

DEEPSPATIAL INC.

(formerly, Aylen Capital Inc.)

Consolidated financial statements

June 30, 2023 and 2022

(Expressed in Canadian Dollars)

Note to Reader:

These consolidated financial statements are refiled so that the auditor's report accompanying the June 30, 2023 annual financial statements correctly include all financial periods presented for which the auditor has issued an audit report, including the comparative year ended June 30, 2022. No other changes were made.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DeepSpatial Inc.

Opinion

We have audited the accompanying consolidated statements of DeepSpatial Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity, consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards ("IFRS").

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audits 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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

The key audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the key audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

knowing you.

Kreston GTA LLP is a partnership
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Assessment of Impairment of Intangible Asset

Key Audit Matter Description

The Company's evaluation of intangibles, disclosed in Note 5, for impairment involves the comparison of the fair value of the definite lived intangible asset to its carrying value and the assessment of its useful life. We identified the impairment assessment of the intangible asset to be a key audit matter due to the significant auditor and management judgements and estimation involved. An impairment may have a material impact on fair values.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures focused on the indicators of impairment and valuation assessment. The procedures included, amongst others, the following:

- Testing of assumptions and facts in management's impairment indicators assessment
- Performing a walkthrough of implementation of certain internal controls related to the Company's process to assess indicators of impairment.
- Corroborating the assessment made by the management on the indicators of impairment and the estimated useful life, by examining the relevant audit evidence and assessing the completeness of external or internal factors that could be considered indicators of impairment.
- Assessing the competence, capabilities and objectivity of the Company's personnel involved in preparing the impairment assessment.

The accounting and measurement methods applied are in accordance with IAS 36. We consider the underlying assumptions and measurement to be reasonable.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.



We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
October 30, 2023

DeepSpatial Inc. (formerly, Aylen Capital Inc.)

Consolidated Statements of Financial Position

As at:

(in Canadian dollars)

ASSETS	June 30, 2023	June 30, 2022
CURRENT		
Cash	\$ 12,254	\$ 170,570
Accounts receivable	5,234	-
Prepaid expenses	6,846	25,894
Sales tax receivable	186,552	155,232
	<u>210,886</u>	<u>351,696</u>
Intangible assets (Note 5)	977,894	1,284,322
TOTAL ASSETS	\$ 1,188,780	\$ 1,636,018
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 437,276	\$ 164,552
Contract liabilities	4,071	6,161
Loan from related party	37,500	-
Government assistance loan (Note 12)	30,000	-
	<u>508,847</u>	<u>170,713</u>
Convertible debentures (Note 14)	610,938	-
Government Assistance loan (Note 12)	-	30,000
TOTAL LIABILITIES	<u>1,119,785</u>	<u>200,713</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	5,957,168	5,817,314
Share based compensation reserve	835,343	834,992
Accumulated other comprehensive loss	(100)	(39)
Accumulated deficit	<u>(6,723,416)</u>	<u>(5,216,962)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>68,995</u>	<u>1,435,305</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,188,780	\$ 1,636,018

Organization and nature of operations (Note 1)
Basis of presentation and going concern (Note 2)
Subsequent events (Note 15)

Approved on behalf of the Board of Directors:

/s/ "Rahul Kushwah"
Rahul Kushwah, CEO and Director

/s/ "Sheldon Kales"
Sheldon Kales, Director

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

DeepSpatial Inc. (formerly, Aylen Capital Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(in Canadian dollars)

	For the Year ended June 30, 2023	For the Year ended June 30, 2022
Revenue:	18,417	-
Expenses:		
Amortization of intangible assets (Note 5)	\$ 306,428	\$ 306,428
Audit and accounting	40,750	46,000
Consulting fees	296,455	192,567
Interest expense (Note 14)	41,528	
Interest accretion (Note 14)	26,457	
Investor relations	11,413	5,275
Legal fees	36,139	49,561
Management fees (Note 7)	286,590	230,670
Marketing expenses (Note 7)	129,500	155,300
Office and miscellaneous	61,259	44,534
Patent expenses	27,863	-
Research and development	129,120	115,910
Share based payments-restricted share units (Note 10 (b))	28,812	48,046
Stock based compensation (Note 10 (a))	-	697,881
Transfer agent and regulatory fees	41,825	52,753
Travel, entertainment, and related	48,632	11,476
Vehicles use expenses (Note 7)	12,000	12,000
	\$ (1,524,871)	\$ (1,968,401)
Net loss for the year	\$ (1,506,454)	\$ (1,968,401)
Loss per share-Basic and Diluted	\$ (0.016)	\$ (0.021)
Weighted average number of shares outstanding-Basic and Diluted	94,234,011	93,600,279
Net loss for the year	\$ (1,506,454)	\$ (1,968,401)
Currency translation adjustment	(61)	(39)
Comprehensive loss for the year	\$ (1,506,515)	\$ (1,968,440)

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

DeepSpatial Inc. (formerly, Aylen Capital Inc.)
Statement of Changes in Shareholders' Equity
(in Canadian dollars)

	Number of common shares outstanding	Share capital	Share based compensation reserve	Accumulated Deficit	Accumulated other comprehensive loss	Total
Balance as at June 30, 2021	93,404,509	\$ 5,747,604	121,025	(3,248,561)	-	2,620,068
Shares issued for services	250,000	37,750	-	-	-	37,750
Share based payments-restricted share units	-	-	48,046	-	-	48,046
Common shares issued upon settlement of RSU	376,000	31,960	(31,960)	-	-	-
Stock based compensation	-	-	697,881	-	-	697,881
Currency translation adjustment	-	-	-	-	(39)	(39)
Net loss for the year	-	-	-	(1,968,401)	-	(1,968,401)
Balance as of June 30, 2022	94,030,509	\$ 5,817,314	\$ 834,992	\$ (5,216,962)	\$ (39)	\$ 1,435,305
Shares issued for services	375,000	20,625	-	-	-	20,625
Share based payments-restricted share units	-	-	28,812	-	-	28,812
Common shares issued upon settlement of RSU	334,832	28,461	(28,461)	-	-	-
Equity portion of convertible debentures	-	90,768	-	-	-	90,768
Currency translation adjustment	-	-	-	-	(61)	(61)
Net loss for the year	-	-	-	(1,506,454)	-	(1,506,454)
Balance as at June 30, 2023	94,740,341	\$ 5,957,168	\$ 835,343	\$ (6,723,416)	\$ (100)	\$ 68,995

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

DeepSpatial Inc. (formerly, Aylen Capital Inc.)Consolidated Statements of Cash Flows
(in Canadian dollars)

	For the year ended June 30, 2023		For the year ended June 30, 2022	
OPERATING ACTIVITIES				
Net loss	\$	(1,506,454)	\$	(1,968,401)
Non-cash items included in net loss and other adjustments:				
Amortization of intangible assets		306,428		306,428
Interest accretion (Note 14)		26,457		-
Share based payments-restricted share units		28,812		48,046
Shares issued for services		20,625		37,750
Stock based compensation		-		697,881
Changes in non-cash working capital:				
Sales tax receivable		(31,320)		(66,543)
Accounts receivable		(5,234)		-
Contract liabilities		(2,090)		6,161
Prepaid expenses		19,048		1,733
Accounts payable and accrued liabilities		272,724		83,500
CASH USED IN OPERATING ACTIVITIES		(871,004)		(853,445)
FINANCING ACTIVITIES				
Cash received for convertible debentures		675,250		-
Due to related party		37,500		-
CASH PROVIDED BY FINANCING ACTIVITIES		712,750		-
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES				
		(62)		(39)
NET CHANGE IN CASH DURING THE PERIOD		(158,316)		(853,445)
CASH, BEGINNING OF PERIOD		170,570		1,024,054
CASH, END OF PERIOD	\$	12,254	\$	170,570
Cash paid for interest and income taxes				
	\$	-	\$	-

Non-cash investing and financing transactions:

During the year ended June 30, 2023, the Company issued 375,000 common shares valued at \$20,625 to consultants for services.

During the year ended June 30, 2022, the Company issued 250,000 common shares valued at \$37,750 to consultants for services.

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

1. Organization and Nature of Operations

Aylen Capital Inc. (“Aylen”) was incorporated on October 28, 2010 under the Canada Business Corporations Act.

Aylen completed a triangular amalgamation (the “Transaction”) pursuant to the terms of an acquisition agreement dated September 2, 2020 among Aylen, Loc8 Corp., 2774951 Ontario Limited, John Pennal and Grapevine Analytics Inc. The Transaction was completed on December 22, 2020.

The Transaction involved: (i) the acquisition of all of the issued and outstanding securities of Loc8 Corp. (now called DeepSpatial (Ontario) Inc.) (“Loc8”) by way of a triangular amalgamation, pursuant to which, 2774951 Ontario Limited (a wholly owned subsidiary of Aylen) amalgamated with Loc8 (the “Acquisition”); (ii) the sale of Grapevine Analytics Inc. to RDH Inc.; and (iii) immediately prior to completion of the Acquisition, the consolidation of the common shares of Aylen on a one (1) new share for four (4) old share basis (the “Consolidation”) resulting in 4,660,509 post Consolidation common shares.

Pursuant to the Acquisition, each shareholder of Loc8 received one (1) post-Consolidation common share for each Loc8 share held, resulting in the issuance of 87,794,000 post-Consolidation common shares to the shareholders of Loc8. Following the completion of the Transaction, Aylen had a total of 92,454,509 common shares outstanding. Aylen issued an additional 700,000 common shares as finder’s fee in connection with the completion of the Transaction. The finder’s shares were issued in January 2021.

At completion of the Transaction, Aylen changed its name to DeepSpatial Inc. (the “Company”).

On March 26, 2022, the Company incorporated a subsidiary in India as DeepSpatial Asia Private Limited.

The Company leverages Artificial Intelligence to create robust location intelligence solutions for transforming existing location data into business outcomes. Location data can be anything from addresses and latitude/longitude coordinates, buildings, monuments or alike and when this data is correlated with internal business data, it creates business context to improve decision making backed by data driven analytics.

The Company’s corporate head office is located at 77 King Street W, Suite 3000, Toronto, Ontario, Canada, M5K 1G8.

The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol DSAI. Effective September 27, 2021, the Company’s common shares started trading on the OTCQB Venture Market under the symbol DSAIF.

The Board of Directors of the Company authorized these consolidated financial statements for issuance on October 30, 2023.

2. Basis of Presentation and Going Concern

Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company and its subsidiary is the Canadian dollar, which is also the Company's reporting currency.

Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries DeepSpatial (Ontario) Inc. and DeepSpatial Asia Private Limited. All inter-company transactions and balances have been eliminated on consolidation.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Going Concern Assumption

These financial statements have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business, for the next fiscal year. At June 30, 2023, the Company had cash of \$12,254 (2022 - \$170,570), a working capital deficit of \$297,961 (2022 – working capital of \$180,983) and an accumulated deficit of \$6,723,416 (2022 - \$5,216,962). The continuing operations of the Company are dependent on funding provided by equity investors. The Company intends to finance its future requirements through a combination of equity and/or debt issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

2. Basis of Presentation and Going Concern (Cont'd)

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the period reported.

Critical Judgements

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company (discussed above), as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency for the Company and its Canadian subsidiary has been determined to be the Canadian dollar. The functional currency for the subsidiary incorporated in India has been determined to be Indian Rupees.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

Deferred tax assets & liabilities

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

Useful life of intangible assets

The intangible asset is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and takes into consideration the anticipated life of the asset, the potential for technological obsolescence, and regulations.

Share-based Payments

Estimating fair value for granted stock options and warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

3. Significant Accounting Policies

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

Cash

Cash comprises of cash held at a financial institution in Canada. The Company does not invest in any asset-backed deposits or investments.

Income taxes

Income tax on profit or loss for the period comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous periods.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

Loss per share

Loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Research and development expenditures

The application of the Company's accounting policy for research and development expenditures requires judgment in determining whether an activity is determined to be research or development, and if deemed to be development, whether it is probable that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If new information becomes available indicating that it is unlikely that future economic benefits will flow to the Company, the amount capitalized is written off to profit or loss in the period the new information becomes available.

3. Significant Accounting Policies (Cont'd)

Intangible assets

Intangible assets include technology acquired by the Company and have finite useful lives measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred. Amortization is recorded using the straight-line method and is intended to amortize the cost of the assets over their estimated useful lives as follows:

Intellectual property	7 years straight line
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3. Significant Accounting Policies (Cont'd)

Share-Based Payments

The Company grants stock options and warrants for the purchase of common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options and warrants. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options and warrants is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options and warrants are exercised and the amount initially recorded is then credited to 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 the goods or services received.

Restricted share units

The Company has established a restricted share plan under which restricted share units are granted to eligible directors, officers and consultants of the Company. The restricted share units are considered equity-settled and are measured using the quoted market price of the Company's common shares at the grant date and recognized as share-based compensation over the vesting period, with a corresponding amount recognized as equity.

Financial Instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The following is the Company's accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

3. Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

3. Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

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

Asset or Liability	Measurement
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable	Amortized cost
Government assistance loans	Amortized cost
Due to related party	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and restricted cash have been measured at fair value using Level 1 inputs.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in a separate line item. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant Accounting Policies (Cont'd)

Revenue Recognition

Revenue represents the amount of consideration the Company expects to receive for the delivery of products and services in its contracts with customers, net of discounts and sales taxes.

The Company recognizes revenue from technology services, software licensing, support and maintenance, and software-as-a-service (SaaS).

Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the transaction price the Company expects to receive in exchange for the products or services.

Technology services revenue consists of fees charged for recurring services provided. Technology service revenue is recognized when the service is delivered to the customer and revenue is recognized on a monthly basis.

Software license revenue is comprised of non-recurring license fees charged for the use of our software products generally licensed under perpetual arrangements. Revenue from the license of distinct software is recognized at the time that both the right to-use software has commenced, and the software has been made available to the customer.

Support and maintenance and other recurring revenue primarily consist of fees charged for customer support on our software products post-delivery.

Revenue from SaaS arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS arrangement, which includes the hosted software and maintenance, is recognized ratably over the term of the

New standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after July 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

4. Reverse merger transaction

During the year ended June 30, 2021, the Company completed the following acquisition:

Effective December 22, 2020, Aylen was part of a triangular amalgamation among Aylen, 2774951 Ontario Limited. (a wholly owned subsidiary) and Loc8 (the "Transaction"). The result of the transaction was that Aylen acquired all the issued and outstanding securities of Loc8 on the basis of one share of Aylen for each share of Loc8. At completion of the transaction, Aylen changed its name to DeepSpatial Inc. and Loc8 was amalgamated into 2774951 Ontario Limited.

Under IFRS, this was considered a Reverse Merger and Recapitalization (commonly referred to as a Reverse Take Over or "RTO"). The Company issued 4,660,509 shares to the shareholders of former corporation valued at \$0.30 per share, with a total value of \$1,398,153 and 700,000 common shares (finder shares) valued at \$210,000 for the acquisition.

The fair value of the acquired assets and liabilities assumed is as follows:

Assets acquired by the Company:	\$	-
Liabilities assumed by the Company:		-
Net assets (liabilities) assumed	\$	-
Consideration:		
4,660,509 common shares issued at a fair value of \$0.30 per share	\$	(1,398,153)
700,000 common shares being finders' shares at a fair value of \$0.30 per share		(210,000)
Listing expense	\$	(1,608,153)

5. Intangible assets

On September 9, 2019, the Company issued 63,450,000 common shares with a fair value price of \$0.0338 per common share for a total fair value consideration of \$2,145,000, issued to Algo8 AI Private Limited, a Company incorporated in India and its associates including their designates, being the purchase and assignment of Intellectual Property comprising of development and creation of the work product related to geospatial artificial intelligence for enterprises. The issuance of shares is being recorded as an asset acquisition. This intellectual property amount of \$2,145,000 is estimated to have a useful life of 7 years and is being amortized on a straight-line basis.

	Intellectual Property	
Cost:		
Balance as at June 30, 2021	\$	2,145,000
Additions		-
Balance as at June 30, 2022	\$	2,145,000
Additions		-
Balance as at June 30, 2023	\$	2,145,000
Accumulated amortization:		
Balance as at June 30, 2021	\$	554,250
Amortization		306,428
Balance as at June 30, 2022	\$	860,678
Amortization		306,428
Balance as at June 30, 2023	\$	1,167,106
Net book value:		
At June 30, 2023	\$	977,894
At June 30, 2022	\$	1,284,322

6. Capital Stock

The Company is authorized to issue the following shares:

- Unlimited number of common shares and an unlimited number of preferred shares issuable in series

a) Common shares

The holders of common shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

At June 30, 2023 the Company has 94,740,341 (June 30, 2022: 94,030,509) common shares issued and outstanding.

b) Share issuances

During the year ended June 30, 2023

- 334,832 common shares were issued upon the settlement of Restricted Share Units ("RSU") at no additional consideration and with a fair value of \$28,461.
- On April 10, 2023, the Company issued 375,000 common shares with fair valued at \$20,625 to consultants for services.

During the year ended June 30, 2022

- On September 21, 2021, the Company issued 100,000 common shares with fair valued at \$17,500 to a consultant for services.
- On December 3, 2021, the Company issued 150,000 common shares with fair valued at \$20,250 to consultants for services.
- 376,000 common shares were issued upon the settlement of Restricted Share Units ("RSU") at no additional consideration and with a fair value of \$31,960.

7. Related Party Transactions

Related parties include key management personnel, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Key management of the Company are members of the Board of Directors, the Executive Chairman, the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”) and the Chief Technology Officer (“CTO”). Transactions with key management personnel not disclosed elsewhere in the financial statements include the following:

	June 30, 2023	June 30, 2022
Management fees expensed to directors and officers	\$ 286,590	\$ 230,670
Vehicle expenses	12,000	12,000
Rent	-	3,000
	<u>\$ 298,590</u>	<u>\$ 245,670</u>

At June 30, 2023, there was \$146,270 (June 30, 2022: \$nil) due to related parties.

During the year ended June 30, 2023, the Company expensed \$69,500 (June 30, 2022: \$46,500) being marketing expenses and \$55,000 (June 30, 2022: \$30,000) being consulting expenses to companies controlled by close family members of the Executive Chairman.

As of June 30, 2023, an amount of \$37,500 (June 30, 2022: \$nil) was due to a Company related by common directors. This amount was free of interest and payable on demand. The Company subsequently repaid this amount after year end.

8. Financial Instruments

The fair value of the Company's accounts payable approximates carrying value, due to its short-term nature. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. The fair value of the Company's government assistance loan approximates carrying value, since this amount bears no interest.

Financial risk management and objectives

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk, and commodity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk as it made sales to two customers during the year ended June 30, 2023 \$18,417 (June 30, 2022: \$nil)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company manages its liquidity needs by carefully monitoring scheduled costs. Liquidity is measured in various time bands, on day to day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day look out periods. Funding for long term liquidity needs is based on the ability of the Company to successfully complete private placements.

As at June 30, 2023, the Company had cash of \$12,254 to settle current liabilities of \$508,847.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

(b) Price risk

The Company is not exposed to significant price risk as it does not possess investments in publicly traded securities.

8. Financial Instruments (Cont'd)

(c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in a foreign currency will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant currency risk as it is not actively dealing in foreign currency.

9. Capital Management

The Company considers its capital to be shareholders' equity, which is comprised of share capital and deficit, which as at June 30, 2023 totaled \$68,995. The Company's capital structure is adjusted based on the funds available to the Company such that it may continue to seek new opportunities. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The sources of future funds presently available to the Company are through the sale of equity capital of the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's management of capital during the period.

10. (a) Stock options

Effective November 1, 2021, the Company's existing stock option plan was replaced by an equity incentive plan called the Omnibus equity incentive plan. The number of common shares of the Company issuable pursuant to options under the Omnibus Equity Incentive Plan is set at 10% of the aggregate number of common shares of the Corporation issued and outstanding from time to time, subject to any limitations imposed by applicable regulations, laws, rules and policies. Upon valid exercise of the stock options granted under the Omnibus Equity Incentive Plan and payment of the exercise price for the common shares of the Company issuable in connection therewith, such common shares shall be issued as fully paid and non- assessable common shares in the capital of the Company.

Year ended June 30, 2023

No stock options were issued during the year ended June 30, 2023

10. (a) Stock options (Cont'd)

Year ended June 30, 2022

In the prior year, on June 4, 2021, the Company granted options to its directors, officers and consultants to purchase up to 9,400,000 common shares. These options were issued at an exercise price of \$0.13 per share and vest as follows:

- 2,225,000 vest on September 4, 2021;
- 2,225,000 vest on December 4, 2021;
- 2,225,000 vest on March 4, 2022;
- 2,225,000 vest on June 4, 2022; and
- 500,000 vest upon certain performance milestones being met.

All the options have a term of three (3) year expiring on June 4, 2024. The fair value of each option used for the purpose of estimating the stock-based compensation is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate	1%
Expected dividends	0%
Expected forfeiture rate	0%
Expected volatility	120%
Expected life	3 years
Fair value per options	\$0.09
Stock based compensation expense recorded in the prior year	\$ 121,025

During the year ended June 30, 2022, the Company expensed \$697,881 being stock based compensation expense on the vesting of the above options.

Continuity of the Company's options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, June 30, 2021	9,400,000	\$0.13
Granted during the year	-	-
Outstanding June 30, 2022	9,400,000	\$0.13
Granted during the year	-	-
Expired during the period	-	-
Outstanding, June 30, 2023	9,400,000	\$0.13

As at June 30, 2023, the Company had the following share purchase options outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
9,400,000	9,400,000	\$0.13	0.93	June 4, 2024

DeepSpatial Inc. (formerly, Aylen Capital Inc.)

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(in Canadian dollars)

10. (b) Restricted Share Units (“RSU”)

The Company adopted the equity incentive plan called the Omnibus equity incentive plan. The number of common shares of the Company issuable pursuant to restricted share units and deferred share units under the Omnibus Equity Incentive Plan be set at 10% of the aggregate number of common shares of the Corporation issued and outstanding from time to time, subject to any limitations imposed by applicable regulations, laws, rules and policies. Upon vesting of the RSU or deferred share units granted under plan in accordance with the terms thereof, the underlying common shares shall be issued as fully paid and non-assessable common shares in the capital of the Company. 956,000 Common Shares in the capital of the Corporation are reserved and set aside for issuance in satisfaction of vested RSUs, subject to the terms of the Plan.

RSUs are measured at fair value on the date of grant and are recognized as share-based compensation expense on a straight-line basis over the vesting period. The corresponding amount is recorded to the share-based compensation reserve. Upon the exercise of RSUs, the related share-based compensation reserve is transferred to share capital. During the year ended June 30, 2023, the Company granted nil RSU's (2022: 956,000). The Company expensed \$28,812 (2022: 48,046) being share based payments-restricted share units expense on the vesting of the options.

	June 30, 2023	June 30, 2022
RSUs outstanding, beginning of year	580,000	-
Granted	-	956,000
Settled	(334,832)	(376,000)
RSUs outstanding, end of year	245,168	580,000

11. Income Taxes

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

	June 30, 2023	June 30, 2022
Loss for the period	\$ (1,506,454)	(1,968,401)
Tax rate	26.5%	26.5%
Expected income tax recoverable at statutory rate	(399,210)	(521,626)
Changes in statutory, foreign tax, foreign exchange rates and other	26,301	20,983
Non-deductible items	-	208,034
Share issuance costs	(26,328)	(26,328)
Change in unrecognized deductible temporary differences	399,237	318,937
Total income tax recovery	\$ -	-

11. Income Taxes (Cont'd)

Deferred tax assets

The tax effects of temporary differences that give rise to deferred income tax assets are as follows:

	June 30, 2023	June 30, 2022
Non-capital losses available for future period	\$ 866,045	\$ 539,465
Share issuance costs	13,812	22,358
Intangible assets	309,283	228,080
Total deferred tax assets	1,189,140	789,903
Less: Unrecognized deferred tax assets	(1,189,140)	(789,903)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's unrecognized deferred tax assets are as follows:

	June 30, 2023	Expiry Date	June 30, 2022	Expiry Date
Non-capital losses	\$ 3,268,095	2040 - 2041	\$ 2,035,719	2040 - 2041
Share issuance costs	\$ 52,120	2024 – 2025	\$ 84,370	2024 – 2025
Intangible assets	\$ 1,167,106	No expiry date	\$ 860,678	No expiry date

Tax attributes are subject to review and potential adjustment by tax authorities.

12. Government assistance loan

In connection to the outbreak of COVID-19, Aylen had received, prior to the reverse merger, \$40,000 in Canada Emergency Business Account ("CEBA") loans from the government of Canada. These CEBA loans are non-interest bearing and mature on January 18, 2024. The loan can be extended to December 31, 2026 and 25% will be forgiven if the principal is repaid before the maturity date. Aylen had recognized the forgiveness of \$10,000 prior to the reverse merger on December 22, 2020 and the funds and debt of \$30,000 was transferred to the Company post-acquisition. As at June 30, 2023, the Company has not made a payment on the CEBA loans.

13. Segment Information

The Company has a single reportable segment. The Company leverages Artificial Intelligence to create robust location intelligence solutions for transforming existing location data into business outcomes.

As of June 30, 2023, all assets of the business are located in Canada except for cash of \$9,244 (June 30, 2022: \$8,601), accounts receivable for \$5,234 (June 30, 2022: \$nil) and prepaid expense of \$1,895 (June 30, 2022: \$10,230) which are located in India.

14. Convertible Debentures

The Company closed the first tranche of its issuance of unsecured convertible debentures on October 27, 2022, for a total consideration of \$572,500. The Company closed the final tranche of its issuance of unsecured convertible debentures on March 24, 2023, for a total consideration of \$102,750. These Convertible Debentures mature on the date which is two (2) years from the Closing Date (the "Maturity Date"). The Company shall have a right to prepay or redeem a part or the entire principal amount of the Convertible Debentures at par plus accrued and unpaid interest at any time by providing a minimum of 30 days and a maximum 60 days' notice prior to the date fixed for redemption (the "Redemption Date"). The Convertible Debentures bear interest at a rate of 10% per annum from the date of issue and payable on the earlier of the following: (i) conversion of the Convertible Debentures, (ii) the Redemption Date, and (iii) the Maturity Date.

Each Convertible Debenture will be convertible into Units at the option of the holder at any time prior to the close of the third business day prior to the earlier of: (i) the Maturity Date, and (ii) the Redemption Date, at a conversion price of per Unit equal to \$0.15. Unsecured debentures convertible are convertible into units ("Units") each consisting of one common share (the "Common Shares") of the Company and one-half warrant (the "Warrants") to purchase Common Shares of the Company (the "Convertible Debentures"). Each warrant is exercisable into one Common Share at a price of \$0.30 per warrant for a period of two years from the date of the Closing.

In the event that the Common Shares close at a trading price of at least \$0.30 for 10 consecutive trading days, the Company may cause the Convertible Debentures to be converted into Units at the Conversion Price upon the Company delivering a notice (a "Forced Conversion Notice") to the Debenture holders not less than a minimum of 30 days and a maximum of 60 days prior to the conversion date specified in such Forced Conversion Notice.

Of the total consideration amount of \$675,250, \$90,768 was allocated to the equity component of the Debentures and the remaining amount allocated to the liability component, to be accreted over the term of the Debentures.

As at June 30, 2023, the Company's Debentures were comprised of the following:

		Equity component of convertible debenture		Liability component of convertible debenture		Total
Balance, October 27, 2022	\$	76,617	\$	495,883	\$	572,500
Balance, March 24, 2023	\$	14,151		88,599		102,750
Accretion		-		26,457		26,457
Balance, June 30, 2023	\$	90,768	\$	610,939	\$	701,707

The Company accrued interest on convertible debentures for \$41,528 as at June 30, 2023 (June 30, 2022: \$nil).

15. Subsequent events

On September 14, 2023, the Company announced that it closed the first tranche of its private placement. The Company issued 11,700,000 units (the "Units") at a price of \$0.05 per unit to investors for gross proceeds of \$585,000. Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"), whereby each Warrant entitles the holder to purchase one additional common share for a period of two years from closing at an exercise price of \$0.10 per share. A finder's fee of \$58,500 was settled by the issuance of Units resulting in the issuance of an additional 1,170,000 Units.

On October 10, 2023, the Company announced it closed the second tranche of its private placement. The Company issued 6,000,000 units (the "Units") at a price of \$0.05 per unit to investors for gross proceeds of \$300,000. Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"), whereby each Warrant entitles the holder to purchase one additional common share for a period of two years from closing at an exercise price of \$0.10 per share. A finder's fee of \$9,600 was paid by the Company.