CRITICAL INFRASTRUCTURE TECHNOLOGIES LTD

(Previously 1319275 B.C. LTD)

Management's Discussion and Analysis

for the year ended June 30, 2024

Prepared as of February 5, 2025

ABOUT THIS MD&A

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations of Critical Infrastructure Technologies Ltd. (the "**Company**" or "**CTTT**") should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2024, and the accompanying notes thereto (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A has been prepared as of February 5, 2025, pursuant to the disclosure requirements under National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators. All monetary amounts are expressed in Australian dollars unless stated otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which may constitute "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities law requirements (collectively, "**forward-looking statements**" or "**FLS**"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these FLS, except as required under applicable securities legislation. FLS relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, FLS can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature FLS involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the FLS. The Company provides no assurance that FLS will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on FLS.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these FLS are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such FLS are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements.

DESCRIPTION OF BUSINESS

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's lead product category is a range of rapidly deployable, high-capacity communications platforms called the Self Deploying Skid (the "**SDS**"). The first product is called the Nexus 16 ("**Nexus 16**"), which is an integrated communications platform that can be quickly transported to remote and hostile locations and be fully operational and transmitting within 30 minutes of its initial set up. Using this breakout technology, the Company anticipates that it will secure its place in the high capacity mobile and rapidly deployable markets, delivering long-range communications systems into those places where they are most critically needed. The Company also anticipates that it will expand its business by combining quick-return sales with annuity-based leasing to the blue-chip resource, defence and government sectors.

OVERALL PERFORMANCE

The Company was incorporated under the *Business Corporations Act* (British Columbia) 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 under the name 1319275 B.C. LTD.

The Company entered into an arm's length share purchase agreement dated as of December 14, 2021 (the "**SPA**"), with Critical Infrastructure Technologies Pty Ltd. ("**CITP**") and CITP's securityholders and will be acceded to by all persons who become securityholders of CITP after the execution of the SPA (the "**CITP Shareholders**"). Pursuant to the SPA, the Company has agreed to purchase and the CITP Shareholders have agreed to sell 100% of the issued and outstanding shares in CITP (the "**CITP Shares**"). As consideration for the CITP Shares, the Company has agreed to issue to the CITP Shareholders an aggregate of 48,135,399 Common Shares. CITP is an Australian company focused on developing communications products for the mining, emergency service, defence and government sectors.

On February 13, 2023, the transaction between the Company and CITP concluded and CITP became a wholly owned subsidiary of the Company. Also on this date, the Company changed its name to:

"CRITICAL INFRASTRUCTURE TECHNOLOGIES LTD."

Immediately prior to closing, the Company closed its Special Warrant raise, which resulting in 4,062,500 shares being issued at a price of $0.30, raising $1,218,750.

The Company also completed a private placement on March 2, 2023, issuing 230,000 shares at $0.30, raising $69,000 for the Company.

For the year ended June 30, 2024, the Company was focused on building its first full-scale pre-production platform.

The Company is in the research and development phase, including building its first Nexus 16 prototype. The Company entered into an agreement for the sale and purchase of the first Nexus 16 prototype and received for the year ended June 30, 2024 by way of milestone payments, $572,792.

The Company expects sales to commence in the next financial year and that it will continue to be funded by debt, including the utilization of existing loan facilities available to the Company, or equity raises until such time as the Company become cash-flow positive. The Company, via its wholly owned subsidiary CITP, will also continue to claim the research and development tax incentive rebate (the "**R&D Rebate**") that may be available to it or CITP.

Many aspects of the design have now been through rigorous testing and we have managed to eliminate the majority of the design risks. The end product is expected to continue to evolve and design changes will be made to ensure seamless production, whilst maintaining full functionality.

The Company is committed to focusing on the resource, emergency services and defence sectors, as it is the view of management of the Company that all are in the need for the deployment of rapid mobile telecommunications.

KEY DEVELOPMENTS FOR THE YEAR ENDED JUNE 30, 2024

CITP entered into an agreement dated June 28, 2023 (the "**Nexus 16 Agreement**"), with Atlas Iron Pty Ltd. ("**Atlas Iron**"), a subsidiary of Hancock Prospecting Pty Ltd., for the sale and purchase of a high-capacity mobile communication tower ("**Nexus 16**"), with the commencement of the build being July 1, 2023.

The Nexus 16 was delivered to Atlas Iron for testing on April 10, 2024.

MATERIAL TRANSACTIONS AND DEVELOPMENTS

Pursuant to the Nexus 16 Agreement, CITP delivered to Atlas Iron one Nexus 16 and provided installation services, commissioning services, testing services, and ongoing support services. Prior to acceptance by Atlas Iron, the Nexus 16 was required to undergo acceptance testing, which is now complete. Atlas Iron accepted the Nexus 16 and issued a Completion Certificate on September 9, 2024.

SELECTED FINANCIAL INFORMATION

	Year ended June 30, 2024 (audited) ($)	Year ended June 30, 2023 (audited) ($)	Year ended June 30, 2022 (audited) ($)
Total revenue	Nil	Nil	Nil
R&D rebates receivable	Nil	Nil	722,851
Loss for the period	949,718	12,103,940	235,831
Total assets	4,528,931	4,141,613	2,466,549
Total liabilities	3,091,626	1,754,590	1,650,716
Shareholders Equity	1,437,305	2,387,023	815,833

The accounts were prepared on an accrual basis.

The Company has been funded during the year ended June 30, 2024, from the Special Warrant financing in February 2023, the year ended June 30, 2023 R&D Tax Incentive rebate that was received on August 3, 2023, milestone payments in the aggregate amount of $572,792 received from our customer on the sale of the first Nexus 16 and a radium capital R&D Tax Incentive rebate loan of $547,602.

All research and development costs are capitalised on the Financial Statements.

The Company's subsidiary, CITP, is registered for the Australian Government Research and Development Incentive Rebate Scheme and as such, is entitled to receive a grant equal to 43.5% of its eligible research and development expenditure ("**R&D Expenditure**"). CITP claimed $2,198,604 in eligible R&D Expenditure for the year ended June 30, 2023, which resulted in an R&D Rebate of $931,983 being received, net of deductions, on September 14, 2023. From this, Radium Capital, from whom CITP draws down in loan funds against the expected R&D Rebate, was repaid $669,719 for advances and interest made during the year ended June 30, 2024.

The Company deems R&D Expenditures as all expenditure integral and directly related to the research and development of the SDS, which for the year ended June 30, 2024, was calculated by the Company to equal an aggregate of $1,510,224. This expenditure is comprised of costs associated with the components purchased for the construction of the first full-scale platform together with consulting fees, salaries and general and administrative costs that was deemed to be directly related to the research and development of the SDS.

DISCUSSION OF OPERATIONS

The Company maintains the belief that an opportunity exists to commercialise a new category of communications infrastructure product, the need for which extends across a variety of sectors, including mining, emergency services, military/defence, utilities and carriers. The design specifications identified by the Company to achieve this goal of commercialization are as follows:

- the development of telecommunications carrier grade tower, power and environmental systems must be easily transportable to remote sites and must be both deployable and recoverable using common transport equipment;
- the communications infrastructure product must be hardened to withstand extreme environments, including mining dust, lightning, cyclonic rain, wind and fires;
- the communications infrastructure product should feature fully redundant systems, high fault tolerance of the product, and the ability to self diagnosis and provide status reports; and
- the communications infrastructure product should be 100% self powered using in-built solar panels.

As at June 30, 2024, the Company has completed the design of the SDS and built and delivered the first Nexus 16 to our customers site for compliance and acceptance testing. The Company expects that the building of the first full-scale pre-production client trial SDSs will allow assembly and production methodologies to be finalised and cost reduction strategies to be implemented.

Marketing efforts have continued with demonstrations of the working ½ scale prototype and the full-scale timber model which began in December of 2022 with various resource companies. CITP also demonstrated the first completed Nexus 16 in April 2024 at an Industry Demonstration Day, prior to it being delivered to the customer.

As a result of COVID-19, there has been an increase in certain costs together with supply issues on some components, but not excessively so. Inflation appears to be a problem that the world is currently facing, so we expect there to be further price increases.

The Company expects that it will continue to be funded by debt and or sales revenue as we now shift to a sales focus, including the utilization of existing loan facilities available to the Company (such as the loan facility advanced by Radium Capital), or equity raises until such time as the Company become cash-flow positive. The Company's subsidiary, CITP, will also continue to claim the R&D Tax Incentive Rebate.

LIQUIDITY AND CAPITAL RESOURCES

Contractual Obligations	**Payments Due by Period**				
	Total	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Debt	$1,094,370	$1,094,370	Nil	Nil	Nil
Finance Lease Obligations	Nil	Nil	Nil	Nil	Nil
Operating Leases	Nil	Nil	Nil	Nil	Nil
Purchase Obligations	Nil	Nil	Nil	Nil	Nil
Other Obligations	$1,997,256	$1,997,256	Nil	Nil	Nil
Total Contractual Obligations	$3,091,626	$3,091,626	Nil	Nil	Nil

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise programs depending on its working capital position.

As at June 30, 2024, the Company had working capital of $(2,610,411) (June 30, 2023 – $(988,368)), which $17,590 is cash (June 30, 2023 – $393,828) and receivables of $463,625 (June 30, 2023 – 322,742). Current liabilities, being accounts payable and accrued liabilities and loans totaling $3,091,626 (June 30, 2023 – $1,754,590).

Cash used in operating activities was $19,314 (year ended June 30, 2023 - $1,033,545) compared to cash received from financing activities of $212,226 (June 30, 2023 - $801,409). Cash used in investing activities was $553,831 (year ended June 30, 2023 - $1,628,831).

The $3,091,626 in obligations is further broken down as follows:

1. $1,997,256 in accounts payable: accruals and creditors ($388,060), accrued wages ($302,165), unearned income ($572,792), withholding taxes ($571,896) and superannuation payable ($162,343). As the contract for the sale of the first Nexus 16 has successfully completed, the unearned revenue will cease to be a liability and will be recorded as revenue subsequent to year-end June 30, 2024. Since the end of the financial year, the withholding taxes and superannuation payable has been paid.
2. $90,558 is due to Foresense Ltd. in connection with an outstanding loan;
3. $320,392 is due to JJC Consulting Services Trust, of which 23 XI Investments Pty Ltd. as trustees for The JJC Consulting Services Trust, which is 100% owned and controlled by Brenton Scott, a director and the Chief Executive Officer of the Company;
4. $547,602 is due to Radium Capital, which relates to a drawdown against the Company's 2024 R&D Tax Incentive rebate. This was repaid August 30, 2024.
5. $135,818 in other, non-related party loans.

Other than the above-mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the CITP Shareholders and may result in dilution to the value of such interests.

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as low.

The principal uses of cash since inception have been for the development of our product including general and administrative costs. Going forward, additional funds will be needed for continued product development and sales and marketing as we continue our commercialisation efforts.

OFF-BALANCE SHEET TRANSACTIONS

The Company does have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial performance or financial condition.

RELATED PARTY TRANSACTIONS

Junior Jay Pty Ltd. as trustee for The JJC Consulting Services Trust, which is 100% owned and controlled by Brenton Scott, a director and the Chief Executive Officer of the Company. Mr. Andrew Hill is a director and the Chief Technology Officer of the Company.

During the year ended June 30, 2024, Brenton Scott was paid and/or accrued $298,202 in salary and superannuation, Andrew Hill was paid and/or accrued $248,501 in salary and superannuation, and Imants Kins was paid and/or accrued $81,328 in salary and superannuation.

The Company continues, on a month-to-month basis, to rent the premises that the Company currently operates located in South Fremantle, Western Australia at the price of AUD$149.80 per sq metre. The Company occupies 3,022 square metres and total rent charged for the year ended June 30, 2024 was AUD$461,034 (year ended June 30, 2023 - AUD$440,650).

FOURTH QUARTER INFORMATION

The fourth quarter saw the delivery of the first SDS (Nexus16).

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for the last three quarters:

	June 30, 2024 Q4 $	March 31, 2024 Q3 $	December 31, 2023 Q2 $	September 30, 2023 Q1 $	June 30, 2023 Q4 $
Revenue	-	-	-	-	-
Net loss	(676,091)	(32,213)	(89,368)	(152,046)	(214,556)

Basic/diluted Loss per share	(0.008)	(0.001)	(0.001)	(0.002)	(0.002)

Note
(1) The Company became a reporting issuer on February 13, 2023.
(2) The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for all quarters in Canadian dollars ("CAD").

The net loss was due to the company still being pre-revenue.

PROPOSED TRANSACTIONS

The Company has no further proposed transactions as of reporting date other than those previously disclosed in the document.

ADDITIONAL DISCLOSURE FOR IPO VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The table below sets forth a comparative breakdown of material components of the Company's (a) expensed research and development costs, (b) intangible assets arising from development, (c) general and administrative expenses, and (d) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (c) for the three months ended September 30, 2023, the six months ended December 31, 2023, the 9 months ended March 31, 2024 and years ended June 30, 2024, 2023, and 2022:

	Year ended June 30, 2024 (audited) ($)	**Nine months ended March 31, 2024 (unaudited) ($)**	**Six months ended December 31, 2023 (unaudited) ($)**	**Three months ended September 30, 2023 (unaudited) ($)**	**Year ended June 30, 2023 (audited) ($)**	**Year ended June 30, 2022 (audited) ($)**
Expensed research and development costs						
Consulting fees	Nil	Nil	Nil	Nil	Nil	Nil
Salaries	Nil	Nil	Nil	Nil	Nil	Nil
Travel	Nil	Nil	Nil	Nil	Nil	Nil
Other	Nil	Nil	Nil	Nil	Nil	Nil
Intangible assets arising from development(1)						
Consulting fees	15,044	137,382	118,226	43,388	275,806	173,558
Equipment	154,079	370,266	275,785	104,584	613,556	184,211
Office rent	152,164	295,371	196,676	88,303	405,673	192,193
Salaries	285,798	812,650	536,438	241,781	698,491	377,555
Other	11,377	19,522	12,024	3,404	22,523	41,980
General and administrative expenses						
Consulting Fees	251,997	127,892	123,636	81,823	132,802	87,009
Interest	110,161	23,455	23,194	22,673	84,338	83,185
Professional Fees	101,089	4,481	4,431	435	80,269	18,114
Rent	41,286	32,819	21,854	10,681	45,075	Nil
Travel	74,727	50,326	45,511	23,928	92,101	Nil
Salaries	379,529	284,647	189,764	94,882		
Other	52,973	34,655	22,788	12,506	61,443	23,803
Other material costs not disclosed above	Nil	Nil	Nil	Nil	Nil	Nil

Note:
(1) Net of accumulated amortization and impairment.

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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at June 30, 2024, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	83,377,899 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Directors' and officers' stock options to acquire up to 10% of the issued and outstanding common shares	Stock options to acquire up to 300,000 Common Shares at an exercise price of $0.24 and 300,000 Common Shares at an exercise price of $0.45
Voting or equity securities issuable on conversion or exchange of outstanding securities	As above	As above

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

Grant Date	Number Outstanding and Exercisable	Exercise Price/Expiry
October 25, 2021	5,000,000	$0.30 / October 25, 2026
April 20, 2022	5,673,902	$0.30 / April 30, 2025

KEY DEVELOPMENTS SUBSEQUENT TO JUNE 30, 2024

The following key developments have occurred:

1. The first Nexus 16 received client acceptance after all milestones had been achieved
2. CiTech has submitted an application under the Industry Growth Program for a grant of AUD$1,162,877 to enable 3 x Nexus 16 to be built.

MATERIAL WEAKNESS

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The Company identified the following ongoing material weakness that applies to both disclosure controls and procedures and internal control over financial reporting:

> Due to the limited size of the Company, the Company does not have sufficient resources for reviewing the financial statements and cannot maintain adequate segregation of duties as is necessary to absolutely ensure complete and accurate financial reporting. Specifically, the Company's Chief Financial Officer is responsible for preparing, authorizing and reviewing information that is integral to the preparation of financial reports and is also responsible for day-to-day accounting. He is also responsible for preparing and reviewing the resulting financial reports. This weakness has the potential to result in material misstatement in the Company's consolidated financial statements that would not be prevented or detected and, as such, has been determined to be a material weakness in internal controls over financial reporting, which also affects the Company's disclosure controls and procedures.

As of the date hereof, management of the Company has not yet developed a plan to remediate the material weakness. Management has concluded that, taking into account the present state of the Company's development, the Company does not have sufficient size and scale to warrant, and cannot reasonably justify, the expenditure for curing the material weakness given Management's view of the perceived risk in the material weakness.

RISK FACTORS

In addition to the other information included in this report, readers should consider carefully the following factors, which describe the risks, uncertainties and other factors that may materially and adversely affect the Company's business, products, financial condition and operating results. There are many factors that affect the Company's business and results of operations, some of which are beyond the Company's control. The following is a description of some of, but not all of, the important factors that may cause the Company's actual results of operations in future periods to differ materially from those currently expected or discussed in the FLS set forth in this report relating to the Company's financial results, operations and business prospects. Except as required by law, the Company undertakes no obligation to update any such FLS to reflect events or circumstances after the date of this MD&A.

For the purposes of this section, "**Material Adverse Change**" means any change of circumstances or any event which has, or would reasonably be expected to have, a material adverse effect in respect of the Company, any one or more changes, events or occurrences, and "**material adverse effect**" means, in respect of the Company, any change (or any condition, event or development involving a prospective change) in the business, operations, affairs (including the employment status of key employees), assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise) capitalization, financial condition, licenses, permits, rights or privileges of the Company or any of its subsidiaries which in the judgment of the Company, acting reasonably in the circumstances, could reasonably be expected to materially and adversely affect the Company and its subsidiaries taken as a whole or the value of the securities of the Company.

For a discussion of risk factors, please refer to the final prospectus of the Company under "Risk Factors" therein. The final prospectus dated February 13, 2023, is available under the Company's profile on SEDAR+ at www.sedarplus.ca.