



**Condensed Consolidated Interim Financial Statements**

For three and nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)



# Xtract One Technologies Inc.

Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)

	April 30, 2024	July 31, 2023
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 15)	\$ 9,740,394	\$ 8,327,449
Receivables (Note 4)	4,113,437	847,429
Prepaid expenses and deposits	691,922	1,026,668
Current portion of deferred cost of revenue	359,481	-
Inventory (Note 5)	2,772,225	1,602,971
	17,677,459	11,804,517
Property and equipment (Note 6)	2,574,087	2,063,817
Intangible assets (Note 7)	4,239,275	4,843,700
Long-term portion of deferred cost of revenue	600,545	-
Right of use assets (Note 8)	170,670	286,796
<b>Total assets</b>	<b>\$ 25,262,036</b>	<b>\$ 18,998,830</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,462,046	\$ 2,519,350
Current portion of deferred revenue (Note 9)	3,641,703	968,509
Current portion of lease liability (Note 8)	178,605	232,483
	7,282,354	3,720,342
Non-Current liabilities		
Non-current portion of deferred revenue (Note 9)	3,095,917	411,232
Non-current portion of lease liability (Note 8)	32,028	124,358
	\$ 10,410,299	\$ 4,255,932
<b>Shareholders' equity</b>		
Share capital (Note 12)	\$ 143,436,424	\$ 135,823,337
Contributed surplus	15,607,712	14,420,259
Accumulated deficit	(144,192,399)	(135,500,698)
	\$ 14,851,737	\$ 14,742,898
<b>Total liabilities and shareholders' equity</b>	<b>\$ 25,262,036</b>	<b>\$ 18,998,830</b>
Reporting entity (Note 1)		
Basis of preparation (Note 2)		
Subsequent events (Note 17)		

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

Approved on behalf of the Board:

"Peter Evans"

Director, Chief Executive Officer

"Peter van der Gracht"

Director, Chairman of the Board



# Xtract One Technologies Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2024	2023	2024	2023
<b>Revenue (Note 9)</b>				
Platform revenue	\$ 4,585,415	\$ 802,559	\$ 10,332,039	\$ 1,950,431
Xtract revenue	98,224	72,837	388,011	386,695
<b>Total revenue</b>	<b>\$ 4,683,639</b>	<b>\$ 875,396</b>	<b>\$ 10,720,050</b>	<b>\$ 2,337,126</b>
<b>Cost of revenue (Note 10)</b>				
Platform cost of revenue	\$ 1,844,275	\$ 320,739	\$ 3,904,174	899,789
Xtract cost of revenue	132,948	25,689	241,377	193,891
<b>Total cost of revenue</b>	<b>\$ 1,977,223</b>	<b>\$ 346,428</b>	<b>\$ 4,145,551</b>	<b>\$ 1,093,680</b>
<b>Gross profit</b>	<b>\$ 2,706,416</b>	<b>\$ 528,968</b>	<b>\$ 6,574,499</b>	<b>\$ 1,243,446</b>
<b>Operating expenses (Notes 11, 13)</b>				
Selling and marketing	\$ 1,259,445	\$ 996,475	\$ 4,066,829	\$ 3,447,929
General and administration	1,936,552	1,801,995	5,277,387	5,190,100
Research and development	2,182,756	1,505,471	5,967,553	5,337,340
Loss on inventory write-down (Note 5)	4,167	1,974	111,180	316,077
Loss on retirement of assets (Note 6)	40,538	22,967	40,538	104,241
<b>Total operating expenses</b>	<b>\$ 5,423,458</b>	<b>\$ 4,328,882</b>	<b>\$ 15,463,487</b>	<b>\$ 14,395,687</b>
<b>Loss from operations</b>	<b>(2,717,042)</b>	<b>(3,799,914)</b>	<b>(8,888,988)</b>	<b>(13,152,241)</b>
<b>Other income</b>				
Unrealized gain (loss) on investments	-	(58,334)	-	58,333
Interest and other income	44,704	31,468	197,287	77,574
<b>Loss and comprehensive loss for the period</b>	<b>\$ (2,672,338)</b>	<b>\$ (3,826,780)</b>	<b>\$ (8,691,701)</b>	<b>\$ (13,016,334)</b>
<b>Weighted average number of shares</b>	<b>200,110,734</b>	<b>183,575,821</b>	<b>198,924,490</b>	<b>169,778,811</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.08)</b>

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



# Xtract One Technologies Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)  
(Unaudited)

	Share Capital		Contributed surplus	Accumulated deficit	Total
	Number of shares	Amount			
Balance - July 31, 2023	198,248,575	\$ 135,823,337	\$ 14,420,259	\$ (135,500,698)	\$ 14,742,898
Shares issued on the exercise of warrants (Notes 12, 14)	736,683	574,928	(132,243)	-	442,685
Shares issued on the exercise of stock options (Notes 12, 14)	200,000	145,178	(51,440)	-	93,738
Shares issued on prospectus financing net of share issuance costs (Note 12)	14,057,500	5,604,184	616,302	-	6,220,486
Shares issued on private placement financing net of share issuance costs (Note 12)	2,696,228	1,288,797	86,279	-	1,375,076
Share-based compensation (Notes 11, 12)	-	-	668,555	-	668,555
Loss for the period	-	-	-	(8,691,701)	(8,691,701)
Balance - April 30, 2024	215,938,986	\$ 143,436,424	\$ 15,607,712	\$ (144,192,399)	\$ 14,851,737
Balance - July 31, 2022	163,179,222	\$ 119,796,584	\$ 13,912,816	\$ (119,164,225)	\$ 14,545,175
Shares issued on the exercise of stock options (Notes 12, 14)	7,500	4,461	(1,610)	-	2,851
Shares issued on private placement financing (Note 12)	31,925,595	13,308,750	-	-	13,308,750
Share-based compensation (Notes 11, 12)	-	-	810,666	-	810,666
Loss for the period	-	-	-	(13,016,334)	(13,016,334)
Balance - April 30, 2023	195,112,317	\$ 133,109,795	\$ 14,721,872	\$ (132,180,559)	\$ 15,651,108

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



# Xtract One Technologies Inc.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian Dollars)  
(Unaudited)

	Nine months ended April 30,	
	2024	2023
<b>Cash flow used in operating activities</b>		
Loss and comprehensive loss for the period	\$ (8,691,701)	\$ (13,016,334)
Adjustment for:		
Share-based compensation (Note 11, 12)	668,555	810,666
Depreciation (Notes 6, 8)	938,567	650,052
Amortization (Notes 7, 11)	604,425	604,425
Finance cost (Note 8)	17,839	34,165
Loss on inventory (Note 5)	111,180	316,077
Loss on retirement of assets (Note 6)	40,538	104,241
Other income (Note 14)	-	(20,000)
Unrealized gain on investments	-	(58,333)
	(6,310,597)	(10,575,041)
Changes in non-cash working capital		
Receivables	(3,266,008)	1,131,484
Prepaid expenses and deposits	334,746	(22,857)
Inventory	(3,664,444)	(1,110,636)
Deferred cost of revenue (Note 3)	172,754	-
Accounts payable and accrued liabilities	942,696	(399,513)
Deferred revenue	5,357,879	250,669
Cash used in operating activities	(6,432,974)	(10,725,894)
<b>Cash flow used in investing activities</b>		
Purchase of property and equipment (Note 6)	-	(32,539)
Cash used in investing activities	-	(32,539)
<b>Cash flow from financing activities</b>		
Proceeds on issue of share capital, net of share issue costs	8,131,985	13,311,601
Lease payments (Note 8)	(286,066)	(279,576)
Cash received from financing activities	7,845,919	13,032,025
Net increase in cash for the period	\$ 1,412,945	\$ 2,273,592
<b>Cash beginning of the period</b>	8,327,449	6,277,321
<b>Cash end of the period</b>	\$ 9,740,394	\$ 8,550,913

Supplemental cash flow information (Note 14)

The accompanying notes form an integral part of the condensed consolidated interim financial statements.



# Xtract One Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended April 30, 2024, and 2023

(Expressed in Canadian Dollars)

(Unaudited)

## 1. Reporting entity

Xtract One Technologies Inc. (the "Company") was incorporated under the Business Corporation Act of British Columbia. Its common shares are listed under the trading symbol "XTRA" on the Toronto Stock Exchange in Canada (the "TSX"), "XTRAF" on the OTCQX in the United States, and "OPL" on the Frankfurt Stock Exchange in Germany. The Company's wholly owned subsidiaries include Xtract One Detection Ltd. ("Xtract Detection"), Patriot One (UK) Limited ("Patriot UK"), Xtract One (US) Technologies Inc. ("Xtract US"), EhEye Inc. ("EhEye") and Xtract Technologies Inc. ("Xtract"). The principal business of the Company is the development and commercialization of an integrated, layered, AI-powered threat detection gateway solution, referred to as the "Platform", to enhance public health and safety.

The Company's head office is located at 400-257 Adelaide Street West, Toronto, Ontario, Canada, M5H 1X9, and its registered and records office is located at Bentall 5, 2501 - 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

## 2. Basis of preparation

### (a) Statement of compliance

These condensed consolidated interim financial statements, including the comparative period, have been prepared in accordance with the International Accounting Standard ("IAS 34"), Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS Accounting Standards as issued by the IASB have been omitted or condensed, and therefore, these condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements as at July 31, 2023. These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on June 6, 2024.

### (b) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Xtract Detection, Patriot UK, Xtract US, EhEye, and Xtract. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity directly or indirectly so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Company and deconsolidated from the date on which control ceases.

All significant intercompany balances and transactions have been eliminated on consolidation.



# Xtract One Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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## (c) Functional and presentation currency

The functional currency of the Company and its subsidiaries is the Canadian dollar, and these condensed consolidated interim financial statements are presented in Canadian dollars.

## (d) Comparative figures

As at August 1, 2023, the Company changed its accounting for the presentation of its consolidated statements of loss and comprehensive loss from 'by nature' to 'by function'. The Company made this change in presentation to provide more relevant financial information to facilitate peer benchmarking. The Company has amended the prior year's presentation to conform to the current year's presentation.

As a result, hardware expenses, along with other direct costs attributable to the production of goods were reclassified to cost of revenue to appropriately reflect the function of the expense and facilitate the gross profit calculation. The Company considers items such as customer support, freight, installation, depreciation, and sales commissions directly attributable to the cost of revenue.

Personnel fees, professional fees, share-based compensation, depreciation, and amortization costs were reclassified amongst the cost of revenue, general and administrative, selling and marketing, and research and development expenses as required to appropriately reflect the function of these expenses. Further disclosure of the breakdown of the nature of expenses can be found in Note 11.

Comparative amounts for the three and nine months ended April 30, 2023, in the consolidated interim statements of loss and comprehensive loss, have been reclassified for consistency. Since these amounts are within operating activities in the consolidated interim statements of loss and comprehensive loss, this reclassification did not have any effect on the consolidated statements of financial position or the consolidated statements of cash flows.

A summary of the reclassification of the prior year comparative figures is as follows:

	Three months ended April 30, 2023			Nine months ended April 30, 2023		
	Balance		Balance	Balance		Balance
	by nature	Reclassification	by function	by nature	Reclassification	by function
Cost of revenue	\$ -	\$ 346,428	\$ 346,428	\$ -	\$ 1,093,680	\$ 1,093,680
Sales and marketing	528,979	467,496	996,475	1,790,320	1,657,609	3,447,929
General and administration	414,845	1,387,150	1,801,995	1,215,767	3,974,333	5,190,100
Research and development	1,297,590	207,881	1,505,471	4,749,415	587,925	5,337,340
Personnel costs	1,351,164	(1,351,164)	-	4,163,390	(4,163,390)	-
Professional fees	172,678	(172,678)	-	596,419	(596,419)	-
Hardware	244,159	(244,159)	-	657,494	(657,494)	-
Amortization (Notes 7, 11)	201,475	(201,475)	-	604,425	(604,425)	-
Depreciation (Notes 6, 8)	158,755	(158,755)	-	481,153	(481,153)	-
Share-based compensation (Notes 11, 12)	280,724	(280,724)	-	810,666	(810,666)	-
	<b>\$ 4,650,369</b>	<b>-</b>	<b>\$ 4,650,369</b>	<b>\$ 15,069,049</b>	<b>-</b>	<b>\$ 15,069,049</b>



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## 3. Material accounting policies

The accounting policies, estimates, and judgments used in the preparation of these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended July 31, 2023, as these condensed consolidated interim financial statements follow the same accounting policies and methods of application, with the exception of the policies implemented during the period ended April 30, 2024.

### (a) Material accounting policies implemented during the nine months ended April 30, 2024

#### *Deferred cost of revenue*

During the nine month period ended April 30, 2024, the Company incurred costs for the hardware and software delivered to a customer in advance of recognizing revenue. These costs are recorded as deferred costs of revenue and are carried forward until the related revenues are recognized, at which time they are expensed. Deferred cost of revenue is recorded at the lower of cost and net realizable value. For the nine month period ended April 30, 2024, the Company recognized \$1,045,378 (Note 5) (July 31, 2023 - \$nil) as deferred cost of revenue, and expensed \$172,754 (April 30, 2023 - \$nil) of these costs as a component of cost of revenue.

### (b) Material accounting judgments, estimates, and assumptions

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Material areas requiring the use of management estimates and judgments include:

#### *Share-based compensation*

The fair value of stock options granted is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the option, expected volatility, expected life of the options, expected dividends, and risk-free interest rate. These estimates will impact the valuation of share-based compensation.

#### *Deferred income tax assets and liabilities*

The measurement of deferred income tax provision is subject to the uncertainty associated with the timing of future events and changes in legislation, tax rates, and interpretations by tax authorities.





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The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before the expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. 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, and deferred tax provisions or recoveries could be affected.

## *Treatment of development costs*

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically, and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends, and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible.

## *Estimated useful lives, depreciation, and amortization of property and equipment and intangible assets*

Depreciation and amortization of property, equipment, and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

## *Right of use lease assets and liabilities*

The right-of-use assets and liabilities are measured at the present value of future lease payments discounted using the rate implicit in the lease or incremental borrowing rate for the Company estimated based on comparable companies' borrowing rates if the rate implicit in the lease is not readily determined. These assumptions will impact the valuation of right-of-use assets and liabilities and finance costs.

## *Revenue recognition*

Revenue arising from the sale of or subscription to use the Platform is recognized as the Company fulfills its performance obligations. There are significant estimates made in determining and measuring performance obligations that could impact the timing of revenue recognition.

Xtract contract revenue is recognized in proportion to the stage of completion of each contract. Significant assumptions are used to determine the stage of completion and changes in these assumptions could impact the revenue recognized during the period.



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## *Going concern*

The preparation of the Company's condensed consolidated interim financial statements requires management to identify whether the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. To assess this, the Company must identify events and conditions that may indicate significant doubt about the Company's ability to continue as a going concern. The Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The ability of the Company to continue as a going concern is dependent on either a single or a combination of events occurring - obtaining additional financing through the issuance of debt or equity, and/or generating profit through its operations. There is a risk that additional financing will not be available on a timely basis or terms acceptable to the Company or that profitable operations will not be achieved. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern.

The Company manages its liquidity risk to meet its contractual obligations by ensuring there is appropriate cash on hand and obtaining other opportunities for financing. The Company identifies when funds are required through the planning and budgeting process to support the Company's normal operations. The Company's ability to continue as a going concern involves significant judgments and estimates while determining forecasted cash flows and is dependent on the Company's ability to obtain financing.

These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary for the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classification used.

## **(c) New accounting standards issued but not yet in effect**

### *Classification of liabilities as current or non-current (Amendments to IAS 1)*

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

The amendments:

- i. Clarify that the classification of liabilities as current or non-current should be based on whether rights to defer exist at the end of the reporting period;
- ii. Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and



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- iii. Make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets, or services that result in the extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements and its respective disclosures.

## *Presentation and Disclosure in Financial Statement (IFRS 18)*

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") which replaces IAS 1 *Presentation of Financial Statements*.

IFRS 18 introduces:

- i. New requirements on presentation within the statement of profit or loss;
- ii. Disclosure standards regarding management defined performance measures; and
- iii. Principles for aggregation and disaggregation of financial information in the financial statements and the notes.

IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 is to be applied retrospectively. The Company is currently assessing the impact that IFRS 18 will have on its consolidated financial statements.

## 4. Receivables

Receivables are comprised of the following:

	April 30, 2024	July 31, 2023
Trade receivables	\$ 3,463,372	\$ 512,926
Taxes receivable	650,065	334,503
	<b>\$ 4,113,437</b>	<b>\$ 847,429</b>

As of April 30, 2024, the Company had made a provision of \$52,306 for uncollectible accounts (July 31, 2023 - \$nil).

## 5. Inventory

The Company's inventory consists of hardware components and finished goods that will be used in the Platform product offerings and is summarized below:

	April 30, 2024	July 31, 2023
Components and work-in-progress	\$ 591,961	\$ 720,430
Finished goods	2,180,264	882,541
	<b>\$ 2,772,225</b>	<b>\$ 1,602,971</b>



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During the nine months ended April 30, 2024, the Company recorded total inventory sold of \$2,023,996 (2023 - \$488,595) under the cost of revenue. The Company has reclassified inventory in the amount of \$1,834,952 (April 30, 2023 - \$585,921) to subscription and demo assets, \$27,473 (April 30, 2023 - \$16,950) to office equipment and \$1,045,378 (April 30, 2023 - \$nil) to deferred cost of revenue. As of April 30, 2024, the Company had outstanding purchase obligations of \$4,051,805 (July 31, 2023 - \$921,351) related to future finished goods for the Platform product offerings that will be drawn down within the next year. During the nine months ended April 30, 2024, the Company recognized a loss of \$111,180 (2023 - \$316,077) related to obsolete inventory.

## 6. Property and equipment

Details of the Company's property and equipment as at April 30, 2024, and July 31, 2023, are as follows:

	Office equipment	Computer hardware	Furniture & fixtures	Subscription & demo assets	Leasehold improvements	Total
<b>Cost</b>						
Balance at July 31, 2022	\$ 1,701,290	\$ 534,589	\$ 398,624	\$ 351,145	\$ 211,639	\$ 3,197,287
Additions	-	-	-	-	32,539	32,539
Reclassification	61,643	-	-	1,293,629	-	1,355,272
Retirement of assets	(150,445)	(43,797)	(243,858)	(80,458)	-	(518,558)
<b>Balance at July 31, 2023</b>	<b>\$ 1,612,488</b>	<b>\$ 490,792</b>	<b>\$ 154,766</b>	<b>\$ 1,564,316</b>	<b>\$ 244,178</b>	<b>\$ 4,066,540</b>
Reclassification	27,473	-	-	1,088,557	-	1,116,030
Retirement of assets	(151,652)	(97,529)	-	-	-	(249,181)
<b>Balance at April 30, 2024</b>	<b>\$ 1,488,309</b>	<b>\$ 393,263</b>	<b>\$ 154,766</b>	<b>\$ 2,652,873</b>	<b>\$ 244,178</b>	<b>\$ 4,933,389</b>
<b>Accumulated depreciation</b>						
Balance at July 31, 2022	\$ 952,035	\$ 406,393	\$ 234,651	\$ 39,782	\$ 86,585	\$ 1,719,446
Depreciation	190,126	67,795	30,947	280,374	51,486	620,728
Disposals	(102,465)	(42,599)	(165,086)	(27,301)	-	(337,451)
<b>Balance at July 31, 2023</b>	<b>\$ 1,039,696</b>	<b>\$ 431,589</b>	<b>\$ 100,512</b>	<b>\$ 292,855</b>	<b>\$ 138,071</b>	<b>\$ 2,002,723</b>
Depreciation	109,687	22,396	8,955	519,751	39,633	700,422
Reclassification	-	-	-	(135,200)	-	(135,200)
Retirement of assets	(113,084)	(95,559)	-	-	-	(208,643)
<b>Balance at April 30, 2024</b>	<b>\$ 1,036,299</b>	<b>\$ 358,426</b>	<b>\$ 109,467</b>	<b>\$ 677,406</b>	<b>\$ 177,704</b>	<b>\$ 2,359,302</b>
Carrying amount as at July 31, 2023	\$ 572,792	\$ 59,203	\$ 54,254	\$ 1,271,461	\$ 106,107	\$ 2,063,817
<b>Carrying amount as at April 30, 2024</b>	<b>\$ 452,010</b>	<b>\$ 34,837</b>	<b>\$ 45,299</b>	<b>\$ 1,975,467</b>	<b>\$ 66,474</b>	<b>\$ 2,574,087</b>

During the nine-month period ended April 30, 2024, the Company recorded depreciation of subscription assets in the amount of \$492,984 (2023 - \$147,772) under the cost of revenue. During the nine months ended April 30, 2024, the Company wrote off \$40,538 in disposals of property and equipment (2023 - \$104,241).



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## 7. Intangible assets

The carrying values of intangible assets as at April 30, 2024, and July 31, 2023, are as follows:

	Quasar licensed distribution rights	EhEye intellectual property	Internally developed intellectual property	Total
<b>Cost</b>				
Balance at July 31, 2023 and April 30, 2024	\$ 6,574,000	\$ 1,250,000	\$ 235,000	\$ 8,059,000
<b>Accumulated amortization</b>				
Balance at July 31, 2023	\$ 2,658,425	\$ 468,750	\$ 88,125	\$ 3,215,300
Amortization	493,050	93,750	17,625	604,425
<b>Balance at April 30, 2024</b>	<b>\$ 3,151,475</b>	<b>\$ 562,500</b>	<b>\$ 105,750</b>	<b>\$ 3,819,725</b>
Carrying amount as at July 31, 2023	\$ 3,915,575	\$ 781,250	\$ 146,875	\$ 4,843,700
Carrying amount as at April 30, 2024	\$ 3,422,525	\$ 687,500	\$ 129,250	\$ 4,239,275

### *Quasar - Licensed distribution rights*

In June 2019, the Company entered into a licensing agreement with Quasar Federal Systems, Inc. ("Quasar") receiving a perpetual, worldwide, exclusive, fully paid-up, transferable, and irrevocable license (with a right of sublicense) to use Quasar's intellectual property in exchange for an aggregate cash consideration of \$6,574,000 (US\$5,000,000). The Quasar license includes access to patented sensor technology and patent-pending magnetic detection and security screening technology. The Company also has the right to engage Quasar's development team to assist with future modifications to the technology, as well as manufacturing and implementation engineering. The license was recognized as an intangible asset and is amortized over its estimated useful life of ten years. The remaining useful life of the Quasar license is approximately six years.

### *EhEye - Intellectual property*

In connection with the acquisition of EhEye during the year ended July 31, 2019, the Company determined the fair value of the intellectual property acquired in connection with the acquisition of EhEye to be \$1,250,000. As at November 1, 2019, the Company determined that this technology was ready for commercial use and began amortizing the acquired intellectual property over the technology's estimated useful life of ten years. The remaining useful life of this intangible asset is approximately six years.

### *Internally developed intellectual property*

In fiscal 2019 and 2020, the Company determined that \$235,000 of directly attributable development expenditures met the criteria for capitalization. As at November 1, 2019, the Company determined that this technology was ready for commercial use and began amortizing the capitalized development costs over the technology's estimated useful life of ten years. The remaining useful life of this intangible asset is approximately six years.



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## 8. Right of use assets and lease liabilities

The Company has recorded the right of use assets and lease liabilities in its statements of financial position related to three properties for which the Company has entered into office lease agreements with an initial term of one year or more. These leases have been classified as a single class of right of use assets under office leases. During the nine months ended April 30, 2024, the Company remeasured its right of use asset and liability for two of its properties due to lease term extensions.

The carrying amounts of the Company's right of use assets, liabilities, and the movements for the nine months ended April 30, 2024, and the year ended July 31, 2023, are as follows:

	Right of use assets	Right of use liabilities
As at July 31, 2022	\$ 589,832	\$ 677,276
Depreciation	(303,036)	-
Finance costs	-	42,237
Lease payments	-	(362,672)
As at July 31, 2023	\$ 286,796	\$ 356,841
Depreciation	(238,145)	-
Finance costs	-	17,839
Remeasurement	122,019	122,019
Lease payments	-	(286,066)
As at April 30, 2024	\$ 170,670	\$ 210,633

The following table summarizes the Company's future lease commitments:

Fiscal year	Amount
2024	129,810
2025	32,453
Effects of discounting	(9,059)
Remeasurement of lease	57,429
Right of use liabilities	\$ 210,633
Current portion of right of use liabilities	(178,605)
Non-current portion of right of use liabilities	\$ 32,028

During the nine months ended April 30, 2024, there were no short term or low value leases recorded (2023 - \$nil).



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## 9. Revenue

Revenue recognized during the nine months ended April 30, 2024, relates to Platform and Xtract revenue.

The Company recognized \$10,332,039 (2023 - \$1,950,431) in revenue related to the sale of and subscription to use the Platform during the nine months ended April 30, 2024. As at April 30, 2024, accounts receivable for Platform revenue was \$3,262,277 (July 31, 2023 - \$360,059) and deferred revenue was \$6,737,620 (July 31, 2023 - \$1,379,741).

The Company recognized \$388,011 (2023 - \$386,695) in revenue from Xtract during the nine months ended April 30, 2024. As at April 30, 2024, accounts receivable for work completed on contracts was \$201,095 (July 31, 2023 - \$152,867), and there was no deferred revenue recorded (July 31, 2023 - \$nil).

The Company has a backlog of contracted sales that have not yet been recognized as revenue but will be recognized in future periods as performance obligations are met. It is estimated that these commitments will be recognized as revenue under the following timelines:

			Total backlog April 30,	
			2024	2023
	Less than one year	Greater than one year		
Platform revenue	\$ 5,991,479	\$ 7,832,264	\$ 13,823,743	\$ 3,128,165
Xtract revenue	-	-	-	521,422
<b>Total backlog*</b>	<b>\$ 5,991,479</b>	<b>\$ 7,832,264</b>	<b>\$ 13,823,743</b>	<b>\$ 3,649,587</b>

\* Backlog figures exclude contracted sales that are pending installation.

## 10. Cost of revenue

The breakdown of expenses incurred as part of the cost of revenue is as follows:

	Nine months ended April 30,	
	2024	2023
Product	\$ 2,684,288	\$ 614,440
Installation	381,337	53,116
Shipping	229,896	60,778
Depreciation	492,984	147,772
Salaries and commissions	357,046	217,574
	<b>\$ 4,145,551</b>	<b>\$ 1,093,680</b>



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## 11. Operating expenses

The Company's operating expenses are comprised of the following:

	Nine months ended April 30, 2024			
	General and Administration	Research and Development	Sales and Marketing	Total
Personnel costs	\$ 2,707,206	\$ 3,412,800	\$ 2,449,335	\$ 8,569,341
Professional fees	465,434	55,083	-	520,517
Facilities	148,449	71,721	-	220,170
Tradeshows and advertising	-	-	1,414,628	1,414,628
Development supplies	-	1,446,050	-	1,446,050
Insurance	146,637	-	-	146,637
Share-based compensation (Note 12)	399,895	194,338	74,322	668,555
Depreciation (Note 6, 8)	418,817	-	26,766	445,583
Amortization (Note 7)	-	604,425	-	604,425
Other	990,949	183,136	101,778	1,275,863
	<b>\$ 5,277,387</b>	<b>\$ 5,967,553</b>	<b>\$ 4,066,829</b>	<b>\$ 15,311,769</b>

	Nine months ended April 30, 2023			
	General and Administration	Research and Development	Sales and Marketing	Total
Personnel costs	2,631,674	\$ 3,490,965	\$ 2,120,417	\$ 8,243,056
Professional fees	541,649	27,548	-	569,197
Facilities	154,186	52,455	-	206,641
Tradeshows and advertising	-	-	1,082,337	1,082,337
Development supplies	-	781,764	-	781,764
Insurance	169,695	-	-	169,695
Share-based compensation (Note 12)	548,290	168,149	94,227	810,666
Depreciation (Note 6, 8)	481,151	-	21,129	502,280
Amortization (Note 7)	-	604,425	-	604,425
Other	663,455	212,034	129,819	1,005,308
	<b>\$ 5,190,100</b>	<b>\$ 5,337,340</b>	<b>\$ 3,447,929</b>	<b>\$ 13,975,369</b>

## 12. Share capital

### Authorized capital

The authorized share capital of the Company consists of an unlimited number of common shares with no par value.





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## Share capital

The issued and outstanding share capital is as follows:

	Nine months ended April 30, 2024		Year ended July 31, 2023	
	Number of shares	Amount	Number of shares	Amount
Balance beginning of period	198,248,575	\$ 135,823,337	163,179,222	\$ 119,796,584
Shares issued on the exercise of warrants	736,683	574,928	2,630,700	2,236,095
Shares issued on the exercise of stock options	200,000	145,178	513,058	481,908
Shares issued on prospectus financing, net of share issue costs	14,057,500	5,604,184	-	-
Shares issued on private placement financing, net of share issue costs	2,696,228	1,288,797	31,925,595	13,308,750
Balance end of period	215,938,986	\$ 143,436,424	198,248,575	\$ 135,823,337

On April 24, 2024, the Company issued 14,057,500 units (the "Units") for gross proceeds of \$7,169,325 pursuant to a prospectus financing (the "Prospectus Offering"). Each Unit consisted of one common share of the Company (each, a "Common Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one Common Share until April 24, 2027, at an exercise price of \$0.64, subject to adjustment in certain events. The fair value of the Warrants issued to investors was \$0.032, for an aggregate fair value of \$449,840, which was calculated using the residual value approach in which proceeds are first allocated to the Common Shares determined by the closing market price on the date of the issuance with any residual balance allocated to the Warrants.

On April 24, 2024, concurrent with the Prospectus Offering, the Company closed a private placement (the "Private Placement") with Madison Square Garden Sports Corp. ("MSG Sports") and issued 2,696,228 units (each a "MSG Unit") at a price of \$0.51 per MSG Unit for gross proceeds of \$1,375,076. Each MSG Unit consisted of one Common Share and one common share purchase warrant (each a "MSG Warrant"). Each MSG Warrant is exercisable into one Common Share until April 24, 2027, at an exercise price of \$0.64. The fair value of the MSG Warrants issued under the Private Placement was \$0.032, for an aggregate fair value of \$86,279, calculated using the residual value approach.

In connection with the Prospectus Offering, the Company paid cash commissions of \$500,800 and issued 981,960 common share purchase warrants to the agents of the Prospectus Offering (the "Agents' Warrants"). Each Agents' Warrant is exercisable into one Common Share at an exercise price of \$0.51 until April 24, 2026.

The total fair value of the Agents' Warrants was \$166,461, calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:



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	April 24, 2024
Expected life	2 years
Expected market volatility of shares	66.0%
Share price	\$ 0.49
Expected dividend rate	0%
Exercise price	\$ 0.51
Risk-free interest rate	3.82%
Weighted average fair value per option granted	\$ 0.170

Additional transaction costs associated with the Prospectus Offering and Private Placement were \$448,040.

## Warrants

Warrant activity for the nine months ended April 30, 2024, and the year ended July 31, 2023, is as follows:

	Nine months ended April 30, 2024		Year ended July 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance beginning of period	41,548,456	0.63	12,253,561	0.74
Warrants issued on financing	17,735,688	0.63	31,925,595	0.60
Warrants exercised	(736,683)	0.60	(2,630,700)	0.60
Warrants expired	(49,528)	0.60	-	-
Balance end of period	58,497,933	\$ 0.63	41,548,456	\$ 0.63

As at April 30, 2024, outstanding warrants are as follows:

Number of warrants outstanding	Weighted average exercise price	Expiry date	Weighted average life remaining (months)
8,836,650	\$ 0.75	March 17, 2025	10.2
20,000,000	\$ 0.60	February 10, 2028	45.1
11,925,595	\$ 0.60	April 12, 2028	47.1
16,753,728	\$ 0.64	April 24, 2027	35.3
981,960	\$ 0.51	April 24, 2026	23.3
58,497,933	\$ 0.63		37.0

## Incentive Awards

The Company offers an omnibus equity incentive plan (the "Omnibus Plan") that provides for the granting of incentive awards of up to 10% of its issued and outstanding common shares to directors,



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officers, employees, and consultants. Incentive awards may consist of options, restricted share units, deferred share units, performance share units, and other share-based awards. The exercise price of each option is equal to the quoted market price of the Company's common shares on the five-day volume weighted average price immediately preceding the date of grant with a maximum term of five years. Vesting terms, if any, are set at the discretion of the Board. During the nine months ended April 30, 2024, and the year ended July 31, 2023, other than stock options as discussed herein, no other incentive awards were issued or outstanding under the Omnibus Plan.

The stock option activity for the nine months ended April 30, 2024, and the year ended July 31, 2023, is as follows:

	Nine months ended April 30, 2024		Year ended July 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance beginning of period	9,680,386	\$ 0.75	9,758,579	\$ 0.91
Granted	2,824,818	0.68	3,542,636	0.57
Exercised	(200,000)	0.47	(513,058)	0.59
Forfeited / Expired	(917,500)	1.45	(3,107,771)	1.05
Balance end of period	11,387,704	\$ 0.69	9,680,386	\$ 0.75

During the nine months ended April 30, 2024, the Company recognized share-based compensation related to stock options of \$668,555 (2023 - \$810,666).

The fair value of options granted during the period was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended April 30,	
	2024	2023
Expected life	3.4 years	3.8 years
Expected market volatility of shares	69.0%	74.0%
Share price	\$ 0.66	\$ 0.65
Expected dividend rate	0%	0%
Exercise price	\$ 0.68	\$ 0.65
Risk-free interest rate	4.11%	2.07%
Weighted average fair value per option granted	\$ 0.315	\$ 0.347



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Details of the outstanding stock options as at April 30, 2024, are as follows:

Number of stock options outstanding	Weighted average exercise price	Expiry date	Weighted average life remaining (months)	Number of stock options exercisable	Weighted average exercise price
355,000	\$ 1.81	July 3, 2024	2.1	355,000	\$ 1.81
30,000	\$ 1.83	July 25, 2024	2.8	30,000	\$ 1.83
70,000	\$ 1.81	September 6, 2024	4.2	70,000	\$ 1.81
150,000	\$ 1.21	December 23, 2024	7.8	150,000	\$ 1.21
75,000	\$ 1.37	January 21, 2025	8.7	75,000	\$ 1.37
30,000	\$ 0.69	May 11, 2025	12.4	30,000	\$ 0.69
250,000	\$ 0.97	August 10, 2025	15.3	250,000	\$ 0.97
18,750	\$ 0.69	September 15, 2025	16.5	18,750	\$ 0.69
80,000	\$ 0.56	October 29, 2025	18.0	80,000	\$ 0.56
720,000	\$ 0.57	November 11, 2025	18.4	720,000	\$ 0.57
60,000	\$ 0.49	March 22, 2026	22.7	60,000	\$ 0.49
823,750	\$ 0.52	June 15, 2026	25.5	603,750	\$ 0.52
145,000	\$ 0.43	October 25, 2026	29.8	108,750	\$ 0.43
135,000	\$ 0.44	December 8, 2026	31.3	135,000	\$ 0.44
1,382,500	\$ 0.73	February 16, 2027	33.5	1,040,313	\$ 0.73
100,000	\$ 0.54	April 1, 2027	35.0	75,000	\$ 0.54
150,000	\$ 0.54	April 4, 2027	35.1	112,500	\$ 0.54
700,000	\$ 0.57	April 13, 2027	35.4	525,000	\$ 0.57
125,000	\$ 0.46	June 14, 2027	37.5	125,000	\$ 0.46
125,000	\$ 0.42	July 11, 2027	38.4	125,000	\$ 0.42
786,250	\$ 0.38	October 3, 2027	41.1	380,625	\$ 0.38
1,000,000	\$ 0.50	January 13, 2028	44.4	1,000,000	\$ 0.50
448,348	\$ 0.69	March 17, 2028	46.6	448,348	\$ 0.69
250,000	\$ 0.75	April 24, 2028	47.8	125,000	\$ 0.75
86,644	\$ 0.95	June 16, 2028	49.5	21,661	\$ 0.95
400,000	\$ 0.90	July 1, 2028	50.0	100,000	\$ 0.90
101,644	\$ 0.91	July 10, 2028	50.3	25,411	\$ 0.91
2,093,750	\$ 0.68	October 3, 2028	53.1	530,938	\$ 0.68
555,068	\$ 0.69	February 7, 2029	57.2	138,767	\$ 0.69
141,000	\$ 0.69	March 15, 2029	58.5	35,250	\$ 0.69
<b>11,387,704</b>	<b>\$ 0.69</b>		<b>38.0</b>	<b>7,495,063</b>	<b>\$ 0.70</b>

## Loss per share

Stock options and warrants are not included in the calculation of fully diluted loss per share for the nine months ended April 30, 2024, and 2023, as these instruments are anti-dilutive.



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## 13. Related party transactions

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. During the three months ended April 30, 2024, two additional personnel were added as key executive officers. Key management compensation earned by officers and directors of the Company during the nine months ended April 30, 2024, was \$1,121,890 (2023 - \$939,561). In addition, share-based compensation expense relating to key management for the nine months ended April 30, 2024, was \$344,670 (2023 - \$578,068).

As at April 30, 2024, there was \$nil (July 31, 2023 - \$202,718) in accounts payable and accrued liabilities due to officers and directors of the Company or to companies controlled by directors and officers of the Company. There were no other related party transactions during the nine months ended April 30, 2024.

## 14. Supplemental cash flow information

Non-cash financing and investing activities during the nine months ended April 30, 2024, conducted by the Company are as follows:

Transfer of inventory to property and equipment (Note 5)	\$	1,834,952
Transfer of inventory to deferred cost of revenue (Note 5)	\$	1,045,378
Transfer of contributed surplus on the exercise of warrants	\$	132,243
Transfer of contributed surplus on the exercise of stock options	\$	51,440

Non-cash financing and investing activities during the nine months ended April 30, 2023, conducted by the Company are as follows:

Transfer of inventory to property and equipment (Note 5)	\$	602,871
Transfer of contributed surplus on the exercise of stock options	\$	1,610
Canada Emergency Business Account Loan Forgiveness	\$	20,000

No cash was paid toward income taxes during the nine months ended April 30, 2024, and 2023. The Company incurred interest expense embedded in its lease payments of \$17,839 during the nine months ended April 30, 2024 (2023 - \$34,165).

## 15. Financial instruments and risk management

As at April 30, 2024, the Company's financial instruments comprise cash and cash equivalents, receivables, accounts payable, and accrued liabilities. The carrying values of receivables, accounts payable, and accrued liabilities are approximate fair value due to the short-term nature of the instruments. The Company's cash and cash equivalents are carried at fair value. Fair values of



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financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

The Company has segregated all financial assets that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

	As at April 30, 2024				Total
	Level 1	Level 2	Level 3		
Cash	\$ 1,336,530	\$ -	\$ -	\$	1,336,530
Cash equivalents	8,403,864	-	-		8,403,864
Balance end of period	\$ 9,740,394	\$ -	\$ -	\$	9,740,394

	As at July 31, 2023				Total
	Level 1	Level 2	Level 3		
Cash	\$ 1,604,613	\$ -	\$ -	\$	1,604,613
Cash equivalents	6,722,836	-	-		6,722,836
Balance end of year	\$ 8,327,449	\$ -	\$ -	\$	8,327,449

Risks to the Company's financial instruments and their potential impact on the Company's financial instruments are summarized below:

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk to meet its contractual obligations by ensuring there is appropriate cash on hand and obtaining other opportunities for financing. As at April 30, 2024, the Company had current assets of \$17,677,459 (July 31, 2023 - \$11,804,517) to settle current liabilities of \$7,282,354 (July 31, 2023 - \$4,131,574). Most of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

## 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's credit risk is primarily attributable to its cash and cash equivalents and receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset-backed commercial paper. The Company's receivables primarily consist of trade receivables that the Company continues to collect, and refundable sales tax from the Canada Revenue Agency, which are



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not subject to significant credit risk. The Company's maximum exposure to credit risk is limited to the carrying amount of cash and cash equivalents and receivables.

## *Market risk*

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

### **Interest rate risk**

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash and cash equivalents, and consequentially its exposure to interest rate risk is insignificant.

### **Foreign currency risk**

Foreign currency risk is the risk that is related to the fluctuation of foreign exchange rates. The Company's financial assets and liabilities that are denominated in foreign currencies are impacted by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash and cash equivalents, trade and other receivables, and trade and other payables. During the nine month period ended April 30, 2024, the Company generated a portion of revenue in U.S. dollars, along with corresponding expenses in U.S. dollars, which acted as a natural foreign exchange hedge. Management continues to evaluate its foreign currency risk as the business grows internationally.

### **Price risk**

Price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company did not hold material equity investments during the quarter, and therefore, exposure to price risk is insignificant.



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## 16. Segmented information

### *Operating segments*

The Company currently has two distinct operating segments, Platform and Xtract. The Platform segment develops and commercializes an AI-powered threat detection gateway solution. Xtract develops innovative AI solutions for customers.

The accounting policies of the operating segments are the same as those described in the summary of material accounting policies (Note 3). The Company currently has no intersegment sales. Xtract labor costs incurred in the development of Platform technologies are allocated to the Platform operating segment at cost.

Segmented reporting information is presented for both Company's distinct operating segments. The following tables summarize the operations and current financial position of each segment for the nine months ended April 30, 2024 and 2023:





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	For the nine months ended April 30, 2024		
	Platform	Xtract	Total
Revenue	\$ 10,332,039	\$ 388,011	\$ 10,720,050
Cost of revenue	3,904,174	241,377	\$ 4,145,551
Gross profit	\$ 6,427,865	\$ 146,634	\$ 6,574,499
Expenses			
Sales and marketing	4,065,937	892	4,066,829
General and administration	5,107,552	169,835	5,277,387
Research and development	5,703,323	264,230	5,967,553
Loss on inventory write-down	111,180	-	111,180
Loss on retirement of assets	40,538	-	40,538
	15,028,530	434,957	15,463,487
Loss from operations	(8,600,665)	(288,323)	(8,888,988)
Interest and other income	196,197	1,090	197,287
Loss and comprehensive loss for the period	\$ (8,404,468)	\$ (287,233)	\$ (8,691,701)
Non-current asset additions	\$ -	\$ -	\$ -
Finance cost <sup>(1)</sup>	\$ 5,736	\$ 12,103	\$ 17,839
As at April 30, 2024			
Current assets	\$ 17,436,283	\$ 241,176	\$ 17,677,459
Current liabilities	\$ 6,049,837	\$ 1,232,517	\$ 7,282,354

- (1) Finance costs relate to an embedded interest in lease commitments (Note 8) and are included in general and administrative expenses.



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Three and nine months ended April 30, 2024, and 2023

(Expressed in Canadian Dollars)

(Unaudited)

	For the nine months ended April 30, 2023		
	Platform	Xtract	Total
Revenue	\$ 1,950,431	\$ 386,695	\$ 2,337,126
Cost of revenue	\$ 899,789	\$ 193,891	1,093,680
Gross profit	\$ 1,050,642	\$ 192,804	\$ 1,243,446
Expenses			
Sales and marketing	3,426,586	21,343	3,447,929
General and administration	4,768,286	421,814	5,190,100
Research and development	5,058,439	278,901	5,337,340
Loss on inventory write-down	316,077	-	316,077
Loss on retirement of assets	104,241	-	104,241
	13,673,629	722,058	14,395,687
Loss from operations	(12,622,987)	(529,254)	(13,152,241)
Unrealized gain on investment	58,333	-	58,333
Interest and other income	53,545	24,029	77,574
Loss and comprehensive loss for the period	\$ (12,511,109)	\$ (505,225)	\$ (13,016,334)
Non-current asset additions	\$ -	\$ 32,539	\$ 32,539
Finance cost <sup>(1)</sup>	\$ 16,438	\$ 17,727	\$ 34,165
As at April 30, 2023			
Current assets	\$ 11,048,139	\$ 255,675	\$ 11,303,814
Current liabilities	\$ 1,764,346	\$ 1,180,485	\$ 2,944,831

(1) Finance costs relate to an embedded interest in lease commitments (Note 8) and are included in general and administrative expenses.



# Xtract One Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended April 30, 2024, and 2023

(Expressed in Canadian Dollars)

(Unaudited)

## Geographic Breakdown

The Platform segment currently conducts its operations globally. The Xtract segment operates within Canada.

Geographic location	For nine months ended April 30, 2024			As at April 30, 2024		
	Revenue			Non-current assets		
	Platform	Xtract	Total	Platform	Xtract	Total
United States	\$ 8,087,937	\$ -	\$ 8,087,937	\$ 5,058,218	\$ -	\$ 5,058,218
Japan	1,907,546	-	1,907,546	600,545	-	600,545
France	159,918	-	159,918	34,692	-	34,692
United Kingdom	118,160	-	118,160	329,580	-	329,580
Canada	58,478	388,011	446,489	1,399,530	162,012	1,561,542
Total	\$ 10,332,039	\$ 388,011	\$ 10,720,050	\$ 7,422,565	\$ 162,012	\$ 7,584,577

  

Geographic location	For nine months ended April 30, 2023			As at July 31, 2023		
	Revenue			Non-current assets		
	Platform	Xtract	Total	Platform	Xtract	Total
United States	\$ 1,950,431	\$ -	\$ 1,950,431	\$ 4,788,639	\$ -	\$ 4,788,639
Japan	-	-	-	467,897	-	467,897
Canada	-	386,695	386,695	1,680,377	257,400	1,937,777
Total	\$ 1,950,431	\$ 386,695	\$ 2,337,126	\$ 6,936,913	\$ 257,400	\$ 7,194,313

Revenue from two customers represented 28% of the Company's total revenue under the Platform operating segment for the nine months ended April 30, 2024 (2023 - three customers represented 50% of total Platform revenue).

## 17. Subsequent events

The following transactions occurred subsequent to the reporting period:

- On May 1, 2024, the Company issued an additional 2,042,500 Units in association with the full exercise of the agents' over-allotment option of the Prospectus Offering, for gross proceeds of \$1,041,675. In connection with the over-allotment offering, the Company paid cash commissions of \$72,917 and issued 142,975 Agents' Warrants.
- On May 1, 2024, concurrent with the closing of the over-allotment option exercise, the Company issued 391,751 MSG Units on a private placement basis to MSG Sports for total gross proceeds of \$199,793.
- On May 2, 2024, the Warrants were listed on the TSX under the trading symbol "XTRA.WT".