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 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 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 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 Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated 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 year ended 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 Daniel Nathan.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

February 5, 2025

Critical Infrastructure Technologies Ltd.
Consolidated Statements of Financial Position
As at June 30, 2024
(Expressed in Canadian dollars)

	June 30, 2024	June 30, 2023
	$	$
Assets		
Current assets		
Cash (Note 6)	17,590	393,828
Taxes receivable (Note 7)	463,625	322,742
Prepaid expenses	-	49,652
Total current assets	481,215	766,222
Deposit	79,679	77,175
Intangible assets (Note 8)	3,968,037	3,298,216
Total assets	4,528,931	4,141,613
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Trade and other payables (Note 9)	1,997,256	982,607
Loan and borrowings (Note 10)	1,094,370	771,983
Total current liabilities	3,091,626	1,754,590
Shareholders' equity		
Share capital (Note 12)	12,907,013	12,907,013
Reserves	2,050,242	2,050,242
Accumulated other comprehensive loss	(36,367)	(98,410)
Accumulated deficit	(13,483,583)	(12,471,822)
Total shareholders' equity	1,437,305	2,387,023
Total liabilities and shareholders' equity	4,528,931	4,141,613

Nature and continuance of operations (Note 1)
Commitment (Note 17)
Subsequent events (Note 18)

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

Critical Infrastructure Technologies Ltd.
Consolidated Statements of Loss and Comprehensive Loss
For the year ended June 30, 2024
(Expressed in Canadian dollars)

	June 30, 2024	June 30, 2023
	$	$
Operating expenses		
Consulting fees (Note 11)	251,997	132,802
General and admin fees (Note 11)	432,502	61,443
Professional fees	101,089	80,269
Rent (Note 11)	41,285	45,075
Travel expenses	74,728	92,101
Total operating expenses	(901,601)	(411,690)
Other expenses		
Finance cost (Note 10)	(110,161)	(84,338)
	-	-
Listing expense (Note 5)	-	(11,526,488)
Total other expenses	(110,161)	(11,610,826)
Net loss for the year	(1,011,761)	(12,022,516)
Other comprehensive loss		
Foreign currency translation	62,043	(81,424)
Comprehensive loss for the year	(949,718)	(12,103,940)
Loss per share – basic and diluted	$ (0.01)	$ (0.38)
Weighted average number of shares – basic and diluted	83,377,899	31,508,768

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

Critical Infrastructure Technologies Ltd.
Consolidated Statements of Changes in Shareholders' Equity
For the year ended June 30, 2024
(Expressed in Canadian dollars)

	Share Capital					
	Number of shares	Amount	Reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
		$	$	$	$	$
Balance, June 30, 2022	120,213	1,282,125	-	(16,986)	(449,306)	815,833
Shares issued for cash	16,339	952,961	-	-	-	952,961
Shares issued for debt	2,046	125,327	-	-	-	125,327
Shares issued for services	2,437	170,591	-	-	-	170,591
Share issue costs	-	(196,741)	-	-	-	(196,741)
Recapitalization	35,101,465	-	-	-	-	-
Shares issued for RTO	48,135,399	10,572,750	2,050,242	-	-	12,622,992
Foreign currency translation	-	-	-	(81,424)	-	(81,424)
Loss for the year	-	-	-	-	(12,022,516)	(12,022,516)
Balance, June 30, 2023	83,377,899	12,907,013	2,050,242	(98,410)	(12,471,822)	2,387,023
Foreign currency translation	-	-	-	62,043	-	62,043
Loss for the year	-	-	-	-	(1,011,761)	(1,011,761)
Balance, June 30, 2024	83,377,899	12,907,013	2,050,242	(36,367)	(13,483,583)	1,437,305

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

Critical Infrastructure Technologies Ltd.
Consolidated Statements of Cash Flows
For the year ended June 30, 2024
(Expressed in Canadian dollars)

	June 30, 2024	June 30, 2023
	$	$
OPERATING ACTIVITIES		
Net loss	(1,011,761)	(12,022,516)
Adjustments for:		
Interest expense	110,161	84,338
Services paid in shares	-	170,591
Listing expense	-	11,526,488
Changes in non-cash working capital:		
Decrease (Increase) in taxes receivable	(140,883)	896,428
Decrease (Increase) in prepaid expenses	49,652	(49,652)
Increase in deposit	(2,504)	-
Increase in trade and other payables	1,014,649	427,868
Cash provided by (used in) operating activities	19,314	1,033,545
INVESTING ACTIVITIES		
Cash provided by acquisition	-	387,218
Development expenditure, net of government grants	(553,831)	(2,016,049)
Cash used in investing activities	(553,831)	(1,628,831)
FINANCING ACTIVITIES		
Shares issued for cash, net of transaction costs	-	667,300
Loans received, net	212,226	134,109
Cash provided by financing activities	212,226	801,409
Effect of foreign exchange on cash	(53,947)	37,265
Change in cash	(376,238)	243,388
Cash, beginning of year	393,828	150,440
Cash, end of year	17,590	393,828
Interest paid	-	-
Income taxes paid	-	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Critical Infrastructure Technologies Ltd. (formerly 1319275 B.C. Ltd.) (the “Company”) was incorporated under the British Columbia Business Corporations Act on August 11, 2021. The Company’s head office and records and registered office is located at 2600 – 1066 West Hastings Street Vancouver, BC V6E 3X1.

On February 13, 2023, the Company completed the business combination with Critical Infrastructure Technologies Pty Ltd. ("CiTech") that was accounted for as a reverse takeover (Note 5).

The Company is a product development, manufacturer and services company powered by a team made up of engineers, marketing specialists and financial experts. The Company designs and develops innovative products that provide rapidly deployable communications and power systems to support life and mission critical applications for sectors such as the military and emergency service sectors. The Company's team specialises in critical communications products that support the activities of mining operations and protect the lives of emergency service and defence personnel.

The Company has an accumulated deficit of $13,483,583 as at June 30, 2024. The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All the preceding indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been approved for issuance by the Board of Directors on February 5, 2025.

3. BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency of CiTech is the Australian dollars.

In addition, the consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, CiTech. Inter-company balances and transactions are eliminated on consolidation.

4. MATERIAL ACCOUNTING POLICIES

(a) Cash

Cash is carried in the statement of financial position at amortized cost.

(b) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or 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.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

(c) Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

(d) Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. Contingently issuable shares are not considered outstanding common shares and consequently are not included in loss per share calculations.

(e) Financial instrument measurement and valuation

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 assets or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 16 to these consolidated financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its 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 the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial liabilities and equity: Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

The Company's financial assets and liabilities are classified as follows:

	Classification
Cash	Amortized cost
Trade and other payables	Amortized cost
Loan and borrowings	Amortized cost

(f) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the asset; the Company has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years, beginning on the date they become available for use in the manner intended by management.

(g) Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

(h) Leases

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

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

The Company has elected to exclude non-lease components related to premises leases in the determination of the lease liability. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve-months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term. During the years ended June 30, 2024 and 2023 the total expense related to short term leases was $412,856 and $450,748.

(i) Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity conducts transactions.

Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation of foreign currency-denominated transactions or balances are recorded as a component of profit or loss in the period in which they occur.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of profit or loss in the period in which they occur.

The results of operations and financial position of a subsidiary where the functional currency is different from the presentation currency are translated as follows: assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; expenses are translated at the average exchange rate for the year, all resulting exchange differences are recognized in other comprehensive income or loss. On disposition or partial disposition of a foreign operation, the cumulative amount of any respective exchange difference is recognized in profit or loss.

(j) Share-based compensation

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other share-based payments is recorded based on the estimated fair value using the Black-Scholes option-pricing model at the grant date and charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

Charges for options that are forfeited before vesting are reversed from reserves.

(k) Revenue recognition

Revenues comprise the sale of manufactured products and are measured at the amounts specified in the customer's arrangement. Sales of manufactured products are recognized when products are delivered to the customer, which is also the moment when control of the products is transferred, and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. A receivable is recognized when the products are delivered or services are rendered and the customer has accepted delivery in accordance with contract terms, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have any contracts where the period between the transfer of the promised products or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Cash payments received or advances due pursuant to contractual arrangements are recorded as deferred revenue until all of the foregoing conditions of revenue recognition have been met.

(l) Government Assistance

Government grants related to research and development cost rebates are offset to the related costs in the statement of financial position (if related to capitalized development costs) or in profit and loss if related to expensed research and development. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

(m) New Accounting Policies and recent Accounting Pronouncements

During the year, the Company adopted new accounting policies for revenue recognition and government grants, which have been described previously within our Material Accounting Policies.

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended June 30, 2024:

On April 9, 2024, the IASB issued a new standard – IFRS 18, "Presentation and Disclosure in Financial Statements" with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Adoption of IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

(n) Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

Going Concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as disclosed in Note 1.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Research and development expenses

The determination of whether expenditures on research and development activities meet the criteria for capitalization as internally generated intangible assets is subject to significant judgement. The Company has determined that until such time that a project can demonstrate its commercial and technical feasibility, the Company is able to use or sell the asset, the Company has sufficient resources and intends to complete the development and its costs can be reliably measured, it will remain in the research phase and accordingly expenditures will be recognized as expenses on the consolidated statements of loss and comprehensive loss. The application of each of these criteria is subject to significant inherent judgement.

5. REVERSE TAKEOVER

On December 14, 2021, the Company signed a Share Purchase Agreement (“SPA”) with CiTech, as subsequently amended, by which the Company acquired all of the issued and outstanding shares of CiTech in exchange for common shares of the Company (the “Transaction”). CiTech is an Australian company focused on developing communications products for the mining, emergency service, defence and government sectors.

The Share Purchase Agreement closed on February 13, 2023, and the Company issued 48,135,399 common shares of the Company to the shareholders of CiTech for all of the issued and outstanding shares of CiTech. The substance of the transaction was a reverse takeover of the non-operating company and the transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3. As a result, the transaction was recorded by the Company as a reverse takeover that was not a business combination with a recognition of a listing expense which represented the difference between the fair value of consideration CiTech paid and the fair value of the Company’s net assets.

(Expressed in Canadian dollars)

On February 8, 2023, the Company closed a private placement of special warrants (the "Special Warrant Financing"), which resulted in 4,062,500 special warrants being issued at a price of $0.30 per special warrant, raising an aggregate amount of $1,218,750. On February 12, 2023, the special warrants of the Company were converted into 4,062,500 common shares in the capital of the Company.

CiTech, the legal subsidiary, has been identified as the accounting acquirer and the Company, the legal parent, has been identified as the accounting acquiree. As CiTech was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from February 13, 2023, the date of the completion of the Transaction.

The fair value of the consideration was calculated as the fair value of the equity interests that CiTech would have had to issue to give the owners of CiTech the same percentage of equity interest in the combined entity that results from the reverse acquisition. This was estimated to be $12,622,992 calculated as follows:

- The fair value of the common shares retained by the shareholders of the Company was determined to be $10,572,750 based on $0.30 closing price of the concurrent financing.
- The fair value of 300,000 stock options were valued at $67,500 using the Black-Scholes option pricing model using the following weighted average assumptions: an annualized volatility of 100%; an expected life of 4.27 years; a dividend yield of 0%; and risk-free rate of 3.23%.
- The fair value of 10,673,902 warrants were valued at $1,982,742 using the Black-Scholes option pricing model using the following weighted average assumptions: an annualized volatility of 100%; an expected life of 2.91 years; a dividend yield of 0%; and risk-free rate of 3.62%.

Identifiable net assets acquired	
Cash	387,218
Amounts in trust	320,000
Loan receivable	500,000
Trade and other payables	(110,714)
Total identifiable net assets acquired	1,096,504
Listing expense	11,526,488

(Expressed in Canadian dollars)

Loan receivable of $500,000 is from CiTech which was eliminated upon completion of the reverse takeover.

6. CASH

	June 30, 2024	June 30, 2023
	$	$
Cash at bank – Australia	14,769	261,432
Cash at bank – Canada	1,821	131,427
Cash on hand	1,000	969
Ending balance	**17,590**	**393,828**

7. TAXES RECEIVABLE

	June 30, 2024	June 30, 2023
	$	$
Goods and Services Tax receivable	463,625	322,742
Ending balance	**463,625**	**322,742**

Taxes receivable are settled net of amounts owed for withholding tax payables at the discretion of the governing tax agency (Note 9).

8. INTANGIBLE ASSETS

	June 30, 2024	June 30, 2023
	$	$
Capitalized Development Costs		
Beginning balance	3,298,216	1,339,082
Additions	1,510,224	2,016,049
R&D tax rebate	(956,393)	-
Foreign exchange	115,990	(56,915)
Ending balance	**3,968,037**	**3,298,216**

As at June 30, 2024, all intangible assets relate to capitalized developments costs on the Company's sole product in development (the Nexus 16), and are not being amortized because they are not yet available for use in the manner intended by management.

(Expressed in Canadian dollars)

9. TRADE AND OTHER PAYABLES

	June 30, 2024	June 30, 2023
	$	$
Accrual and creditors	388,060	358,831
Unearned income	572,792	143,592
Superannuation payable	162,343	64,314
Accrued wages	302,165	98,957
Withholding tax payables	571,896	316,913
Ending balance	**1,997,256**	**982,607**

Unearned income is all expected to be recognized within 12 months of year end (Note 18).

10. LOAN AND BORROWINGS

	June 30, 2024	June 30, 2023
	$	$
Beginning balance	771,983	1,083,090
Loans received (repaid), net	212,226	480,189
Interest expense	110,161	84,338
Elimination of intercompany loan on reverse takeover	-	(875,634)
Ending balance	**1,094,370**	**771,983**

	June 30, 2024	June 30, 2023
	$	$
(a) 1319275 B.C. Ltd.	-	-
(b) Foresense Ltd.	90,558	73,235
(c) 23XI Investments Pty Ltd ATF The JJC Consulting Services Trust	320,392	63,827
(d) Radium Capital	547,602	634,921
(e) Other	135,818	-
Total balance	**1,094,370**	**771,983**

(a) Eliminated upon consolidation commencing February 13, 2023.

(b) Arm's length non-secured loan obtained with a balance of AUD$89,089 at June 30, 2023, having simple interest rate @ 15%, repayable on demand. During the year ended June 30, 2024, the Company accrued interest of AUD$10,425, resulting in a balance of AUD$99,514 at June 30, 2024.

(Expressed in Canadian dollars)

(c) Related party non-secured loan obtained from Junior Jay Pty Ltd ATF The JJC Consulting Services Trust, an associated company controlled by the CEO of the Company (Note 12). Loan is taken without any terms and condition having simple interest rate at 15%, repayable on demand. During the year ended June 30, 2024, the Company borrowed a net AUD$279,665 resulting in a balance of AUD$352,080 at June 30, 2024.

(d) Arm's length non-secured loans obtained amounting to AUD$268,231, AUD$156,931 and AUD$127,031 dated October 20, 2023, January 9, 2024 and March 21, 2024, respectively, and carry simple interest rate @ 15%, unsecured and repayable on November 30, 2024. During the year ended June 30, 2023, the Company accrued interest of AUD$49,567, resulting in a balance of AUD$601,760 at June 30, 2024. The loans were repaid in full on August 29, 2024.

(e) Loans from existing shareholders

11. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions for the years ended June 30, 2024 and 2023 are as follows:

Related party	Relation	Transaction with related party
Junior Jay Pty Ltd ATF The JJC Consulting Services Trust	Associated company controlled by CEO	1. Refer to Note 10(c) for loan balance and terms. 2. CiTech occupies the premises which is taken on lease by Junior Jay Pty Ltd. During the year rent charged to income statement is amounting $41,285 included in rent expense (2023 - $45,075) and $377,587 capitalized in intangible assets (2023 - $405,673).

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel are as follows:

	June 30, 2024	June 30, 2023
	$	$
General and admin fees – income statement	379,529	81,882
General and admin fees - capitalized to R&D	248,501	180,140
Consulting fees – income statement	-	90,160
Consulting fees – capitalized to R&D	-	90,160

(Expressed in Canadian dollars)

Total key management compensation	**628,030**	**442,342**

As at June 30, 2024, amounts of $253,510 were owed to key management personnel.

12. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of common and preferred shares without par value

(b) Shares issued during the year ended June 30, 2024

No shares were issued

(c) Shares issued during the year ended June 30, 2023

On October 26, 2022, CiTech issued 16,339 shares for total proceeds of $952,961 (AUD$1,056,966).

On October 26, 2022, CiTech issued 2,046 shares to settle conversion of convertible loan notes in the amount of $125,327 (AUD$139,005) (Note 11).

On October 26, 2022, CiTech issued 2,437 shares valued at $170,591 (AUD$189,209) for services rendered.

On February 13, 2023, the Company closed the Share Purchase Agreement with CiTech and issued 48,135,399 common shares of the Company valued at $10,572,750, consistent with the closing of the private placement of special warrants at $0.30 on February 8, 2023, to acquire 100% of CiTech, resulting in a reverse takeover (Note 5).

(d) Stock options

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
		$
Balance, June 30, 2023 and 2022	300,000	0.24

(Expressed in Canadian dollars)

Granted (Note 5)	-	-
Balance, June 30, 2024	**300,000**	**0.24**

As at June 30, 2024, outstanding options were as follows:

Grant Date	Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
May 20, 2022	300,000	300,000	$0.24	May 20, 2027
Total	**300,000**	**300,000**	**$0.24**	

(e) Warrants

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, June 30, 2023 and 2022	10,673,902	0.30
Issued (Note 5)	-	-
Balance, June 30, 2024	**10,673,902**	**0.30**

As at June 30, 2024, outstanding warrants were as follows:

Grant Date	Number of warrants outstanding and exercisable	Exercise price	Expiry date
October 25, 2021	5,000,000	$0.30	October 25, 2026
April 30, 2022	5,673,902	$0.30	April 30, 2025
Total	**10,673,902**	**$0.30**	

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

(Expressed in Canadian dollars)

	Year ended June 30, 2024 $	Year ended June 30, 2023 $
Loss before income taxes	(1,011,761)	(12,022,516)
Statutory income tax rates	27%	27%
Expected income recovery	(273,000)	(3,246,000)
Difference in tax rates	12,000	3,000
Non-deductible expenses	134,000	3,181,000
Deferred tax assets acquired	-	(194,000)
Foreign exchange rate and others	-	5,000
Unrecognized tax benefits	127,000	251,000
Total income tax expense	-	-

The significant components of the Company's deferred income tax assets that have not been included on the statement of financial position are as follows:

	June 30, 2024 $	June 30, 2023 $
Deferred income tax assets:		
Non-capital loss carry-forwards	443,000	316,000
Income tax benefits not recognized	(443,000)	(316,000)
Net deferred tax assets	-	-

The Company has approximately $962,000 in non-capital losses available in Canada and $732,000 (AUD$817,000) in non-capital losses available in Australia can be carried forward and claimed as deductions in future years.

The tax pools relating to these deductible temporary differences expire as follows:

	Expiry Date Range
Temporary Differences	
Non-capital losses (Canada)	From 2041 to 2044
Non-capital losses (Australia)	No expiry

14. MANGEMENT OF CAPITAL

The Company defines capital as consisting of shareholder’s equity (comprised of issued share capital, reserve, and deficit). Management’s objective is to provide investment management services to shareholders which includes investing in marketable securities for the purpose of returns in the form of investment income and capital appreciation, as well as the ability to meet its on-going operational obligations as they become due. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company’s management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at June 30, 2024, the Company is not subject to any externally imposed capital requirements or debt covenants. There were no changes in the Company’s approach to managing capital during the year.

15. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) 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. The Company holds no financial instruments that are denominated in a currency other than the Company and CITP’s functional currencies. As at June 30, 2024, the Company is not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk

The Company has no exposure to price risk with respect to equity prices as the Company is not listed. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and trade and other receivables. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Tax and other receivables consist of refundable sales taxes and rebates from government agencies. Management believes that the credit risk related to its cash and trade and other receivables is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at June 30, 2024, the Company has a cash balance of $17,590 and current liabilities of $3,091,626. As such, the Company has insufficient cash to fund corporate overhead costs for the next year. The Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is exposed to liquidity risk as at June 30, 2024.

Fair Value Measurements

The carrying value of cash and cash equivalents, trade and other receivables, loan receivable, trade and other payables, loan and borrowings and convertible loan notes approximate their fair value due to the short-term maturity of these financial instruments.

16. SEGMENTED INFORMATION

The Company operates as a single segment, being the development of communications products for the mining, emergency service, defence, and government sectors. All long-lived assets are located in Australia.

17. COMMITMENT

On April 30, 2022, the Company and Alke Capital Limited ("Alke") entered into an arm's length transaction with Alke ("Alke Agreement"). Pursuant to the Alke Agreement, Alke will (a) provide certain advisory services to the Company ("Alke Advisory Services"), and (b) make available to the Company an equity drawdown facility in the aggregate amount of up to $5,000,000 (the "Funding Commitment"). The Funding Commitment is for an aggregate amount of up to $5,000,000 and a term of three years. In addition, the Company may use the Funding Commitment as security, with the consent of Alke, to secure additional financing avenues if it so chooses. Upon Listing and assuming the satisfaction of other condition precedents as stated in the Alke Agreement (the "Alke Condition Precedents"), the Company can immediately start drawing down funds from the Funding Commitment, assuming that there is sufficient trading volume in the Resulting Issuer Shares on the CSE (the "Trading Volume"), during the three-year term at the Company's discretion by providing a notice to Alke (an "Alke Drawdown Notice"). As at June 30, 2024, there had been $Nil withdrawn from the facility.

18. SUBSEQUENT EVENT

Subsequent to the financial year end, the Company:

1. On 28th August 2024, received its 30 June 2024 R&D tax incentive rebate, amounting to $729,756, being the net amount after $108,271 was deducted per below and a deduction against our superannuation payable of $21,450.
2. On 28th August 2024, the tax refund was reduced by $108,271, being the net of the Withholding Tax Payables of $571,896 disclosed in Note 9 and the Goods and Services Tax Receivable of $463,625 disclosed in Note 7.
3. On 30th August 2024, the Radium Loan disclosed at Note 10 was repaid.
4. The final milestones in relation to the sale of delivery of the first Nexus 16 to Atlas Iron were achieved. The unearned income disclosed at Note 9 is no longer a liability.