infinitii ai inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

(Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of infinitii ai inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor, Baker Tilly WM LLP, has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

infinitii ai inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Presented in Canadian Dollars - unaudited

As at		September 30, 2024		June 30, 2024
ASSETS				
Current Assets				
Cash	$	401,150	$	326,692
Accounts and other receivables (notes 4 and 17)		643,208		585,514
Prepaid expenses		8,620		2,394
		1,052,978		914,600
Non-Current Assets				
Equipment (note 5)		1,517		1,640
Goodwill (note 6)		36,421		36,421
Total Assets	$	1,090,916	$	952,661
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current Liabilities				
Accounts payable and accrued liabilities (notes 7 and 17)	$	348,380	$	389,320
Current portion of loans payable (note 8)		49,804		50,112
Current portion of convertible notes (note 9)		345,799		918,186
Convertible note subscriptions received in advance (note 9)		-		50,000
Deferred revenue (note 10)		238,182		403,658
		982,165		1,811,276
Non-Current Liabilities				
Loans payable (note 8)		126,159		135,553
Convertible notes (note 9)		964,401		281,506
Total Liabilities		2,072,725		2,228,335
Shareholders' Deficiency				
Share capital (note 11)		24,990,037		24,972,032
Reserves (notes 9 and 13)		4,544,291		4,468,313
Equity feature on convertible note (note 9)		623,736		317,935
Foreign currency translation reserve		89,126		99,113
Deficit		(31,228,999)		(31,133,067)
		(981,809)		(1,275,674)
Total Liabilities and Shareholders' Deficiency	$	1,090,916	$	952,661

Description of Business and Going Concern (note 1)

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD ON NOVEMBER 29, 2024

"Kevin Ma"	*"Chris Johnston"*
Director	**Director**

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

infinitii ai inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Presented in Canadian Dollars - unaudited

For the three months ended		September 30, 2024		September 30, 2023
Revenue				
Data services (notes 16 and 18)	$	689,608	$	494,076
Social referral software (notes 16 and 18)		15,000		26,550
Custom programming service contracts		14,072		13,518
		718,680		534,144
Expenses				
Accretion of convertible notes (note 9)		57,681		32,740
Bad debt (recovery) (notes 4 and 17)		1,061		(5,511)
Computer hosting costs		79,806		75,562
Consulting (note 16)		185,959		182,777
Depreciation of equipment (note 5)		123		176
Filing and transfer agent		3,798		4,232
Foreign exchange (gain) loss		(14,771)		2,750
Interest and penalties (notes 8 and 9)		11,183		11,108
Investor relations		5,325		3,854
Marketing		654		25,323
Office and miscellaneous (note 16)		43,794		60,484
Professional fees		64,514		45,612
Salaries and wages		323,691		285,560
Travel		51,794		61,172
		814,612		785,839
Loss for the period		(95,932)		(251,695)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign exchange gain on translation of subsidiary		(9,987)		9,672
Comprehensive loss for the period	$	(105,919)	$	(242,023)
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted		129,686,729		126,424,783
Loss Per Share				
Basic and Diluted	$	(0.00)	$	(0.00)

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

infinitii ai inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Presented in Canadian Dollars

For the three months ended	September 30, 2024	September 30, 2023
Cash Flows Used in Operating Activities		
Loss for the period	$ (95,932)	$ (251,695)
Non-cash items		
Accretion of convertible notes	57,681	32,740
Depreciation of equipment	123	176
Interest expense	10,644	10,404
Changes in non-cash working capital items:		
Accounts and other receivables	(64,797)	18,597
Prepaid expenses	(6,188)	(6,187)
Deferred revenue	(161,614)	(120,699)
Accounts payable and accrued liabilities	(42,790)	(13,240)
	(302,873)	(329,904)
Cash Flows Used in Financing Activities		
Repayment of loans payable	(12,735)	(12,735)
Issuance of convertible debt	974,997	-
Settlement of convertible debt	(579,997)	-
	382,265	(12,735)
Effect of foreign exchange on cash	(4,934)	4,133
Change in cash during the period	74,458	(338,506)
Cash – beginning of period	326,692	474,342
Cash – end of period	$ 401,150	$ 135,836

Supplemental Cash Flow Information (note 15)

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

infinitii ai inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

Presented in Canadian Dollars - unaudited

	Share Capital												
	Shares		Amount		Reserves		Equity feature on convertible note		Foreign currency translation reserve		Deficit		Total
Balance – June 30, 2023	126,424,783	$	24,837,032	$	4,439,506	$	161,921	$	82,877	$	(30,119,521)	$	(598,185)
Net loss and comprehensive loss for the period	-		-		-		-		9,672		(251,695)		(242,023)
Balance – September 30, 2023	126,424,783		24,837,032		4,439,506		161,921		92,549		(30,371,216)		(840,208)
Net loss and comprehensive loss for the period	-		-		-		-		6,564		(761,851)		(755,287)
Shares issued for:													
Private placement	2,000,000		90,000		10,000		-		-		-		100,000
Settlement of accounts payable	1,000,000		45,000		-		-		-		-		45,000
Issuance of convertible notes	-		-		-		156,014		-		-		156,014
Share-based payments – stock options	-		-		18,807		-		-		-		18,807
Balance – June 30, 2024	129,424,783	$	24,972,032	$	4,468,313	$	317,935	$	99,113	$	(31,133,067)	$	(1,275,674)
Net loss and comprehensive loss for the period	-		-		-		-		(9,987)		(95,932)		(105,919)
Shares issued for:													
Deferred Share Units exercise	277,000		18,005		(18,005)		-		-		-		-
Issuance of convertible notes	-		-		-		399,784		-		-		399,784
Settlement of convertible notes	-		-		93,983		(93,983)		-		-		-
Balance – September 30, 2024	129,701,783	$	24,990,037	$	4,544,291	$	623,736	$	89,126	$	(31,228,999)	$	(981,809)

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

1. Description of Business and Going Concern

infinitii ai inc. ("**infinitii ai**" or the "**Company**") was incorporated under the *Business Corporations Act* (British Columbia) on January 17, 2014. The Company provides environmental monitoring to many large water utilities in the U.S. and Canada and has evolved into a provider of Artificial Intelligence (AI) driven predictive analytics for industrial and Smart City infrastructure applications that rely on time-series data.

infinitii ai is a public company that is listed on the Canadian Securities Exchange ("**CSE**") (under the symbol: iai), the Frankfurt Stock Exchange (under the symbol: 7C5) and the OTCQB (under the symbol: CDTAF). The address of the head office and principal place of business of the Company is Suite 1540 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. The Company's condensed consolidated interim financial statements include the following subsidiaries:

Company	Place of Incorporation	Effective Interest
Extend to Social Media Inc. ("**ETS**")	British Columbia	100%
infinitii ai corporation	Washington, USA	100%
Carl Data Solutions PL ("**Carl PL**")	Poland	100%
i4C Innovation Inc. ("**i4C**")	British Columbia	100%
Astra Smart Systems Corp. ("**Astra**")	British Columbia	100%

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at September 30, 2024, the Company had not achieved profitable operations, had accumulated a deficit of $31,228,999 since inception and expects to incur further operating losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to develop its business units, develop marketable software, potentially find, acquire and develop various other business segments with growth potential, obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. Basis of Preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS Accounting Standards ("**IFRS**") issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company.

Significant accounting judgments, estimates, and assumptions

The preparation of these consolidated financial statements require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year. Actual results could differ from these estimates.

2. Basis of Preparation (continued)

Significant accounting judgments, estimates, and assumptions (continued)

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below.

Functional currency

The functional currency of an entity is assessed on a standalone basis to determine the economic substance of the currency in which each entity performs its operations. The functional currency of the parent company, ETS, Astra, and i4C is the Canadian dollar. The functional currency of infinitii ai corporation is the US dollar and the functional currency of Carl PL is the Polish Zloty.

Software development

The application of the Company's accounting policy for software development expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the year in which the new information becomes available.

Impairment of accounts receivable

The Company exercises judgment in identifying impaired accounts receivable, the collection of which may be uncertain. In determining whether an impairment loss should be recorded in profit or loss, the Company considers whether there is any observable data indicating that an increase in the credit risk or a decrease in the estimated future cash flows from a loan has occurred. This evidence may include observable data indicating that there has been an adverse change in the payment status of the customer and days outstanding. The expected credit losses related to accounts receivable are accumulated and individual accounts have been provided for.

Convertible debt

Convertible instruments require management to exercise judgement in classifying its components which consist of a loan and an equity conversion feature which grants the holder the option to convert the loan into a number of the issuer's shares. Judgement is also required in measuring the fair value of the liability component.

Classification of deferred share units as equity-settled share-based payments

The Company has issued deferred share units to Directors that can be settled by issuing shares of the Company or settled at the option of the Company by issuing cash. The classification of the deferred share units as equity-settled requires the Company to apply judgment in assessing whether there is a present obligation to settle in cash.

Impairment charges

Impairment analysis is an area involving management judgement in determining the recoverable amount of goodwill. The recoverable amount of a cash-generating unit is calculated as the higher of the fair value less costs of disposal, and its value in use. Value in use is determined by estimating the net present value of future cash flows using cash flow projections that have been discounted at an appropriate rate and based on a market participant's view. In calculating the net present value of future cash flows, certain assumptions are required to be made in respect of uncertain matters including revenue projections and discount rates. Changing the assumptions selected by management could affect the impairment evaluations and recoverable amount.

2. Basis of Preparation (continued)

Critical accounting estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Share-based payments

The Company measures the value of share-based payments with employees by reference to the fair value of the equity instruments at the date at which they are granted. share-based payments with non-employees are recorded at the fair value of the service provided, where this is readily determinable. In other instances, they are recorded at the fair value of the equity instruments issued. Estimating fair value for share-based payment transactions 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 share-based award, volatility and dividend yield and making assumptions about them.

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of infinitii ai and its controlled and wholly owned subsidiaries ETS, infinitii ai corporation, Astra, i4C and Carl PL. ETS, infinitii ai corporation, and Carl PL have historically maintained a fiscal year-end of December 31 and retained that year-end post-acquisition. These companies may change the year-ends to match the Company's year-end in the future. i4C and Astra historically maintained a fiscal year-end of July 31, which was changed post-acquisition to June 30 to match the Company's year-end. Regardless of year-end, all subsidiaries of the Company produce financial information on a monthly basis, and these condensed consolidated interim statements reflect the accounts of the Company and its controlled and wholly owned subsidiaries as at and for the 12-month periods ended June 30, 2024, and 2023. Control is achieved where the Company has power over an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the investor's returns. Subsidiaries are included in the condensed consolidated interim financial statements from the date control commences until the date control ceases. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method of accounting in which the identifiable assets acquired, liabilities assumed, and any non-controlling interests are recognized and measured at their fair value at the date of acquisition. Any excess of the purchase price plus any non-controlling interest over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price over the fair value of the net assets acquired is credited to profit or loss as a gain on bargain purchase. Transaction costs associated with a business combination are expensed as incurred.

3. Material Accounting Policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent audited annual consolidated financial statements as at and for the year ended June 30, 2024 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

Presented in Canadian Dollars - unaudited

4. Accounts and Other Receivables

		September 30, 2024		June 30, 2024
Gross trade accounts receivable	$	527,026	$	445,740
Related party accounts receivable (note 16)		81,942		87,204
Less: estimated credit losses		(24,929)		(24,212)
Net trade accounts receivable		584,039		508,732
GST receivable		59,169		76,782
	$	643,208	$	585,514

Reconciliation of expected credit loss is as follows:

		September 30, 2024		June 30, 2024
Balance – beginning of year	$	24,212	$	27,804
Estimated credit loss (recovery)		717		(3,592)
Balance – end of year	$	24,929	$	24,212

5. Equipment

		Computer equipment
Cost		
Balance – June 30, 2023, June 30, 2024, and September 30, 2024	$	14,063
Accumulated Depreciation		
Balance – June 30, 2023	$	11,721
Depreciation		702
Balance – June 30, 2024		12,423
Depreciation		123
Balance – September 30, 2024	$	12,546
Balance – June 30, 2024	$	1,640
Balance – September 30, 2024	$	1,517

6. Goodwill

The balance of goodwill as at September 30, 2024, of $36,421 relates to the purchase of ETS.

During the period ended September 30, 2024, the goodwill impairment analysis performed by the Company concluded there was no impairment of the remaining goodwill as the fair value of the cash-generating unit exceeded its carrying value. The recoverable amount of the cash-generating unit was determined using the value in use method. The significant assumptions used by management in determining the recoverable amount included (i) discount rate (ii) revenue projections.

Presented in Canadian Dollars - unaudited

7. Accounts Payable and Accrued Liabilities

		September 30, 2024		June 30, 2024
Trade accounts payable	$	332,295	$	369,743
Due to related parties (note 16)		16,085		19,577
	$	348,380	$	389,320

8. Loans Payable

		September 30, 2024		June 30, 2024
Balance – beginning of period	$	185,665	$	224,417
Interest and fees accrued		3,033		12,188
Repayments		(12,735)		(50,940)
Balance – end of period		175,963		185,665
Current portion		(49,804)		(50,112)
Non – current portion	$	126,159	$	135,553

As at September 30, 2024 and June 30, 2024, the following loans were outstanding:

			Loan balances, with interest			
	Note reference	Interest rate – per annum		September 30, 2024		June 30, 2024
CEBA loan	8(a)	5%	$	103,484	$	102,227
Arm's-length loan	8(b)	Prime + 2.5%		72,479		83,438
			$	175,963	$	185,665

a) As part of the Government of Canada's response to the COVID-19 global pandemic, certain businesses are eligible to apply for the CEBA. The CEBA provides companies with a $40,000 interest free loan to be used to cover non-deferrable operating expenses during the period where operations had been temporarily reduced due to the economic impacts of the COVID-19 virus. During the year ended June 30, 2020, the Company applied for the CEBA and received the $40,000 loan in infinitii ai. During the year ended June 30, 2021, i4C applied for and received a CEBA loan of $40,000 and infinitii ai received an additional $20,000 CEBA loan. The CEBA remained interest free until December 31, 2023 and has no fixed repayment schedule. As at January 18, 2024, the Company had not repaid any portion of this loan so the full amount of the remaining loan is now a non-amortizing term loan bearing interest of 5% per annum with the full balance due by December 31, 2026.

b) $225,000 was received from an arm's-length party on December 3, 2018, bearing annual interest of prime plus 2.5% calculated on a monthly basis. After 24 months, the Company began to make monthly payments over 60 months inclusive of a principal and interest component.

9. Convertible Notes

On December 14, 2023, the Company issued two convertible notes with an aggregate value of $400,000, an expiration date of December 14, 2026, an interest rate of 10% compounded semi-annually, a conversion price of $0.05 per unit and all are payable upon maturity. Each unit is comprised of one common share of the Company plus one warrant entitling the holder to purchase one common share of the Company for $0.10 for 36 months from issue. The Company allocated $156,014 to the equity component of the notes. The Company may prepay in whole or in part at any time, without penalty.

Presented in Canadian Dollars - unaudited

9. Convertible Notes (continued)

On February 7, 2023, the Company issued three convertible notes with an aggregate value of $525,000, an expiration date of February 7, 2024, an interest rate of 7% compounded annually, a conversion price of $0.07 per unit and all are payable upon maturity. Each unit is comprised of one common share of the Company plus one warrant entitling the holder to purchase one common share of the Company for $0.15 for 36 months from issue. The Company allocated $92,885 to the equity component of the notes. The Company may prepay in whole or in part at any time, without penalty. During the year ended June 30, 2024, the Company began accruing interest on the matured convertible notes. During the period ended September 30, 2024, the Company settled the three convertible notes inclusive of $50,997 in interest for total cash settlement of $574,997.

During the year ended June 30, 2021, the Company issued three convertible debentures with an expiration date of February 11, 2023, an interest rate of 10% compounded semi-annually, convertible at $0.15 per share, payable upon maturity or conversion with an aggregate value of $250,000. Of these notes, $50,000 was issued in settlement of accounts payable and accrued liabilities. The Company allocated $70,191 to the equity component of the notes. During the year ended June 30, 2023, the Company began accruing interest on the matured convertible debentures. The Company may prepay in whole or in part at any time, without penalty. During the period ended September 30, 2024, the Company settled $5,000 through cash payment.

During the period ended September 30, 2024, the Company closed a convertible note offering of $1,024,997 of which $50,000 had been collected as at June 30, 2024. The convertible notes carry an interest rate of 10% per annum, compounding semi-annually, have a maturity date of July 9, 2027, and are convertible into units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant with an exercise price of $0.10 and life of 36 months from issuance. The Company allocated $399,784 to the equity component of the notes. The Company may prepay in whole or in part at any time, without penalty.

During the period ended September 30, 2024, the Company made aggregate repayments on its outstanding convertible notes of $579,997 (year ended June 30, 2024 - $nil) and reclassified $93,983 (year ended June 30, 2024 - $nil) related to the equity component to reserves.

		September 30, 2024		June 30, 2024
Balance – beginning of period	$	1,199,692	$	789,189
Issuance of convertible notes		1,024,997		400,000
Equity component on convertible notes issued		(399,784)		(156,014)
Settlement of convertible notes		(579,997)		-
Accretion of convertible notes		57,681		120,375
Interest on convertible notes		7,611		46,142
Balance – end of period	$	1,310,200	$	1,199,692
Current portion		(345,799)		(918,186)
Non – current portion	$	964,401	$	281,506
Convertible notes, equity component – end of period	$	623,736	$	317,935

Presented in Canadian Dollars - unaudited

10. Deferred Revenue

Details of changes in deferred revenue are as follows:

		September 30, 2024		June 30, 2024
Balance – beginning of period	$	403,658	$	291,280
Additions		-		648,633
Recognized as revenue		(161,613)		(540,664)
Impact of foreign exchange		(3,863)		4,409
Balance – end of period	$	238,182	$	403,658
Revenue to be recognized in the future				
Within one year	$	238,182	$	403,658

11. Share Capital

(a) Authorized Share Capital

As at September 30, 2024, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

(b) Issued Share Capital

During the period ended September 30, 2024, share activity was as follows:

(i) On July 5, 2024, the Company issued 277,000 on the exercise of deferred share units by a former Director. Upon exercise, the Company reclassified $18,005 from reserves to share capital.

During the year ended June 30, 2024, share activity was as follows:

(i) On December 14, 2023, the Company closed a private placement by issuing 2,000,000 units at a price of $0.05 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.10 for a period of three years. The Company allocated $90,000 to share capital for the common shares with the residual value of $10,000 for the warrants to reserves.

(ii) On December 14, 2023, the Company issued 1,000,000 units with a fair value of $45,000 to settle accounts payable of $50,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.10 for a period of three years. The Company recognized a gain of $5,000 on settlement.

12. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of warrants
Balance – June 30, 2023		-
Issued	$0.10	3,000,000
Balance – June 30, 2024 and September 30, 2024	$0.10	3,000,000

Presented in Canadian Dollars - unaudited

12. Warrants (continued)

The details of outstanding share purchase warrants are as follows:

	Exercise price	Number	Expiry date
Share purchase warrants	$0.10	3,000,000	December 14, 2026
		3,000,000	

13. Share-Based Payments

During the year ended June 30, 2023, the shareholders of the Company adopted an Omnibus Equity Incentive Plan to replace the stock option plan originally adopted on January 22, 2015, and updated in December 2021. Under the terms of this plan, the Company has the flexibility to grant equity-based incentive awards in the form of Options and Restricted, Performance or Deferred Share units. The total number of incentive awards to be granted and outstanding may not exceed 20% of the total issued and outstanding common shares of the Company at the date of grant. Stock options may be granted with an exercise price equal to the market price of the common shares less any permitted discount on the grant date, vest according to privileges set at the time the options are granted, have a minimum price of $0.10 per share and expire no later than five years from the date of grant. Other incentive awards may be awarded as determined by the Board of Directors of the Company.

The changes in incentive share options outstanding are summarized as follows:

	Weighted average exercise price	Number of Options
Balance – June 30, 2023	$0.11	18,370,000
Granted	$0.10	500,000
Expired	$0.32	(950,000)
Balance, June 30, 2024 and September 30, 2024	$0.10	17,920,000

Incentive share options outstanding and exercisable at September 30, 2024 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
$0.10	17,420,000	3.47 years	$0.10	17,420,000	$0.10
$0.10	500,000	4.21 years	$0.10	500,000	$0.10
	17,920,000	3.49 years	$0.10	17,920,000	$0.10

Presented in Canadian Dollars - unaudited

13. Share-Based Payments (continued)

During the period ended September 30, 2024, the Company granted nil (year ended June 30, 2024 – 500,000) stock options with a weighted average fair value of $nil (year ended June 30, 2024 - $0.04). Total share-based payments recognized in the condensed consolidated interim statements of changes in shareholders' deficiency for the period ended September 30, 2024, was $nil (2023 - $nil) for incentive options vested and was recognized in profit or loss. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	September 30, 2024	June 30, 2024
Weighted average share price	N/A	$0.05
Weighted average exercise price	N/A	$0.10
Risk-free interest rate	N/A	3.24%
Expected life of option	N/A	5 years
Expected annualized volatility	N/A	138.67%
Expected dividend rate	N/A	0.00%

Deferred Share Units

During the year ended June 30, 2023, the Company granted 4,720,000 deferred share units (each a "**DSU**") to Directors, 3,520,000 on March 20, 2023, and 1,200,000 on May 30, 2023. DSUs entitle holders to common shares of the Company upon retirement or termination. The Company also has the option to settle the DSUs in cash. The DSUs vested immediately and were valued at $0.065 per DSU. DSUs have been accounted for as equity settled as there is no present obligation to settle in cash. Accordingly, the Company recognized share-based payments of $300,800 in profit or loss, and reserves within shareholders' deficiency for the year ended June 30, 2023.

During the period ended September 30, 2024, 277,000 DSUs were exercised and upon issuance of 277,000 common shares, $18,005was reclassified from reserves to share capital. As at September 30, 2024, 4,443,000 deferred share units remain issuable. During the year ended June 30, 2024, the Company changed the name of the reserves from commitment to issue shares to reserves to reflect the nature of the reserve.

14. Management of Capital

The capital managed by the Company includes the components of shareholders' deficiency as described in the condensed consolidated interim statements of changes in shareholders' deficiency, which totals $981,809 at September 30, 2024 (June 30, 2024 - $1,275,674). The Company is not subject to externally imposed capital requirements.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of funds for growth and development of its projects, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of financing reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company's overall strategy with respect to management of capital at September 30, 2024 remains fundamentally unchanged from the year ended June 30, 2024.

15. Supplemental Cash Flow Information

During the period ended September 30, 2024, the Company:

(i) Reclassified $18,005 from reserves to share capital on the exercise of DSUs.
(ii) Recognized $399,784 to the equity conversion feature on convertible notes on the issuance of new convertible notes.
(iii) Reclassified $93,983 from equity conversion feature on convertible notes to reserves on the settlement of convertible notes.

Presented in Canadian Dollars - unaudited

15. Supplemental Cash Flow Information (continued)

There were no non-cash transactions for the period ended September 30, 2023.

During the period ended September 30, 2024, interest paid was $1,777 (2023 - $2,870) and income tax paid was $nil (2023 - $nil).

16. Related Party Transactions

Related parties include key management personnel, who are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. During the period ended September 30, 2024, the Company paid or accrued, to key management personnel and their related companies:

	Consulting fees	Share-based payments	Total
Chief Executive Officer	$ 45,000	$ -	$ 45,000
Chief Financial Officer	30,000	-	30,000
President	40,000	-	40,000
Total	$ 115,000	$ -	$ 115,000

During the period ended September 30, 2023, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	$ 45,000	$ -	$ 45,000
Chief Financial Officer	30,000	-	30,000
President	40,000	-	40,000
Non-executive Directors	-	-	-
Total	$ 115,000	$ -	$ 115,000

Included in accounts payable and accrued liabilities as at September 30, 2024 is $16,085 (June 30, 2024 - $19,577) due to officers and directors and their related organizations.

On June 9, 2014, ETS signed a referral services agreement with RA Revenue Automation Inc. ("**RA**") whereby RA agreed to use ETS as its exclusive referral marketing application and include the concept in all relevant business development pitches to customers. A company controlled by the Company's President owns 10% of RA. Social referral software revenue of $15,000 (2023 - $26,550) recorded in profit or loss is from RA for the period ended September 30, 2024. As at September 30, 2024, $21,000 (June 30, 2024 - $15,750) was owed from RA.

*Kerr Wood Leidal Associates Ltd. ("**KWL**")*

KWL, a consulting engineering company, founded and created infinitii ai corporation and is related through a director of the Company. During the period ended September 30, 2024, the Company earned data services revenue from KWL of $39,440 (2023 – $33,475) and incurred expenses from KWL of $914 (2023 – $679), which are recorded in office and miscellaneous, and consulting expenses. Included in accounts receivable as at September 30, 2024 is a balance owing from KWL of $60,942 (June 30, 2024 - $71,454).

Presented in Canadian Dollars - unaudited

17. Financial Risk Management

Fair value of financial instruments

The Company measures the fair value of its financial instruments according to a fair value hierarchy based on the significance of observable inputs used to value the instrument as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

The Company's financial instruments consisting of accounts and other receivables, accounts payable and accrued liabilities, loans payable and convertible notes are classified at amortized cost. The carrying values of accounts and other receivables and accounts payable and accrued liabilities approximate their fair values because of their relatively short maturity dates or durations. The carrying values of loans payable and convertible notes also approximates their fair values since they are discounted using market rates.

Cash is classified as being at FVTPL. The fair value of cash as recorded in the condensed consolidated interim statements of financial position is measured in accordance with Level 1 of the fair value hierarchy.

Financial and capital risk management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, credit risk, and liquidity risk. These risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Discussions of risks associated with financial assets and liabilities are detailed below:

<u>*Market Risk*</u>

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2024 and 2023, the Company was not subject to material other price risk. The Company's currency risk and interest rate risks are as follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at September 30, 2024 and 2023 the Canadian dollar equivalent carrying values of the financial assets and liabilities denominated in foreign balances were as follows (presented in their Canadian dollar equivalent values):

	US Dollars		**Polish Zloty**	
September 30,	**2024**	**2023**	**2024**	**2023**
Financial Assets				
Cash	$ 293,951	$ 65,001	$ 39,807	$ 45,829
Accounts receivable	521,039	424,693	-	-
Financial Liabilities				
Accounts payable and accrued liabilities	$ 3,657	$ 28,226	$ 55,287	$ 45,234

17. Financial Risk Management (continued)

Financial and capital risk management (continued)

Currency risk (continued)

The Company is exposed to currency risk on its cash, accounts receivable and accounts payable and accrued liabilities that are denominated in US dollars and Polish Zloty. A 10% change in the foreign exchange rate would result in a change in profit or loss of $81,100 (2023 - $46,100) and $1,500 (2023 - $100), respectively. The Company's subsidiary, infinitii ai corporation, operates in the United States which, from the perspective of the Company, creates currency risk associated with those operations. For the period ended September 30, 2024, infinitii ai corporation has revenue of $673,680 (2023 - $507,594) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a $67,000 (2023 - $51,000) (Canadian dollar equivalent) change in profit or loss. The Company's approach to management of foreign currency risk has not changed materially from that of the year ended June 30, 2024.

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's interest rate risk mainly arises from changes in the interest rates on cash, loans payable and convertible notes. Cash generates interest based on market interest rates. As at September 30, 2024 and September 30, 2023, the Company was subject to interest rate risk with respect to its loans payable, some of which bear interest at a fixed rate, some at a variable rate and others are non-interest bearing. The Company's convertible notes bear interest at a fixed rate. A 10% change in interest rates would not result in a material change in profit or loss. The Company's approach to management of interest rate risk has not changed materially from that of the year ended June 30, 2024.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and accounts and other receivables. The Company mitigates this risk by holding cash at a major Canadian chartered bank in chequing accounts, at a Washington State, USA bank and at a Polish bank.

The Company is exposed to credit risk on its trade accounts receivable. As at September 30, 2024, the Company's credit risk for accounts receivable is concentrated as 23% of its trade accounts receivable is owing from two customers (June 30, 2024 – 28% from two customers), with more than 10% owing from both of those customers (June 30, 2024 – one).

The aging of the receivables is as follows:

		September 30, 2024		June 30, 2024
0 – 30 days	$	367,631	$	328,418
31 – 90 days		128,225		130,468
Over 90 days		172,281		150,840
Total receivables before allowance for credit losses		668,137		609,726
Less allowance for credit losses		(24,929)		(24,212)
Receivables	$	643,208	$	585,514

The Company applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due and adjusted for current credit information. The Company has assessed expected credit losses based on 20% of its trade accounts receivable aged past 90 days and has estimated expected credit losses as at September 30, 2024 of $24,929 (June 30, 2024 - $24,212) (note 4).

The Company's approach to management of credit risk has not changed materially from that of the year ended June 30, 2024.

Presented in Canadian Dollars - unaudited

17. Financial Risk Management (continued)

Financial and capital risk management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. If necessary, the Company may raise funds through the issuance of debt, equity, or sale of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows and matching the maturity profile of financial assets to development, capital, and operating needs. The Company's accounts payable are due within 30 to 60 days. The maturities of loans payable and convertible notes are disclosed in notes 8 and 9, respectively. The Company has limited working capital as at September 30, 2024 and will need to raise further financing to meet its financial obligations. The Company's approach to management of liquidity risk has not changed materially from that of the year ended June 30, 2024.

The timing of payments required for accounts payable and debt in the next five years, by fiscal year, is as follows:

Fiscal year ended June 30	2025	2026	2027	2028	2029
Accounts payable and accrued liabilities	$ 348,380	$ -	$ -	$ -	$ -
Loans	41,689	34,274	100,000	-	-
Convertible notes	345,799	-	300,752	663,649	-
	$ 735,868	$ 34,274	$ 400,752	$ 663,649	$ -

18. Segmented Information

Geographic Regions

The Company operates in one reportable segment, comprised of data services, for which information is regularly reviewed by the Company's CEO, being the chief operating decision-maker. Revenue is earned in two main regions, being Canada and United States. All of the Company's $37,938 in non-current assets were located in Canada as at September 30, 2024 and September 30, 2023. The following is a breakdown of revenue by geographic area based on each customer's location for the period ended September 30, 2024 and 2023:

	2024	2023
Revenue		
Canada	$ 404,039	$ 285,541
United States	314,641	248,603
	$ 718,680	$ 534,144

Major Customers

The Company had two customers (2024 – three customers) which individually represented more than 10% of total revenue for the period ended September 30, 2024.