

Genesis AI Corp.

(formerly Gallagher Security Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Second Quarter Ended December 31, 2023

(Expressed in Canadian dollars)

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CSE: AIG OTC: AIGFF

INTRODUCTION

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Genesis AI Corp. (for "Gallagher Security Corp.") (the "Company") prepared on February 23, 2024 constitutes management's review of the factors that affected the Company's financial and operating performance for the second quarter ended December 31, 2023. The MD&A should be read in conjunction with the condensed interim financial statements for the same period, and the audited financial statements for the year ended June 30, 2023 financial statements of the Company and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A was written to comply with the requirements of National Instrument 51-102 Continuous Disclosure Obligations. The Company's financial statements have been prepared in accordance with and using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Dollar amounts included are expressed in Canadian dollars except where noted. Statements in this report that are not historically based fact are forward looking statements involving known and unknown risks and uncertainties which could cause actual results to vary considerably from these statements. Readers are cautioned not to place undue reliance on forward-looking statements. In the opinion of management all adjustments considered necessary for a fair presentation have been included. All amounts following are expressed in Canadian dollars unless otherwise stated.

Additional information regarding the Company and its activities is available on SEDAR at www.sedar.com or by requesting further information from the Company's registered, records and head office located at 750-1620 Dickson Avenue, Kelowna, British Columbia, V1Y 9Y2.

GENERAL OVERVIEW

The Company was incorporated under the provincial laws of British Columbia, Canada, on June 30, 2005. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "AIG".

BUSINESSES OF THE COMPANY

AI Geointelligence Corporation Option Agreement

On November 18, 2023, the Company entered into an option agreement to buy all the issued and outstanding shares of AI Geointelligence Corporation ("AI"), a private company incorporated under the laws of Delaware, USA. Under the option agreement, the Company must pay \$50,000 USD on or before November 20, 2023 (paid), \$50,000 USD on or before January 20, 2024, and \$50,000 USD on or before March 20, 2024. Upon successful completion of these series of payments, and subject to CSE approval, the Company may exercise its option to buy the shares of AI Geointelligence Corporation on a contingent purchase price formula:

One times AI's share of expected revenue in any contract(s) if signed within six months of the November 18, 2023, with such payment capped at \$5,000,000 USD, and with such payment made as to 10% in cash and 90% in common shares of the AIG priced at a 10% discount to the closing price of the shares on the CSE as of the November 18, 2023. In the event there are no contracts signed within six months of the November 18, 2023, and the option is exercised, then the purchase price is \$1,000,000 USD with payments being made as to 10% in cash and 90% in common shares of AIG priced as per above formula. If the option has been exercised, and in the event a contract(s) is signed after six months and before twelve months of November 18, 2023, then a second payment of 0.5 times AI's share of expected revenue shall be paid with such payment being made as to 10% in cash and 90% in common shares of the AIG priced at a 10% discount to the closing averages of the previous 10 day trades. Notwithstanding the foregoing, the maximum number of common shares to be issued by AIG shall not exceed 30% of its issued and outstanding shares on the closing date. In all instances, payment of common shares of the Optionee shall be made to the shareholders of AI on a proportionate basis, equal to each shareholder's ownership of the AI's shares.

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Machine Learning Development Contract

On October 5, 2023, the Company entered into a Letter of Intent with an exploration mining company to enter into a definitive agreement. The Company will assist the exploration mining company in developing a machine learning technology, and will receive a series of payments totaling \$400,000 based on developmental milestones. The Company received \$100,000 during the reporting period. The Company and this exploration mining company also have common officers.

Carbonethic Holdings Inc Acquisition

On September 11, 2023, the Company signed an asset acquisition agreement with Carbonethic Holdings Inc. ("Carbonethic") to acquire certain technology assets. The purchase price comprised of a series of payments and contingent payments: On July 23, 2023, the Company paid Carbonethic \$25,000 upon signing a term sheet; and in October 2023, the Company paid \$75,000 on signing of the asset purchase agreement; further fully contingent payments (the "Contingent Payments") equal to five percent (5%) of Revenues for the period of 36 months from the date of commercial launch of the technology up to a maximum of \$1,500,000 of Contingent Payments.

Treelab Carbon Technologies Inc.

On May 17, 2022 (the "Effective Date"), the Company entered into an option agreement with Treelab Carbon Technologies Inc. ("Treelab") to purchase all the issued and outstanding shares of Treelab. To exercise the option, the Company must:

- Pay \$50,000 to Treelab (paid) on the Effective Date, and
- Issue common shares of the Company equal to \$2,500,000 CDN based on a 5-day volume weighted average price of the Company's common shares within three years of the Effective Date.

Upon exercise of the option, Treelab will become a wholly owned subsidiary of the Company. The CEO of the Company is a 50% shareholder of Treelab. During the year ended June 30, 2023, Treelab repaid by \$20,000 of the deposit.

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Quarterly Highlights

The Company continues to seek new business opportunities.

Selected Annual Information

For the years ended June 30,	2023	2022	2021
	\$	\$	\$
Net income (loss) and comprehensive loss	(402,035)	951,219	(1,169,673)
Total assets	163,201	122,660	252,917
Total liabilities	616,879	373,870	(1,519,660)
Shareholders' equity (deficiency)	(453,678)	(251,210)	(1,266,473)
Basic and diluted loss per common share	(\$0.01)	\$0.03	(\$0.06)

Summary of Quarterly Results

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Net (loss) income	(1,073,801)	(540,770)	(183,603)	(62,502)	(89,886)	(66,044)	1,207,491	(63,398)
Basic/Diluted (loss) income per share	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	0.03	(0.00)

For the Three and Six Months Ended December 31, 2023

The Company realized a net losses of \$1,073,801 and \$1,614,571 the three and six months ended December 31, 2023 versus a net losses of \$89,886 and of \$155,930 in the comparative periods. The Company increased its consulting fees, marketing activity, professional, regulatory and research and development costs as it moves forward with developing its acquired technology asset from Carbonethic Holdings Inc. and other lines of business.

Related Party Transactions

The Company has identified its directors, officers and companies controlled by them as its key management personnel.

Amounts paid or accrued to key management personnel and/or entities over which they have control during the year ended June 30, 2023 and 2022 are as follows:

	For the six months ended December 31, 2023	For the six months ended December 31, 2022
	\$	\$
Key management personnel compensation	238,500	66,500

Related party transactions were recorded at the exchange amount, which is the consideration determined and agreed to by the related parties.

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Balances Payable

The Company owed the following balances to related parties and/or entities over which they have control:

- \$251,624 (June 30, 2023 - \$382,238) in management fees and reimbursable expenses to a private company controlled by the Company's CEO (See Note 11).
- \$18,475 (June 30, 2023 - \$55,125) in consulting fees to a director of the Company.
- \$48,075 (June 30, 2023 - \$86,625) in consulting fees to the CFO of the Company.
- \$40,000 (June 30, 2023 - \$40,000) short term loan owing to a Company controlled by the CEO with interest payable of \$4,500 (June 30, 2023 - \$3,500). The loan is unsecured, due on demand, and bears an annual interest rate of 10%.

During the six months ended December 31, 2023, the Company settled an aggregate of \$284,650 owing to related parties by the issuance of shares (Note 6).

Transactions

During the three months ended December 31, 2023, the Company paid or accrued the following fees to related parties:

- \$261,000 (2023 - \$30,000) in management fees to a company controlled by the Company's CEO.
- \$Nil (2023 - \$6,000) in consulting fees to a director of the Company.
- \$15,000 (2023 - \$7,500) in professional fees to a company controlled by the Company's CFO.

Outstanding Share Data

As at the date of this document, the Company had 62,943,885, common shares issued and outstanding, 2,700,000 share purchase options issued and outstanding, and 35,676,284 share purchase warrants issued and outstanding.

Liquidity and Capital Resources

The Company was previously a technology company engaged primarily in the development of cyber security and cryptocurrency software. The Company expects to rely upon equity financing and related party loans to seek new business opportunities.

The accompanying financial statements for the period ended December 31, 2023 have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon successful completion of additional financing and upon its ability to attain profitable operations. There can be no assurances that this capital will be available in amounts or on terms acceptable to the Company, or at all. This creates material uncertainty which casts significant doubt about the Company's ability to continue as a going concern.

The Company is actively pursuing joint venture partners and has minimized its exploration activities and over-all operations in an effort to conserve cash.

Financial Instruments

The Company is exposed through its operations to the following financial risks:

- Market risk

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- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies, and Processes

The Board of Directors of the Company has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to senior management. The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk. The Company is not currently exposed to foreign currency risk, interest rate risk or commodity price risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The financial instruments that are potentially subject to credit risk are cash, amounts receivable (excluding GST) and loans receivable. The carrying amounts of these financial assets represent their maximum credit exposure. Cash is maintained with a financial institution of reputable credit and may be redeemed upon demand.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Determination of Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's derivative liability – warrants is the only financial instruments on the statement of financial position measured at fair value. There were no transfers between Level 1, 2 or 3 during the period ended December 31, 2023 and year ended June 30, 2023.

Critical Accounting Estimates

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The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

A summary of the Company's significant accounting estimates is included in Note 3 of the audited financial statements for the year June 30, 2023.

Significant Accounting Policies

A summary of the Company's significant accounting policies is included in Note 3 of the audited financial statements for the year June 30, 2023.

Risks and Uncertainties***Regulatory Risks***

The activities of the Company will be subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals could have a material adverse effect on the business, results of operations and financial condition of the Company.

The business of the Company is subject to rapid regulatory changes. Failure to keep up with such changes may adversely affect the business of the Company. Failure to follow regulatory requirements will have a detrimental impact on the business. Changes in legislation cannot be predicted and could irreparably harm the business.

Reliance on Management and Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as, engineering, and technical support resources could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional Financing

The Company's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. Based on the Company's current financial situation, the Company may have difficulty continuing operations at the current level, or at all, if it does not raise additional financing in the near future.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

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Going Concern Risk

The financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Disclosure of Internal Controls

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited financial statements fairly present all material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the periods presented by the audited financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of: (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP and IFRS. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.