Genesis AI Corp.
(formerly Gallagher Security Corp.)

Financial Statements

For the Year Ended June 30, 2024

(Expressed in Canadian dollars)

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

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Independent Auditor's Report

To the Shareholders of Genesis AI Corp. (formerly Gallager Security Corp.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Genesis AI Corp. (formerly Gallagher Security Corp.) (the "Company"), which comprise the statements of financial position as at June 30, 2024 and 2023, and the statements of comprehensive loss, cash flows and changes in deficiency for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at June 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred losses since inception, has an accumulated deficit of $31,395,777 and is dependent on the identification of a viable business opportunity and its ability to secure financing from shareholders, investors and lenders. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is William Nichols.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
October 28, 2024

Genesis AI Corp.
(formerly Gallagher Security Corp.)
STATEMENTS OF FINANCIAL POSITION
(Expressed Canadian dollars)

	Notes	As at June 30, 2024 $	As at June 30, 2023 $
ASSETS			
Current			
Cash		**226,194**	118,373
Amounts receivable		**39,430**	14,827
Prepaid expense		**8,387**	-
Loans receivable		**-**	1
		274,011	133,201
Deposit	4	**30,000**	30,000
Intangible asset	5	**100,000**	-
		404,011	163,201
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	**762,152**	573,379
Interest payable	7	**7,500**	3,500
Short-term loan	7	**40,000**	40,000
		809,652	616,879
SHAREHOLDERS' DEFICIENCY			
Share capital	6	**27,092,568**	24,730,496
Subscriptions	6	**-**	112,500
Reserves	6	**3,897,568**	3,770,063
Accumulated deficit		**(31,395,777)**	(29,066,737)
		(405,641)	(453,678)
		404,011	163,201

Corporate information and going concern (Note 1)

Approved on behalf of the Board of Directors:

/s/ Devinder Randhawa
Director

/s/ Jamie Bannerman
Director

The accompanying notes are integral to these financial statements.

STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	**For the year ended June 30, 2024**	For the year ended June 30, 2023
		$	$
REVENUES	8	**690,476**	-
EXPENSES			
Consulting and management fees	7	**599,333**	229,038
Interest expense	7	**4,000**	3,500
General and administration		**108,732**	4,325
Investor relations, marketing and advertising		**653,421**	8,706
Professional fees		**123,285**	32,000
Regulatory and filing		**53,124**	26,927
Research and development expense		**1,213,381**	-
Salaries and wages		**-**	9,315
Share-based compensation	6	**127,505**	87,067
LOSS FROM CONTINUING OPERATIONS BEFORE OTHER ITEM		**(2,192,305)**	(400,878)
OTHER ITEMS			
Impairment of intangible assets	5	**136,734**	-
Write-off of loans receivable		**1**	-
Change in fair value of derivative liability		**-**	(1,157)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**(2,329,040)**	(402,035)
Basic and diluted net income (loss) per common share		**(0.04)**	(0.01)
Weighted average number of common shares outstanding		**60,292,308**	27,651,315

Genesis AI Corp.
(formerly Gallagher Security Corp.)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the year ended June 30, 2024 $	For the year ended June 30, 2023 $
OPERATING ACTIVITIES		
Net loss for the year	**(2,329,040)**	(401,902)
Share-based compensation	**127,505**	87,067
Change in fair value of derivative liability	**-**	(1,157)
Write-off of loans receivable	**1**	-
Changes in non-cash working capital items:		
Prepaid expense	**(8,387)**	-
Amounts receivable	**(24,603)**	(784)
Accounts payable and accrued liabilities	**504,923**	200,532
Interest payable	**4,000**	3,500
	(1,725,601)	(112,744)
INVESTING ACTIVITIES		
Intangible assets	**(100,000)**	-
Option payment recovery	**-**	20,000
	(100,000)	20,000
FINANCING ACTIVITIES		
Proceeds from private placements	**1,673,260**	112,500
Share issuance costs	**(4,734)**	-
Warrant exercise proceeds	**264,896**	-
Short-term loan	**-**	40,000
	1,933,422	152,500
CHANGE IN CASH	**107,821**	59,756
CASH, BEGINNING OF THE YEAR	**118,373**	58,617
CASH, END OF THE YEAR	**226,194**	118,373

The accompanying notes are integral to these financial statements.

Genesis AI Corp.
(formerly Gallagher Security Corp.)
STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in Canadian dollars)

	Share Capital			Reserve		
	Number of Common Shares	Amount $	Subscriptions $	Share-based Payments $	Accumulated Deficit $	Total Deficiency $
As at June 30, 2022	**27,651,315**	**24,730,496**	**-**	**3,682,996**	**(28,664,702)**	**(251,210)**
Share subscriptions received	-	-	112,500	-	-	112,500
Share-based compensation	-	-	-	87,067	-	87,067
Net loss for the year	-	-	-	-	(402,035)	(402,035)
As at June 30, 2023	**27,651,315**	**24,730,496**	112,500	**3,770,063**	**(29,066,737)**	**(453,678)**
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
Share-based compensation	-	-	-	127,505	-	127,505
Warrant exercise proceeds	2,408,143	264,896	-	-	-	264,896
Net loss for the year	-	-	-	-	(2,329,040)	(2,329,040)
As at June 30, 2024	**62,943,885**	**27,092,568**	-	**3,897,568**	**(31,395,777)**	**(405,641)**

The accompanying notes are integral to these financial statements.

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 $31,395,777 at June 30, 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

These financial statements have been prepared in accordance 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").

These financial statements were approved and authorized for issue by the Board of Directors on October 28, 2024.

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. MATERIAL ACCOUNTING POLICY INFORMATION

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.

Intangible assets – Depreciation of intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. The Company's intangible assets have an indefinite useful life and are not amortized.

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 during the June 30, 2023 to year end was transacted in Canada.

Cash and cash equivalents – The Company considers deposits with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents. The Company did not have any cash equivalents at June 30, 2024 and 2023.

Intangible asset– Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Company's intangible assets have an indefinite useful life and are not amortized.

Revenue recognition - Revenue is recognized upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange for those products or services. The Company enters into contracts that can include combinations of services, which are generally capable of being distinct and accounted for as separate performance obligations. The Company determines the amount of revenue to be recognized through application of the following steps: identification of the contract, or contracts with a customer; identification of the performance obligations in the contract; determination of the transaction price; allocation of the transaction price to the performance obligations in the contract; and recognition of revenue when or as the Company satisfies the performance obligations. Payments received in advance are recorded as deferred revenue and subsequently recognized as revenue as earned. The Company provides artificial intelligence ("AI") software developmental services to develop a machine learning model to identify potential locations of uranium mineralization in the Athabasca Basin of Saskatchewan, Canada.

Share capital - Common shares issued for non-monetary consideration are recorded at their fair market value on the date of share issuance. Costs incurred to issue shares are deducted from share capital.

Share-based payment transactions - Share-based compensation expense relates to stock options as well as cash and equity settled restricted share units ("RSUs"). The grant date fair values of stock options and equity settled RSUs granted are recognized as an expense, with a corresponding increase in reserves in equity, over the vesting period. The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Upon exercise of stock options, the consideration paid by the holder is included in share capital and the related reserves associated with the stock options exercised is reclassified into share capital. Upon vesting of equity settled RSUs, the related reserves associated with the RSU is reclassified into share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

For cash settled RSUs, the fair value of the RSUs is recognized as share-based compensation expense, with a corresponding increase in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimate of the number of RSUs expected to vest. Cash settled RSUs are measured at their fair value at each reporting period on a mark-to-market basis. Upon vesting of the cash settled RSUs, the liability is reduced by the cash payout.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Company's financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash	Amortized cost
Amounts receivable (excluding GST/sales tax receivable)	Amortized cost
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory notes payable	Amortized cost
Derivative instruments	Fair value through profit or loss

Impairment - The Company recognizes an allowance using the expected credit loss ("ECL") model on financial assets classified as subsequently measured at amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as subsequently measured at amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of comprehensive loss.

New, amended and future accounting standards and interpretations – The IFRS pronouncements listed below become effective subsequent to July 1, 2023.

a) IAS 1 - *Presentation of Financial Statements* has been amended to:

- clarify the criterion for a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period; and
- amend the definition of material to "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

b) IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* has been amended to amend the definition of material to reflect the changes outlined above under IAS 1.

4. DEPOSIT

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.

4. DEPOSIT (continued)

The CEO of the Company is a 50% shareholder of Treelab (see Note 7).

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

5. 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 June 30, 2024.

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 Deleware, 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 June 30, 2024 and the Company will not be proceeding with the option agreement. Management has determined the carrying value of the intangible is impaired and has wrote off the entire carrying value of $136,734.

6. 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.

b) Issued and Outstanding - Common Shares

For the year ended June 30, 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

(Expressed in Canadian dollars unless otherwise noted)

6. SHARE CAPITAL AND RESERVES (continued)

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 at the 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. Included in the settlement was $284,650 owing to related parties (See Note 7).

Through the year ended June 30, 2024, 2,408,143 warrants at the price of $0.11 were exercised for net proceeds of $264,896.

c) Share Purchase Warrants

	Number of Warrants	Weighted Average Exercise Price
		$
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)**	**1.08**
Warrants outstanding, June 30, 2024	**35,676,284**	**0.11**

As at June 30, 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	0.74
April 16, 2025*	$0.20	2,997,000	0.79
July 6, 2026	$0.06	10,000,000	2.02
July 28, 2025	$0.11	15,959,855	1.08
July 28, 2025	$0.11	4,516,429	1.08

*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 June 30, 2024, the weighted average remaining life of warrants outstanding was 1.30 years (2023 – 1.77 years).

(Expressed in Canadian dollars unless otherwise noted)

6. SHARE CAPITAL AND RESERVES (continued)

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, the carrying amount of the derivative liability was as follows:

	June 30, 2024 $	**June 30, 2023 $**
Derivative liability – beginning of year	**-**	**1,157**
Unrealized gain on revaluation of warrants	**-**	**(1,157)**
Realized gain on expiration of warrants	**-**	**-**
Derivative liability – end of year	**-**	**-**
Current portion	**-**	**-**
Long-term portion	**-**	**-**

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%.

For the year ended June 30, 2024

On June 7, 2024 the Company granted 300,000 options to directors, officers and consultants of the Company. The grant of options resulted in a share-based payment expense of $16,200 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.05; ii) share price: $0.055; iii) term: 5 years; iv) volatility: 206%; v) risk-free interest rate: 3.5%.

(Expressed in Canadian dollars unless otherwise noted)

6. SHARE CAPITAL AND RESERVES (continued)

	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**
Granted	**300,000**	**0.05**
Expired	**(55,000)**	**2.30**
Options outstanding, June 30, 2024	**3,000,000**	**0.10**

As at June 30, 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	1,800,000	3.98
June 7, 2029	$0.05	300,000	-	4.94

As at June 30, 2024, the weighted average remaining life of options outstanding was 4.08 years (2023–4.89 years).

f) Restricted share unit plan

The Company’s restricted share unit (“RSU”) plan provides RSUs to be issued to directors, officers, employees and consultants of the Company and any personal holding company of such individuals so that they may participate in the growth and development of the Company. Subject to the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSUs and the number of RSUs granted are to be determined by the Board of Directors at the time of the grant. The RSU plan allows the Board of Directors to issue common shares of the company as equity settled RSUs, provided that, when combined, the maximum number of common shares reserved for issuance under all share-based compensation arrangements of the Company does not exceed 10% of the Company’s outstanding common shares.

On June 7, 2024, the Company issued 300,000 RSUs to a director of the Company. These RSUs vest on a semi-annual basis over a period of three years commencing on December 7, 2024. The estimated fair value of these RSUs is $16,500 and will be recognized as an expense over the vesting period of the RSUs.

(Expressed in Canadian dollars unless otherwise noted)

6. SHARE CAPITAL AND RESERVES (continued)

The following table summarizes the movements in the Company's outstanding RSUs for the years ended June 30, 2024 and June 30, 2023:

	Equity settled	Cash settled	Total	Weighted average exercise price
Balance at June 30, 2023	**-**	-	**-**	$ -
Granted	300,000	-	300,000	$ 0.055
Balance at June 30, 2024	**300,000**	-	**300,000**	**$ 0.055**

As at June 30, 2024, the RSUs have a weighted average remaining life of 2.94 years.

The following table summarizes the RSUs issued and outstanding:

RSUs Outstanding and Exercisable				
Expiry Date	**Number of RSUs**	**Exercisable**	**Exercise price**	**Remaining life (Years)**
June 7, 2027	300,000	-	$0.055	2.94

Share-based compensation expense recognized in the statements of comprehensive loss is comprised of the following:

	For the year ended:		
	June 30, 2024	June 30, 2023	June 30, 2022
	$	$	$
Stock options	**126,505**	87,067	-
Restricted share units – equity settled grants	**1,000**	**-**	-
Total equity settled share-based compensation expense	**127,505**	87,067	-
Restricted share units – cash settled grants	**-**	-	-
Total share-based compensation expense	**127,505**	87,067	-

7. 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 year ended June 30, 2024	For the year ended June 30, 2023
	$	$
Key management personnel compensation	**556,521**	178,500

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

7. RELATED PARTY TRANSACTIONS (continued)

Balances Payable

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

- $319,396 (June 30, 2023 - $382,238) in management fees and reimbursable expenses to a private company controlled by the Company's CEO.
- $18,475 (June 30, 2023 - $55,125) in consulting fees to a director of the Company.
- $63,825 (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 $7,500 (June 30, 2023 - $3,500). The loan is unsecured, due on demand, and bears an annual interest rate of 10%.

During the year ended June 30, 2024, the Company settled an aggregate of $284,650 owing to related parties by the issuance of shares (Note 6).

Transactions

During the year ended June 30, 2024, the Company paid or accrued the following fees to related parties:

- $321,000 (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.
- $30,000 (2023 - $22,500) in professional fees to a company controlled by the Company's CFO.
- $146,989 in research and development fees to the CTO of the Company.
- $58,532 in research and development fees to the Director of Product Innovation of the Company.

See Note 8.

8. 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 certain developmental milestones. During the year ended June 30, 2024 the Company received $690,476 inclusive of sales tax. The Company and the exploration mining company have common officers.

9. 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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

(Expressed in Canadian dollars unless otherwise noted)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

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.

11. DEFERRED INCOME TAX

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes give rise to deferred tax assets as follows:

	2024 **$**	**2023** **$**
Non-capital loss/net operating loss carryforwards	2,507,000	1,963,000
Capital loss carryforwards	136,000	136,000
Other	43,000	46,000
Total unrecognized deferred tax assets	2,686,000	2,145,000

(Expressed in Canadian dollars unless otherwise noted)

11. DEFERRED INCOME TAX (continued)

The reconciliation of income tax expense for the year is as follows:

	2024 **$**	**2023** **$**
Net income(loss) for the year	(2,329,040)	(402,035)
Expected income tax recovery at 27%	628,800	108,500
Effect of deductible and non-deductible expenses	(70,300)	24,000
Deferred tax assets not recognized	(558,500)	(132,500)
Income tax expense for the year	-	-

At June 30, 2024, the Company had accumulated non-capital losses for Canadian income tax purposes totalling approximately $9,284,000, expiring from 2026 to 2044.