

Genesis AI Corp.
(formerly Gallagher Security Corp.)

Condensed Interim Financial Statements
For the Nine Months Ended March 31, 2024
(Expressed in Canadian dollars)

Condensed Interim Statements of Financial Position
Condensed Interim Statements of Comprehensive Loss
Condensed Interim Statements of Cash Flows
Condensed Interim Statements of Changes in Deficiency
Condensed Interim Notes to the Financial Statements

750 - 1620 Dickson Avenue, Kelowna, B.C. V1Y 9Y2, Canada

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

Genesis AI Corp.

(formerly Gallagher Security Corp.)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed Canadian dollars)

	Notes	As at March 31, 2024 (unaudited) \$	As at June 30, 2023 (audited) \$
ASSETS			
Current			
Cash		205,931	118,373
Amounts receivable		45,255	14,827
Prepaid expense		8,387	-
Loans receivable	4	1	1
		259,574	133,201
Deposit	5	30,000	30,000
Intangible asset	6	236,734	-
		526,308	163,201
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	650,350	573,379
Interest payable	8	6,500	3,500
Short-term loan	8	40,000	40,000
Derivative liability – warrants	8	-	-
		696,850	616,879
SHAREHOLDERS' DEFICIENCY			
Share capital	7	27,092,568	24,730,496
Subscriptions	7	-	112,500
Reserves	7	3,770,063	3,770,063
Accumulated deficit		(31,033,173)	(29,066,737)
		(170,542)	(453,678)
		526,308	163,201

Corporate information and going concern (Note 1)

Subsequent events (Note 11)

Approved on behalf of the Board of Directors:

/s/ Devinder Randhawa
Director

/s/ Jamie Bannerman
Director

The accompanying notes are integral to these condensed interim financial statements.

Genesis AI Corp.

(formerly Gallagher Security Corp.)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian dollars - Unaudited)

	Notes	For the three months ended March 31, 2024 \$	For the three months ended March 31, 2023 \$	For the nine months ended March 31, 2024 \$	For the nine months ended March 31, 2023 \$
REVENUES	10	214,286	-	214,286	-
EXPENSES					
Consulting and management fees	8	90,000	47,948	534,833	167,570
Foreign exchange		-	(6,177)	-	(21,586)
Interest expense	8	1,000	590	3,000	2,060
General and administration		38,232	2,729	54,845	9,537
Investor relations, marketing and advertising		17,666	2,570	645,104	8,983
Professional fees		7,730	7,233	118,285	25,272
Regulatory and filing		6,706	6,129	49,005	21,422
Research and development expense		404,817	-	775,650	-
Salaries and wages		-	1,480	-	5,174
LOSS FROM CONTINUING OPERATIONS BEFORE OTHER ITEM		(566,151)	(62,502)	(2,180,722)	(218,432)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		(351,865)	(62,502)	(1,966,436)	(218,432)
Basic and diluted net income (loss) per common share		(0.01)	(0.00)	(0.03)	(0.00)
Weighted average number of common shares outstanding		62,943,885	27,651,315	59,197,813	27,651,315

The accompanying notes are integral to these condensed interim financial statements.

Genesis AI Corp.

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CONDENSED INTERIM STATEMENTS OF CASH FLOWS(Expressed in Canadian dollars - Unaudited)

	For the nine months ended March 31, 2024 \$	For the nine months ended March 31, 2023 \$
OPERATING ACTIVITIES		
Net loss for the period	(1,966,436)	(218,432)
Changes in non-cash working capital items:		
Prepaid expense	(8,387)	-
Amounts receivable	(30,428)	4,131
Accounts payable and accrued liabilities	393,121	132,017
Interest payable	3,000	
	(1,609,130)	(82,284)
INVESTING ACTIVITIES		
Intangible assets	(236,734)	-
FINANCING ACTIVITIES		
Proceeds from private placements	1,673,260	-
Share issuance costs	(4,734)	-
Warrant exercise proceeds	264,896	-
Short-term loan	-	40,000
	1,933,422	40,000
CHANGE IN CASH	87,558	(42,284)
CASH, BEGINNING OF THE PERIOD	118,373	45,464
CASH, END OF THE PERIOD	205,931	3,180

The accompanying notes are integral to these condensed interim financial statements.

Genesis AI Corp.

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CONDENSED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY

(Expressed in Canadian dollars - Unaudited)

	Share Capital			Reserve			Total Deficiency \$
	Number of Common Shares	Amount \$	Subscriptions \$	Share-based Payments \$	Foreign Currency Translation Reserve \$	Accumulated Deficit \$	
As at June 30, 2022	27,651,315	24,730,496	-	3,682,996	(2,867)	(28,661,835)	(251,210)
Net income for the period	-	-	-	-	-	(218,432)	(218,432)
As at March 31, 2023	27,651,315	24,730,496	-	3,682,996	(2,867)	(28,880,267)	(469,642)
As at June 30, 2023	27,651,315	24,730,496	112,500	3,770,063	-	(29,066,737)	(453,678)
Private placements	28,367,998	1,785,760	(112,500)	-	-	-	1,673,260
Share issuance costs	-	(4,734)	-	-	-	-	(4,734)
Shares issued for debt	4,516,429	316,150	-	-	-	-	316,150
Warrant exercise proceeds	2,408,143	264,896	-	-	-	-	264,896
Net loss for the period	-	-	-	-	-	(1,966,436)	(1,966,436)
As at March 31, 2024	62,943,885	27,092,568	-	3,770,063	-	(31,033,173)	(170,542)

The accompanying notes are integral to these condensed interim financial statements.

Genesis AI Corp.

(formerly Gallagher Security Corp.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**

(Expressed in Canadian dollars unless otherwise noted)

1. CORPORATE INFORMATION AND GOING CONCERN

Genesis AI Corp. (formerly “Gallagher Security Corp.”) (the “Company”) is a company incorporated on June 30, 2005 under the Business Corporation Act of British Columbia, Canada. The registered, records office of the Company and the principal office of operations is 750-1620 Dickson Avenue, Kelowna, British Columbia, V1Y 9Y2. The Company’s shares are publicly listed on the Canadian Securities Exchange (“CSE”) under the symbol “AIG” and on the OTCQB Venture Market (“OTCQB”) under the symbol “AIGFF”.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet all of its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company has incurred losses since its inception and has an accumulated deficit of \$31,033,173 at March 31, 2024 (June 30, 2023 - \$29,066,737 deficit). The Company has a need for financing for working capital and to continue the development of its business. The ability of the Company to continue as a going concern is dependent upon the continued financial support of its shareholders, other investors and lenders and the identification and development of a viable business opportunity. These factors indicate the existence of a material uncertainty that raises significant doubt about the Company’s ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION AND MEASUREMENT**a) Statement of compliance with International Financial Reporting Standards**

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of May 24, 2024, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2023, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending June 30, 2024 could result in restatement of these unaudited condensed consolidated interim financial statements.

b) Basis of measurement

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these financial statements is cost, net realizable value, fair value or recoverable amount. These financial statements, except for the statement of cash flows, are based on the accrual basis.

c) Presentation and functional currency

The functional currency of the Company is the Canadian dollar and, unless otherwise specified, all dollar amounts in these financial statements are expressed in Canadian dollars. The functional currency is the currency of the primary economic environment in which the Company operates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

Significant accounting judgments, estimates and assumptions – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Critical judgments

Going concern of operations

Management has made the determination that the Company will continue as a going concern for the next year.

Significant estimates and assumptions

Change in Accounting Policy

Effective July 1, 2022, the functional currency of the Company was assessed to be the Canadian dollar. This change in policy is accounted for prospectively, with all non-monetary assets and liabilities denominated in other currencies presented using the historical exchange rates applicable to the underlying transactions comprising such amounts, commencing with their June 30, 2023 balances. Monetary assets and liabilities, of the company, continue to be translated at period end rates; however, all such unrealized amounts will now be reported in current operations. This change is due to the following changes in the Company's conditions and transactions: i) the Company utilizes contractors and employees in Canada; ii) the Company incurs operating expenses in the local Canadian currency; and iii) the Company's key asset acquisition subsequent to year end was transacted in Canada (Note 11).

4. LOAN RECEIVABLE

MyCesium Warehouse Ltd.

On February 17, 2021, the Company entered into a Letter of Intent with MyCesium Warehouse Ltd. ("MyCesium"), pursuant to which the Company may acquire up to 100% of the issued and outstanding securities of MyCesium by executing a definitive agreement which contemplates the following:

- a) Making the following payments to MyCesium to acquire an initial 50% of the issued and outstanding common shares of MyCesium:
 - i. \$200,000 USD cash for 20% equity of MyCesium (paid);
 - ii. \$200,000 USD cash for a further 20% equity of MyCesium (paid); and
 - iii. \$200,000 USD cash for a further 10% equity of MyCesium (paid)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**

(Expressed in Canadian dollars unless otherwise noted)

4. LOAN RECEIVABLE (continued)

- b) If the Company completes the initial \$600,000 USD in payments and acquires an initial 50% of the issued and outstanding securities of MyCelium, then the Company may acquire the remaining 50% of the common shares of MyCelium by issuing common shares of the Company on a pro rata basis to the shareholders of MyCelium based on an exchange ratio of one (1) common share of the Company for each common share of MyCelium that is not already owned by the Company.

Of the \$600,000 USD advanced, \$250,000 USD bears interest of 1% per annum, is unsecured, and has a maturity date of July 4, 2021 and \$350,000 USD bears no interest, is unsecured and has no fixed terms of repayment.

As at June 30, 2021, the Company had advanced \$600,000 USD to MyCelium and had not received a share certificate representing 50% of the outstanding common shares of MyCelium. In addition, MyCelium had spent the \$600,000 USD and does not have the ability to repay the advances if the proposed transaction does not complete. Accordingly, as at June 30, 2021, the Company wrote down the advances to a nominal amount of \$1 and wrote off the \$645 in accrued interest due to the uncertainty of being able to recover the advances.

5. DEPOSITTreelab 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 (see Note 8).

During the year ended June 30, 2023, Treelab repaid \$20,000 of the deposit.

6. INTANGIBLE ASSETS**Carbonethic Holdings Inc**

On September 1, 2023, the Company signed an asset purchase agreement (the “Agreement”) with Carbonethic Holdings Inc. to acquire certain intellectual property (the “Technology Assets”). Pursuant to the Agreement, the purchase price is comprised of a series of payments and contingent payments. To acquire the Technology Assets, the Company paid an aggregate of \$100,000 and must make further fully contingent payments equal to five percent of revenues for a period of 36 months from the date of commercial launch of the Technology Assets, up to a maximum of \$1,500,000. No further payments have been made to March 31, 2024.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**

(Expressed in Canadian dollars unless otherwise noted)

6. INTANGIBLE ASSETS (continued)**Geointelligence Corporation**

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 (paid), and \$50,000 USD on or before March 20, 2024. The final payment has not been paid as at March 31, 2024 however the option remains in place. 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.

7. SHARE CAPITAL AND RESERVES**a) Authorized**

Unlimited voting common shares without par value.

Unlimited non-voting preferred shares with a par value of \$1 CDN each (none issued).

The non-voting preferred shares are redeemable at \$1,000 per share. Preferred shares are redeemable in whole or in part upon 21 days’ written notice from either the Company or the holder. Upon redemption, the holder is entitled to receive the redemption amount plus any declared and unpaid dividends. There are no non-voting preferred shares issued and outstanding.

Common shares are entitled to receive dividends as declared by the directors in their sole discretion from time to time, and preferred shares are entitled to non-cumulative dividends at the discretion of the directors and at a rate to be determined by the directors at the time of issuance of the preferred shares, as a percentage of the redemption amount thereof, per annum.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**

(Expressed in Canadian dollars unless otherwise noted)

7. SHARE CAPITAL AND RESERVES (continued)

b) Issued and Outstanding - Common Shares

For the nine months ended March 31, 2024

On July 6, 2023, the Company closed a \$500,000 private placement through issuance of 10,000,000 Units at price of \$0.05 per Unit. Each Unit comprise one common share and one share purchase warrant entitling the holder thereof to acquire one common share at the price of \$0.06 per share for a period of 36 months from closing.

On July 28, 2023, the Company closed a \$1,285,760 private placement through the issuance of 18,367,998 Units at price of \$0.07 per Unit. Each Unit comprise one common share and one share purchase warrant entitling the holder thereof to acquire one common share at the price of \$0.11 per share for a period of 24 months from closing.

On July 28, 2023, the Company settled \$316,150 in outstanding debts through the issuance of 4,516,429 Units. Each Unit comprise one common share and one share purchase warrant entitling the holder thereof to acquire one common share at the price of \$0.11 per share for a period of 24 months from closing. Included in the settlement was \$284,650 owing to related parties (See Note 8).

Through the nine months ended March 31, 2024, 2,408,143 warrants at the price of \$0.11 were exercised for net proceeds of \$264,896.

For the year ended June 30, 2023

c) Share Purchase Warrants

	Number of Warrants	Weighted Average Exercise Price \$CDN
Warrants outstanding, June 30, 2022	5,200,000	0.20
Expired	-	-
Warrants outstanding, June 30, 2023	5,200,000	0.20
Granted	32,884,427	0.09
Exercised	(2,408,143)	0.11
Warrants outstanding, March 31, 2024	35,676,284	0.11

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**

(Expressed in Canadian dollars unless otherwise noted)

7. SHARE CAPITAL AND RESERVES (continued)

As at March 31, 2024, the Company had warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Remaining Contractual Life (Years)
March 26, 2025*	\$0.20	2,203,000	1.24
April 16, 2025*	\$0.20	2,997,000	1.29
July 6, 2026	\$0.06	10,000,000	2.52
July 28, 2025	\$0.11	15,959,855	1.58
July 28, 2025	\$0.11	4,516,429	1.58

*On March 13, 2023 the Company extended the expiry dates of 5,200,000 outstanding warrants to investors of the Company to March 26, 2025 and April 16, 2025.

As at March 31, 2024, the weighted average remaining life of warrants outstanding was 1.54 years (2023 – 1.77 years).

When the Company undertakes a private placement, it may issue units comprised of common stock of the Company and warrants to acquire common stock of the Company. Warrants with a strike price denominated in the Company's functional currency are considered to be indexed to the Company's stock and are classified as equity. Warrants with a strike price denominated in a currency other than the Company's functional currency are considered not to be indexed to the Company's stock and are classified as a derivative liability. Warrants classified as a derivative liability are initially measured at fair value with changes in fair value recorded in profit or loss in each reporting period.

At June 30, 2023 and 2022, the carrying amount of the derivative liability was as follows:

	June 30, 2023	June 30, 2022
	\$	\$
Derivative liability – beginning of year	1,157	1,253,611
Unrealized gain on revaluation of warrants	(1,157)	(967,951)
Realized gain on expiration of warrants	-	(284,503)
Derivative liability – end of year	-	1,157
Current portion	-	(1,157)
Long-term portion	-	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**

(Expressed in Canadian dollars unless otherwise noted)

7. SHARE CAPITAL AND RESERVES (continued)

The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions to calculate the fair value of the derivative liability:

	June 30, 2022
Volatility	59.46% – 59.48%
Expected life	0.74 – 0.79 years
Risk-free interest rate	3.09%
Dividend yield	0%

e) Stock Options

The Company has a stock option plan that provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual.

The exercise price of stock options is determined by the Board of Directors of the Company at the time of grant and may not be less than the closing market price of the Company's shares on the day immediately prior to the award date, less any discount which may be permitted by the exchange on which the Company is listed. Options have a maximum term of five years. Upon exercise of any stock options, consideration paid by the option holder together with the amount previously recognized in reserves is recorded as an increase to share capital.

For the year ended June 30, 2023

On June 23, 2023 the Company granted 2,700,000 options to directors, officers and consultants of the Company. The grant of options resulted in a share-based payment expense of \$245,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: \$0.10; ii) share price: \$0.095; iii) term: 5 years; iv) volatility: 216%; v) risk-free interest rate: 3.76%.

	Number of Options	Weighted Average Exercise Price
		\$
Options outstanding, June 30, 2022	1,455,000	0.21
Expired	(1,400,000)	0.13
Granted	2,700,000	0.10
Options outstanding, June 30, 2023	2,755,000	0.14
Expired	(55,000)	2.30
Options outstanding, March 31, 2024	2,700,000	0.10

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**(Expressed in Canadian dollars unless otherwise noted)

7. SHARE CAPITAL AND RESERVES (continued)

As at March 31, 2024, the Company had options outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Exercisable	Remaining Contractual Life (Years)
June 23, 2028	\$0.10	2,700,000	1,350,000	4.48

As at March 31, 2024, the weighted average remaining life of options outstanding was 4.23 years (2023–4.89 years).

8. 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 following periods are as follows:

	For the nine months ended March 31, 2024	For the nine months ended March 31, 2023
	\$	\$
Key management personnel compensation	495,246	97,464

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

Balances Payable

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

- \$285,048 (June 30, 2023 - \$382,238) in management fees and reimbursable expenses to a private company controlled by the Company's CEO (See Note 11).
- \$130,324 in research and development fees to the CTO of the Company.
- \$51,422 in research and development fees to the Director of Product Innovation of the Company.
- \$18,475 (June 30, 2023 - \$55,125) in consulting fees to a director of the Company.
- \$55,950 (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 \$5,500 (June 30, 2023 - \$3,500). The loan is unsecured, due on demand, and bears an annual interest rate of 10%.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**

(Expressed in Canadian dollars unless otherwise noted)

9. RELATED PARTY TRANSACTIONS (continued)

During the nine months ended March 31, 2024, the Company settled an aggregate of \$284,650 owing to related parties by the issuance of shares (Note 6).

Transactions

During the nine months ended March 31, 2024, the Company paid or accrued the following fees to related parties:

- \$291,000 (2023 - \$91,000 in management fees to a company controlled by the Company's CEO.
- \$Nil (2023 - \$21,000) in consulting fees to a director of the Company.
- \$22,500 (2023 - \$22,500) in professional fees to a company controlled by the Company's CFO.

See Note 10.

10. CONTRACTS RELATED TO REVENUE

On March 3, 2024, and amended on May 13, 2024, the Company entered a definitive agreement to develop machine learning technology for an exploration mining company, and will receive a series of payments totaling \$1,275,000 based on developmental milestones. The Company received \$225,000 during the reporting period inclusive of sales tax. The Company and the vendor have common officers.

See Note 6.

11. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- 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 consolidated 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 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. See Note 4 for loans receivable.

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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**AS AT MARCH 31, 2024**(Expressed in Canadian dollars unless otherwise noted)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**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 year ended June 30, 2023.

The following table summarizes the carrying value of financial liabilities which are measured at fair value as at June 30, 2023:

	June 30, 2023		
	Level 1	Level 2	Level 3
	\$	\$	\$
Derivative liability - warrants	-	-	-