Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Xtract One Technologies Inc.:

The accompanying consolidated financial statements of Xtract One Technologies Inc. ("Xtract One" or the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Company's Board of Directors (the "Board").

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts that are based on best estimates and judgements of management and in the opinion of management present fairly, in all material respects, Xtract One's financial position, results of operations and cash flows, in accordance with IFRS.

Management has developed and maintains a system of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"). Management believes the ICFR and DC&P provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a basis for the preparation of the consolidated financial statements and that Xtract One's assets are properly accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board (the "Audit Committee"). The Audit Committee, comprised entirely of independent directors, meets periodically with management and the independent external auditor to satisfy itself that management's responsibilities are properly discharged and to recommend approval of the consolidated financial statements to the Board.

Davidson & Company LLP serves as the Company's external auditors. Davidson & Company LLP's report on the accompanying consolidated financial statements follows. It outlines the extent of its examination as well as an opinion on the consolidated financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

"Karen Hersh"
____
Chief Financial Officer

"Peter Evans"
____
Director, Chief Executive Officer

October 24, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Xtract One Technologies Inc.

Opinion

We have audited the accompanying consolidated financial statements of Xtract One Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3(n) of the consolidated financial statements, which indicates 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. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Revenue Recognition

<u>Revenue</u>

As described in Note 10 to the consolidated financial statements, during the year ended, July 31, 2024, the Company recognised revenue from operations of $16,358,007.

The significant value of revenue transactions and complex terms under which title and control pass to the customer increases the risk of cut-off errors. Further, the recognition of revenue involves estimation uncertainty in determining the percentage of completion of contracts. Due to the significance of revenue for the Company's consolidated financial statements, and since the calculations are based on estimations and are susceptible to potential manipulation, we consider this to be a key audit matter.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining a detailed understanding of each of the revenue streams and processes to capture and record revenue.
- Reviewing the accounting policy for revenue recognition for compliance with IFRS.
- For significant consulting contracts, we assessed the reasonability of management's estimate around percentage of completion by reviewing the terms of the contracts and work performed up to the end of the reporting period;
- On a test basis, tested sales transactions against sales contracts, invoices and shipping documents to assess that revenues have been recognized at appropriate prices and in the correct accounting period.
- On a sample basis, we vouched proceeds received against the terms of contract and invoices issued.

Inventory Valuation

Assessment of the valuation of inventories

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's inventory was $3,688,246 as at July 31, 2024. As more fully described in Note 3(e) to the consolidated financial statements, inventory is valued as the lower of cost and net realizable value on a weighted average basis. Management exercises judgement in determining net realizable value and related cost of inventory.

The principal considerations for our determination that inventory is a key audit matter are due to the estimation uncertainty underlying the valuation of inventory and the significant value of inventory to the consolidated financial statements as a whole.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Obtaining an understanding of the key controls over management's process in estimating the inventory volume on hand, costing, and determination of net realizable value.
- Assessing the reasonableness of the weighted average cost used in the determination of inventory value through review of underlying data including direct costs.
- Testing, on a sample basis, that the inventory has been valued at the lower of cost or net realizable value which included assessment of the effects of additional costs to sell and of component prices.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

October 24, 2024

Xtract One Technologies Inc.

Consolidated Statements of Financial Position as at July 31, 2024 and 2023
(Expressed in Canadian Dollars)

	July 31, 2024	July 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 8,628,521	$ 8,327,449
Receivables (Note 4)	3,862,199	847,429
Prepaid expenses and deposits	949,012	1,026,668
Current portion of deferred cost of revenue (Note 6)	371,309	-
Inventory (Note 5)	3,688,246	1,602,971
	17,499,287	11,804,517
Property and equipment (Note 7)	2,135,956	2,063,817
Intangible assets (Note 8)	4,465,755	4,843,700
Non-current portion of deferred cost of revenue (Note 6)	496,868	-
Right of use assets (Note 9)	344,304	286,796
Total assets	$ 24,942,170	$ 18,998,830
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,991,292	$ 2,519,350
Current portion of deferred revenue (Note 10)	3,443,524	968,509
Current portion of lease liability (Note 9)	190,400	232,483
	7,625,216	3,720,342
Non-Current liabilities		
Non-current portion of deferred revenue (Note 10)	3,155,579	411,232
Non-current portion of lease liability (Note 9)	190,526	124,358
	$ 10,971,321	$ 4,255,932
Shareholders' equity		
Share capital (Note 13)	$ 144,372,452	$ 135,823,337
Contributed surplus	16,163,950	14,420,259
Accumulated deficit	(146,565,553)	(135,500,698)
	$ 13,970,849	$ 14,742,898
Total liabilities and shareholders' equity	$ 24,942,170	$ 18,998,830

Reporting entity (Note 1)
Basis of preparation (Note 2)
Subsequent events (Note 20)

The accompanying notes form an integral part of these consolidated 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.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended July 31, 2024 and 2023
(Expressed in Canadian Dollars)

		2024		2023
Revenue (Note 10)				
Platform revenue	$	15,969,996	$	3,596,999
Xtract revenue		388,011		514,245
Total revenue	$	16,358,007	$	4,111,244
Cost of revenue (Note 11)				
Platform cost of revenue	$	5,858,611	$	1,383,623
Xtract cost of revenue		241,377		242,724
Total cost of revenue	$	6,099,988	$	1,626,347
Gross profit	$	10,258,019	$	2,484,897
Operating expenses (Notes 12, 14)				
Selling and marketing	$	5,593,432	$	4,566,130
General and administration		7,479,609		6,813,847
Research and development		8,265,043		7,078,280
Loss on inventory write-down (Note 5)		175,042		346,374
Loss on retirement of assets (Note 7)		95,066		181,107
Total operating expenses	$	21,608,192	$	18,985,738
Loss from operations		(11,350,173)		(16,500,841)
Other income (loss)				
Unrealized gain on investments		-		58,333
Realized loss on investment (Note 16)		-		(55,082)
Interest and other income		285,318		161,117
Loss and comprehensive loss for the year	$	(11,064,855)	$	(16,336,473)
Weighted average number of shares		203,820,258		176,664,492
Basic and diluted loss per share	$	(0.05)	$	(0.09)

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

Xtract One Technologies Inc.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended July 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Share Capital				
	Number of shares	Amount	Contributed surplus	Accumulated deficit	Total
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 13, 15)	736,683	574,928	(132,243)	-	442,685
Shares issued on the exercise of stock options (Notes 13, 15)	215,000	154,964	(54,777)	-	100,187
Shares issued on prospectus financing net of share issuance costs (Note 13)	16,100,000	6,358,056	780,265	-	7,138,321
Shares issued on private placement financing net of share issuance costs (Note 13)	3,087,979	1,461,167	113,702	-	1,574,869
Share-based compensation (Notes 12, 13,14)	-	-	1,036,744	-	1,036,744
Loss for the year	-	-	-	(11,064,855)	(11,064,855)
Balance - July 31, 2024	**218,388,237**	**$ 144,372,452**	**$ 16,163,950**	**$ (146,565,553)**	**$ 13,970,849**
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 warrants (Notes 13, 15)	2,630,700	2,236,095	(263,070)		1,973,025
Shares issued on the exercise of stock options (Notes 13, 15)	513,058	481,908	(180,023)	-	301,885
Shares issued on private placement financing net of share issuance costs (Note 13)	31,925,595	13,308,750	-	-	13,308,750
Share-based compensation (Notes 12, 13,14)	-	-	950,536	-	950,536
Loss for the year	-	-	-	(16,336,473)	(16,336,473)
Balance - July 31, 2023	198,248,575	$ 135,823,337	$ 14,420,259	$ (135,500,698)	$ 14,742,898

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

Xtract One Technologies Inc.

Consolidated Statements of Cash Flows
For the years ended July 31, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
Cash flow used in operating activities		
Loss and comprehensive loss for the year	$ (11,064,855)	$ (16,336,473)
Adjustment for:		
Share-based compensation (Note 12, 13, 14)	1,036,744	950,536
Depreciation (Notes 7, 9)	1,303,571	923,764
Amortization (Notes 8, 12)	805,900	805,900
Finance cost (Note 9, 15)	22,420	42,237
Loss on inventory (Note 5)	175,042	346,374
Loss on retirement of assets (Note 7)	95,066	181,107
Other income	-	(20,000)
Realized loss on investments (Note 16)	-	55,082
Unrealized gain on investments	-	(58,333)
	(7,626,112)	(13,109,806)
Changes in non-cash working capital		
Receivables	(3,014,770)	1,047,727
Prepaid expenses and deposits	77,656	(358,018)
Inventory	(4,522,739)	(2,198,583)
Deferred cost of revenue (Note 5)	250,853	-
Accounts payable and accrued liabilities	1,471,942	(99,732)
Deferred revenue	5,219,362	1,183,090
Cash used in operating activities	(8,143,808)	(13,535,322)
Cash flow used in investing activities		
Acquisition of intangible assets (Note 8)	(427,955)	-
Acquisition of right of use asset (Note 9)	(1,800)	-
Purchase of property and equipment (Note 7)	-	(32,539)
Disposal of investment - Gemina Labs (Note 16)	-	397,001
Cash (used in) received from investing activities	(429,755)	364,462
Cash flow from financing activities		
Proceeds on issue of share capital, net of share issue costs	9,256,062	15,583,660
Lease payments (Note 9)	(381,427)	(362,672)
Cash received from financing activities	8,874,635	15,220,988
Net increase in cash for the year	$ 301,072	$ 2,050,128
Cash beginning of the year	8,327,449	6,277,321
Cash end of the year	$ 8,628,521	$ 8,327,449

Supplemental cash flow information (Note 15)

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

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 (the "TSX") in Canada, "XTRAF" on the OTCQX in the United States, and "0PL" on the Frankfurt Stock Exchange in Germany. Certain warrants of the Company are also listed under the trading symbol "XTRA.WT" on the TSX in Canada. 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 Technologies"). 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 consolidated financial statements, including the comparative period, have been prepared in accordance with IFRS – Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and on a going concern basis. These consolidated financial statements were approved for issuance by the Board of Directors (the "Board") on October 24, 2024.

(b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Xtract Detection, Patriot UK, Xtract US, EhEye, and Xtract Technologies. 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.

(c) Functional and presentation currency

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

(Expressed in Canadian Dollars)

(d) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, if applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(e) 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 12.

Comparative amounts for the year ended July 31, 2023, in the consolidated statements of loss and comprehensive loss, have been reclassified for consistency. Since these amounts are within operating activities in the consolidated 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:

	Year ended July 31, 2023		
	Balance by nature	Reclassification	Balance by function
Cost of revenue	$ -	$ 1,626,347	$ 1,626,347
Sales and marketing	2,789,338	1,776,792	4,566,130
General and administration	6,206,176	872,104	7,078,280
Research and development	1,362,378	5,451,469	6,813,847
Personnel costs	5,723,359	(5,723,359)	-
Professional fees	677,469	(677,469)	-
Hardware	926,058	(926,058)	-
Amortization (Notes 8, 12)	805,900	(805,900)	-
Depreciation (Notes 7, 9)	643,390	(643,390)	-
Share-based compensation (Notes 12, 13, 14)	950,536	(950,536)	-
	$ 20,084,604	**$ -**	**$ 20,084,604**

3. Material accounting policies

(a) Deferred cost of revenue

During the year ended July 31, 2024, the Company incurred costs for hardware and software delivered to customers 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 year ended July 31, 2024, the Company recognized $1,045,377 (Note 6) (July 31, 2023 - $nil) as deferred cost of revenue, and expensed amortization of $250,853 (Note 6) (July 31, 2023 - $nil) as a component of cost of revenue.

(b) Revenue recognition

Revenue arising from the sale of the Platform is recognized as the Company fulfills its performance obligations. The main revenue streams for the Platform include upfront commercial sales and subscription sales. Upfront commercial sales of the Platform are made to either resellers or direct customers and revenue is recognized upon acceptance. Consideration for service and maintenance obligations is recognized as revenue over the term of the contract or when the service is provided as the obligation is met. Revenue from subscription sales is recognized over the duration of the subscription period on a straight-line basis.

Revenue arising from providing customized research and software development is measured at the fair value of the consideration received or receivable. Contract revenue includes the initial contractual amount plus any variations in contract work, claims and incentive payments, to the extent that they are probable and can be measured reliably. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

(c) Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss).

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents and receivables are measured at amortized cost with subsequent impairments recognized in the statement of profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to the estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the statement of profit or loss for the year.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated and subsequently measured as either: (i) fair value through profit or loss; or (ii) amortized cost. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified and carried on the statement of financial position at amortized cost.

As of July 31, 2024, and 2023, the Company does not have any derivative financial liabilities.

(d) Intangible assets

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditures are recognized in the statement of profit or loss as incurred. In subsequent periods, capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

The useful life of intangible assets is considered either finite or indefinite.

When the Company assesses the intangible asset life as finite, it applies a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset less its estimated residual value. Amortization is recognized in profit or loss on a sales-based rate over the estimated useful lives of the intangible assets from the date they are available for use. Where a sales-based rate could not be determined, the straight-line approach is used. Intangible assets arising from a service concession arrangement are amortized according to the unit of production method. These methods most closely reflect the expected pattern of consumption of the future economic benefits embodied in each asset.

Intangible assets assessed with indefinite useful lives are not periodically amortized but are tested for impairment at least annually, either at the individual level or cash-generating unit level. An assessment is made at least annually to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

Internally generated intangible assets are not systematically amortized while they are not available for use (i.e., they are not yet on site or in working condition for their intended use). Accordingly, these intangible assets, such as development costs, are tested for impairment at least once a year, until such date as they are available for use.

(e) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are periodically reviewed for impairment due to slow-moving and obsolete inventory. The provisions for obsolete, slow-moving, or defective inventories are recognized in the statements of loss and comprehensive loss. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

(f) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and the exercise of options and warrants that would be anti-dilutive.

(g) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current tax expense is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of profit or loss in the year that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the tax benefit will be realized.

(h) Cash and cash equivalents

Cash and cash equivalents consist of balances and investments in highly liquid short-term deposits, which may be converted into cash within 24 hours. Deposits with banks and short-term interest-bearing investments with an original term to maturity greater than three months but less than one year are presented as short-term investments.

As at July 31, 2024, the Company held a number of fixed guaranteed investment certificates (“GIC”) valued at $69,350 (July 31, 2023 - $98,100), which are included and presented as cash equivalents. These GICs are considered highly liquid and readily convertible into cash, and as such, they are included in the calculation of cash and cash equivalents.

(i) Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Proceeds from unit placements are allocated between shares and warrants using the residual value method which first allocates value to the more easily measurable component, common shares, as determined by the closing market price on the date of the announcement. The balance is then allocated to the attached warrants.

(j) Share-based compensation

The Company may grant stock options of the Company to allow directors, officers, employees, and consultants to acquire common shares of the Company. Stock options granted to directors, officers, and employees are measured at their fair values determined on the date of grant using the Black-Scholes option pricing model and recognized as an expense over the vesting periods of the options.

Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair value if the fair value of the goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

(k) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated as the cost of property and equipment less the estimated residual value over the estimated useful lives of the assets on a declining balance basis and is recognized in profit or loss. The depreciation rates are as follows:

Furniture and fixtures	22%
Office equipment	25%
Computer hardware	55%
Leasehold improvements	Straight line over the term of the lease
Subscription and demo assets	Straight line over its useful life (three years)

Depreciation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in the statement of profit or loss. When property and equipment are disposed of through asset retirement in which no proceeds are obtained, the loss is recorded through loss on retirement of assets on the consolidated statements of loss and comprehensive loss.

(l) Leases

Leases are accounted for in accordance with IFRS 16 – *Leases* ("IFRS 16"). At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right of use asset and a right of use liability at the lease commencement date. The right of use asset is initially measured based on the initial amount of the right of use liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The assets are depreciated over the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right of use asset can be periodically reduced for impairment losses, if any, and adjusted for certain remeasurements of the right of use liability.

The right of use liability is initially measured at the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The right of use liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the right of use liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset. The Company has elected to apply the following practical recognition exemptions and practical expedients, as described under IFRS 16:

- recognition exemption of short-term leases;
- recognition exemption of low-value leases;
- application of a single discount rate to a portfolio of leases with similar characteristics on transition;
- exclusion of initial direct costs from the measurement of the right-of-use assets upon transition;
- application of hindsight in determining the applicable lease term at the date of transition; and
- election to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(m) Impairment of non-financial assets

All intangible assets are periodically reviewed for impairment. The estimated present value of future cash flows associated with the intangible asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, and the resulting loss is directly recognized in the statement of profit or loss for the year.

All property and equipment and definite life intangibles are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable value is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

(n) Material accounting judgments, estimates, and assumptions

The preparation of these consolidated 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 consolidated 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.

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

The Company currently has two distinct operating segments, Platform and Xtract (Note 19).

Revenue arising from the Platform operating segment, being 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.

For the Xtract operating segment, 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.

Going concern

The preparation of the Company's consolidated 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 consolidated 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 consolidated 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.

(o) 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
iii. clarify 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.

(Expressed in Canadian Dollars)

4. Receivables

Receivables are comprised of the following:

		July 31, 2024		July 31, 2023
Trade receivables	$	3,268,990	$	512,926
Taxes receivable		593,209		334,503
	$	**3,862,199**	**$**	**847,429**

As of July 31, 2024, the Company had made a provision of $53,068 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:

		July 31, 2024		July 31, 2023
Components and work-in-progress	$	375,653	$	720,430
Finished goods		3,312,593		882,541
	$	**3,688,246**	**$**	**1,602,971**

During the year ended July 31, 2024, the Company recorded total inventory sold of $2,978,281 (2023 - $645,684) under the cost of revenue. The Company has reclassified inventory in the amount of $2,231,085 (July 31, 2023 - $1,293,629) to subscription and demo assets, $45,865 (July 31, 2023 - $61,643) to office equipment (Note 7) and $1,045,377 (July 31, 2023 - $nil) to deferred cost of revenue (Note 6). As of July 31, 2024, the Company had outstanding purchase obligations of $2,850,453 (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 year ended July 31, 2024, the Company recognized a loss of $175,042 (2023 - $346,374) related to obsolete inventory.

(Expressed in Canadian Dollars)

6. Deferred cost of revenue

The Company's deferred cost of revenue consists of hardware and software delivered to customers in advance of recognizing revenue, and is summarized below:

		Deferred cost of revenue
Cost		
Balance at July 31, 2022 and 2023	$	-
Additions		1,561,774
Reclassification		(516,397)
Balance at July 31, 2024	**$**	**1,045,377**
Accumulated amortization		
Balance at July 31, 2022 and 2023	$	-
Amortization		250,853
Reclassification		(73,653)
Balance at July 31, 2024	**$**	**177,200**
Carrying amount as at July 31, 2023	$	-
Carrying amount as at July 31, 2024	**$**	**868,177**
Current portion of deferred cost of revenue		(371,309)
Non-current portion of deferred cost of revenue	$	496,868

These costs are deferred until the corresponding revenues are recognized, at which point they are amortized to cost of revenue. For the year ended July 31, 2024, the Company recognized $1,045,377 in deferred cost of revenue (July 31, 2023 - $nil), expensed $250,853 to cost of revenue (2023 - $nil), and reclassified a net of $442,744 to inventory (July 31, 2023 - $nil).

(Expressed in Canadian Dollars)

7. Property and equipment

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

	Office equipment	Computer hardware	Furniture & fixtures	Subscription & demo assets	Leasehold improvements	Total
Cost						
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)
Balance at July 31, 2023	**$ 1,612,488**	**$ 490,792**	**$ 154,766**	**$ 1,564,316**	**$ 244,178**	**$ 4,066,540**
Reclassification	45,865	-	-	678,000	-	723,865
Retirement of assets	(217,881)	(164,509)	-	-	(85,910)	(468,300)
Balance at July 31, 2024	**$ 1,440,472**	**$ 326,283**	**$ 154,766**	**$ 2,242,316**	**$ 158,268**	**$ 4,322,105**
Accumulated depreciation						
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
Retirement of assets	(102,465)	(42,599)	(165,086)	(27,301)	-	(337,451)
Balance at July 31, 2023	**$ 1,039,696**	**$ 431,589**	**$ 100,512**	**$ 292,855**	**$ 138,071**	**$ 2,002,723**
Depreciation	144,909	29,385	11,936	738,367	51,590	976,187
Reclassification	-	-	-	(419,527)	-	(419,527)
Retirement of assets	(142,272)	(161,313)	-	-	(69,649)	(373,234)
Balance at July 31, 2024	**$ 1,042,333**	**$ 299,661**	**$ 112,448**	**$ 611,695**	**$ 120,012**	**$ 2,186,149**
Carrying amount as at July 31, 2023	$ 572,792	$ 59,203	$ 54,254	$ 1,271,461	$ 106,107	$ 2,063,817
Carrying amount as at July 31, 2024	**$ 398,139**	**$ 26,622**	**$ 42,318**	**$ 1,630,621**	**$ 38,256**	**$ 2,135,956**

During the year ended July 31, 2024, the Company recorded depreciation of subscription assets in the amount of $691,264 (2023 - $253,173) under the cost of revenue (Note 11). During the year ended July 31, 2024, the Company wrote off $95,066 in disposals of property and equipment (2023 - $181,107).

(Expressed in Canadian Dollars)

8. Intangible assets

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

		Quasar licensed distribution rights		EhEye intellectual property		Internally developed intellectual property		Total
Cost								
Balance at July 31, 2022 and July 31, 2023	$	6,574,000	$	1,250,000	$	235,000	$	8,059,000
Additions		-		-		427,955		427,955
Balance at July 31, 2024	**$**	**6,574,000**	**$**	**1,250,000**	**$**	**662,955**	**$**	**8,486,955**
Accumulated amortization								
Balance at July 31, 2022	$	2,001,025	$	343,750	$	64,625	$	2,409,400
Amortization		657,400		125,000		23,500		805,900
Balance at July 31, 2023	$	2,658,425	$	468,750	$	88,125	$	3,215,300
Amortization		657,400		125,000		23,500		805,900
Balance at July 31, 2024	**$**	**3,315,825**	**$**	**593,750**	**$**	**111,625**	**$**	**4,021,200**
Carrying amount as at July 31, 2023	$	3,915,575	$	781,250	$	146,875	$	4,843,700
Carrying amount as at July 31, 2024	**$**	**3,258,175**	**$**	**656,250**	**$**	**551,330**	**$**	**4,465,755**

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 five years.

EhEye - Intellectual property

In connection with the acquisition of EhEye during the year ended July 31, 2019, the Company acquired intellectual property of $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 five 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 five years.

(Expressed in Canadian Dollars)

In fiscal 2024, the Company determined that a further $427,955 of directly attributable development expenditures met the criteria for capitalization. As at July 31, 2024, the Company has determined that this technology is not yet available for commercial use, but will be in fiscal year 2025, therefore amortization on the capitalized expenditures is expected to commence in the next fiscal year.

9. 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 year ended July 31, 2024, the Company remeasured its right of use asset and liability for two of its properties due to lease term extensions, and entered into one new office lease agreement. The acquisition cost of the new lease agreement was $1,800 (July 31, 2023 - $nil), which was capitalized as part of the right of use asset.

The carrying amounts of the Company's right of use assets, liabilities, and the movements for the year ended July 31, 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 (Note 15)	-	42,237
Lease payments	-	(362,672)
As at July 31, 2023	$ 286,796	$ 356,841
Additions	242,181	240,381
Depreciation	(327,384)	-
Finance costs (Note 15)	-	22,420
Remeasurement	142,711	142,711
Lease payments	-	(381,427)
As at July 31, 2024	$ 344,304	$ 380,926

(Expressed in Canadian Dollars)

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

Fiscal year	Amount
2025	$ 204,625
2026	84,350
2027	91,350
2028	23,276
Effects of discounting	(22,675)
Right of use liabilities	$ 380,926
Current portion of right of use liabilities	(190,400)
Non-current portion of right of use liabilities	$ 190,526

During the year ended July 31, 2024, there were no short term or low value leases recorded (2023 - $nil).

10. Revenue

Revenue recognized during the year ended July 31, 2024, relates to Platform and Xtract revenue (Note 19).

The Company recognized $15,969,996 (2023 - $3,596,999) in revenue related to the sale of and subscription to use the Platform during the year ended July 31, 2024. As at July 31, 2024, accounts receivable for Platform revenue was $3,268,990 (July 31, 2023 - $360,059) and deferred revenue was $6,599,103 (July 31, 2023 - $1,379,741).

The Company recognized $388,011 (2023 - $514,245) in revenue from Xtract during the year ended July 31, 2024. As at July 31, 2024, accounts receivable for work completed on contracts was $nil (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 July 31,	
	Less than one year	Greater than one year	2024	2023
Platform revenue	$ 6,597,982	$ 7,189,854	$ 13,787,836	$ 4,126,486
Xtract revenue	-	-	-	393,872
Total backlog*	**$ 6,597,982**	**$ 7,189,854**	**$ 13,787,836**	**$ 4,520,358**

* Backlog figures exclude contracted sales that are pending installation.

(Expressed in Canadian Dollars)

11. Cost of revenue

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

	Year ended July 31, 2024	Year ended July 31, 2023
Product	$ 4,150,855	$ 917,741
Installation	474,031	75,070
Shipping	312,729	83,995
Depreciation	691,264	253,173
Salaries and commissions	471,109	296,368
	$ 6,099,988	**$ 1,626,347**

12. Operating expenses

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

	Year ended July 31, 2024			
	General and Administration	Research and Development	Sales and Marketing	Total
Personnel costs	$ 4,137,337	$ 4,939,599	$ 3,445,188	$ 12,522,124
Professional fees	573,235	86,585	-	659,820
Facilities	193,640	95,138	-	288,778
Tradeshows and advertising	-	-	1,866,405	1,866,405
Development supplies	-	1,801,414	-	1,801,414
Insurance	239,869	-	-	239,869
Share-based compensation (Note 13, 14)	679,331	265,494	91,920	1,036,745
Depreciation (Note 7, 9)	565,199	-	47,108	612,307
Amortization (Note 8)	-	805,900	-	805,900
Other	1,090,998	270,913	142,811	1,504,722
	$ 7,479,609	**$ 8,265,043**	**$ 5,593,432**	**$ 21,338,084**

(Expressed in Canadian Dollars)

	Year ended July 31, 2023			
	General and Administration	Research and Development	Sales and Marketing	Total
Personnel costs	$ 3,433,134	$ 4,742,215	$ 2,808,263	$ 10,983,612
Professional fees	617,504	74,491	-	691,995
Facilities	185,660	84,788	-	270,448
Tradeshows and advertising	-	-	1,458,048	1,458,048
Development supplies	-	928,825	-	928,825
Insurance	221,123	-	-	221,123
Share-based compensation (Note 13, 14)	618,185	236,965	95,386	950,536
Depreciation (Note 7, 9)	643,390	-	27,201	670,591
Amortization (Note 8)	-	805,900	-	805,900
Other	1,094,851	205,096	177,232	1,477,179
	$ 6,813,847	**$ 7,078,280**	**$ 4,566,130**	**$ 18,458,257**

13. Share capital

Authorized capital

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

Share capital

The issued and outstanding share capital is as follows:

	Year ended July 31, 2024		Year ended July 31, 2023	
	Number of shares	Amount	Number of shares	Amount
Balance beginning of year	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	215,000	154,964	513,058	481,908
Shares issued on prospectus financing, net of share issue costs	16,100,000	6,358,056	-	-
Shares issued on private placement financing, net of share issue costs	3,087,979	1,461,167	31,925,595	13,308,750
Balance end of year	218,388,237	$ 144,372,452	198,248,575	$ 135,823,337

On April 24, 2024, the Company issued 14,057,500 units (the "Units") at a price of $0.51 per unit 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. The fair value of the Warrants issued to investors was $0.032, for an aggregate fair value of $449,841, 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.

(Expressed in Canadian Dollars)

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"). The total fair value of the Agents' Warrants was $166,461 with each exercisable into one Common Share at an exercise price of $0.51 until April 24, 2026.

On May 1, 2024, the Company issued an additional 2,042,500 Units in association with the full exercise of the agent over-allotment option of the Prospectus Offering, for gross proceeds of $1,041,575. Each Unit consisted of one Common Share of the Company and one common share purchase warrant (each, an "Over-Allotment Warrant"). The fair value of the Over-Allotment Warrants issued to investors was $0.07, for an aggregate fair value of $142,975, which was calculated using the residual value approach. In connection with the over-allotment offering the Company paid cash commissions of $72,917 and issued 142,975 Agents' Warrants with a total fair value of $20,988 with each warrant exercisable into one Common Share at an exercise price of $0.51 until April 24, 2026.

On May 1, 2024, concurrent with the closing of the Prospectus Offering 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. Each MSG Unit consisted of one Common Share of the Company and one common share purchase warrant (each, an "MSG Over-Allotment Warrant"). The fair value of the MSG Over-Allotment Warrants issued under the Private Placement was $0.07, for an aggregate fair value of $27,423, calculated using the residual value approach.

The total fair value of the Agents' Warrants was $187,449, calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	May 1, 2024	April 24, 2024
Expected life	2 years	2 years
Expected market volatility of shares	66.0%	66.0%
Share price	$ 0.45	$ 0.49
Expected dividend rate	0%	0%
Exercise price	$ 0.51	$ 0.51
Risk-free interest rate	3.81%	3.82%
Weighted average fair value per warrant granted	$ 0.147	$ 0.170

Additional transaction costs associated with the Prospectus Offering and Private Placement were $498,965.

(Expressed in Canadian Dollars)

During the prior fiscal year ended July 31, 2023, the Company entered into a private placement agreement with MSG Sports. and issued 31,925,595 units (each a "PP Unit") at a price of $0.42 per PP Unit, for total gross proceeds of $13,408,750. Each PP Unit was comprised of one Common Share and one common share purchase warrant (each a "PP Warrant") exercisable at a price of $0.60 for a period of five years following the date of its issuance. The Company paid total share issue costs of $100,000. The Company measured the fair value of PP Units using the residual 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 PP Warrants. Accordingly, the proceeds of the issuance of the PP Units issued on February 10, 2023, and on April 12, 2023, through the private placement, were fully allocated to the Common Shares.

Warrants

Warrant activity for the years ended July 31, 2024, and July 31, 2023, is as follows:

	Year ended July 31, 2024		Year ended July 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance beginning of year	41,548,456	0.63	12,253,561	0.74
Warrants issued on financing	20,312,914	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 year	61,075,159	$ 0.63	41,548,456	$ 0.63

As at July 31, 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	7.6
1,124,935	$ 0.51	April 24, 2026	20.8
19,187,979	$ 0.64	April 24, 2027	32.8
20,000,000	$ 0.60	February 10, 2028	42.3
11,925,595	$ 0.60	April 12, 2028	44.4
61,075,159	$ 0.63		34.3

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, 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 year ended July 31, 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.

(Expressed in Canadian Dollars)

The stock option activity for the years ended July 31, 2024, and July 31, 2023, are as follows:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance beginning of year	9,680,386	$ 0.75	9,758,579	$ 0.91
Granted	3,474,818	0.70	3,542,636	0.57
Exercised	(215,000)	0.47	(513,058)	0.59
Forfeited / Expired	(1,690,000)	1.36	(3,107,771)	1.05
Balance end of year	11,250,204	$ 0.65	9,680,386	$ 0.75

During the year ended July 31, 2024, the Company recognized share-based compensation related to stock options of $1,036,744 (2023 - $950,536).

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

	Year ended July 31, 2024	Year ended July 31, 2023
Expected life	3.4 years	3.7 years
Expected market volatility of shares	69.0%	74.0%
Share price	$ 0.67	$ 0.56
Expected dividend rate	0%	0%
Exercise price	$ 0.69	$ 0.57
Risk-free interest rate	4.08%	3.04%
Weighted average fair value per option granted	$ 0.320	$ 0.291

(Expressed in Canadian Dollars)

Details of the outstanding stock options as at July 31, 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
40,000	$ 1.81	September 6, 2024 *	1.2	40,000	$ 1.81
150,000	$ 1.21	December 23, 2024	4.8	150,000	$ 1.21
75,000	$ 1.37	January 21, 2025	5.7	75,000	$ 1.37
30,000	$ 0.69	May 11, 2025	9.4	30,000	$ 0.69
250,000	$ 0.97	August 10, 2025	12.3	250,000	$ 0.97
18,750	$ 0.69	September 15, 2025	13.5	18,750	$ 0.69
30,000	$ 0.56	October 29, 2025	15.0	30,000	$ 0.56
720,000	$ 0.57	November 11, 2025	15.4	720,000	$ 0.57
60,000	$ 0.49	March 22, 2026	19.7	60,000	$ 0.49
803,750	$ 0.52	June 15, 2026	22.5	803,750	$ 0.52
140,000	$ 0.43	October 25, 2026	26.8	105,000	$ 0.43
135,000	$ 0.44	December 8, 2026	28.3	135,000	$ 0.44
1,207,500	$ 0.73	February 16, 2027	30.5	902,500	$ 0.73
100,000	$ 0.54	April 1, 2027	32.0	75,000	$ 0.54
150,000	$ 0.54	April 4, 2027	32.1	112,500	$ 0.54
700,000	$ 0.57	April 13, 2027	32.4	525,000	$ 0.57
125,000	$ 0.46	June 14, 2027	34.5	125,000	$ 0.46
125,000	$ 0.42	July 11, 2027	35.4	125,000	$ 0.42
708,750	$ 0.38	October 3, 2027	38.1	335,625	$ 0.38
1,000,000	$ 0.50	January 13, 2028	41.4	1,000,000	$ 0.50
448,348	$ 0.69	March 17, 2028	43.6	448,348	$ 0.69
250,000	$ 0.75	April 24, 2028	44.8	125,000	$ 0.75
86,644	$ 0.95	June 16, 2028	46.5	43,322	$ 0.95
400,000	$ 0.90	July 1, 2028	47.0	200,000	$ 0.90
101,644	$ 0.91	July 10, 2028	47.3	50,822	$ 0.91
2,048,750	$ 0.68	October 3, 2028	50.1	512,188	$ 0.68
555,068	$ 0.69	February 7, 2029	54.2	138,767	$ 0.69
141,000	$ 0.69	March 15, 2029	55.5	35,250	$ 0.69
650,000	$ 0.75	July 9, 2029	59.3	650,000	$ 0.75
11,250,204	**$ 0.65**		**37.8**	**7,821,822**	**$ 0.64**

** Options were unexercised and expired subsequent to year end.*

Loss per share

Stock options and warrants are not included in the calculation of fully diluted loss per share for the year ended July 31, 2024, and 2023, as these instruments are anti-dilutive.

14. 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 and corporate officers. During the year ended July 31, 2024, two additional personnel were added as key executive officers. Key management compensation earned by officers and directors of the Company during the year ended July 31, 2024, was $2,055,732 (2023 - $1,386,079). In addition, share-based compensation expense relating to key management for the year ended July 31, 2024, was $668,840 (2023 - $628,501).

(Expressed in Canadian Dollars)

As at July 31, 2024, there was $482,000 (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 years ended July 31 2024 and 2023.

15. Supplemental cash flow information

Non-cash financing and investing activities during the year ended July 31, 2024, conducted by the Company are as follows:

Transfer of inventory to property and equipment (Note 5)	$	2,276,950
Transfer of inventory to deferred cost of revenue (Note 5)	$	1,045,377
Fair value of 1,124,935 warrants issued for broker fee (Note 13)	$	187,449
Fair value of 19,187,979 warrants issued to investors (Note 13)	$	706,518
Transfer of contributed surplus on the exercise of warrants	$	132,243
Transfer of contributed surplus on the exercise of stock options	$	54,777

Non-cash financing and investing activities during the year ended July 31, 2023, conducted by the Company are as follows:

Transfer of inventory to property and equipment (Note 5)	$	1,355,272
Transfer of contributed surplus on the exercise of stock options	$	180,023
Transfer of contributed surplus on the exercise of warrants	$	263,070

No cash was paid toward income taxes during the years ended July 31, 2024, and 2023. The Company incurred finance costs embedded in its lease payments of $22,420 during the year ended July 31, 2024 (2023 - $42,237).

16. Financial instruments and risk management

As at July 31, 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 approximate fair value due to the short-term nature of the instruments. The Company's cash and cash equivalents are carried at amortized cost.

During the year ended July 31, 2023, the Company had an investment in Gemina Laboratories Ltd. ("Gemina Labs") which was measured through fair value through quoted market share prices. On

July 18, 2023, the Company sold its investment in Gemina Labs for $397,001 net of commissions of $4,010, resulting in a loss on disposal of $55,082.

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 July 31, 2024, the Company had current assets of $17,499,287 to settle current liabilities of $7,625,216. 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 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 relative to the U.S. dollar. This primarily includes cash and cash equivalents, trade and other receivables, and trade and other payables. A 5% appreciation or depreciation of the CAD against the USD as of the reporting date would have resulted in an increase or decrease in profit or loss by approximately $314,779 assuming all other variables remain constant. During the year ended July 31, 2024, the Company generated a portion of revenue in U.S. dollars, along with corresponding expenses in U.S. dollars. Management continues to evaluate its foreign currency risk as the business grows internationally.

(Expressed in Canadian Dollars)

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 year, and therefore, exposure to price risk is insignificant.

17. Capital management

The Company defines its capital as its shareholders' equity. The Company manages its capital structure and makes adjustments based on the funds available to the Company, in order to support the research, development and commercialization of its integrated, layered, AI-powered threat detection gateway solution. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent upon external financing to fund activities. In order to carry out planned research and development and pay for administrative costs, the Company will spend its existing working capital and will raise additional funds if needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies, and processes have not been changed over the year presented. The Company is not subject to any externally imposed capital requirements.

18. Income taxes

The reconciliation of the combined federal and provincial income tax rate to the income tax expenses presented in the consolidated statements of loss and comprehensive loss is as follows:

	Year ended July 31, 2024	Year ended July 31, 2023
Loss for the year before income taxes	$ (11,064,855)	$ (16,336,473)
Combined Canadian federal and provincial statutory rate	27%	27%
Income tax recovery at statutory rate	(2,988,000)	(4,411,000)
Reconciliation of effective rate:		
Change in statutory, foreign tax, foreign exchange rates and other	(122,000)	136,000
Permanent differences	314,000	256,000
Share issue costs	(290,000)	(27,000)
Adjustment to prior year provision versus statutory tax return	283,000	27,000
Changes in unrecognized deductible temporary timing differences and other items	2,803,000	4,019,000
Current tax recovery	$ -	$ -

(Expressed in Canadian Dollars)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2024		2023	
	Amount	Expiry	Amount	Expiry
Research and development assets	$ 198,000	indefinite	$ 198,000	indefinite
ROU assets and lease liability	37,000	indefinite	70,000	indefinite
Investment tax credit	613,000	indefinite	613,000	indefinite
Property and equipment	3,044,000	indefinite	3,123,000	indefinite
Share issue costs	1,560,000	2045 to 2048	1,148,000	2044 to 2047
Non-capital losses - Canada	84,087,000	2036 to 2044	71,880,000	2036 to 2043
Non-capital losses - United States	13,974,000	indefinite	16,806,000	indefinite
Non-capital losses - United Kingdom	2,368,000	indefinite	2,365,000	indefinite
	$ 105,881,000		$ 96,203,000	

19. 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 year ended July 31, 2024 and 2023:

(Expressed in Canadian Dollars)

	For the year ended July 31, 2024		
	Platform	Xtract	Total
Revenue	$ 15,969,996	$ 388,011	$ 16,358,007
Cost of revenue	5,858,611	241,377	$ 6,099,988
Gross profit	$ 10,111,385	$ 146,634	$ 10,258,019
Expenses			
Sales and marketing	5,592,540	892	5,593,432
General and administration	7,266,226	213,383	7,479,609
Research and development	7,996,286	268,757	8,265,043
Loss on inventory write-down	175,042	-	175,042
Loss on retirement of assets	95,066	-	95,066
	21,125,160	483,032	21,608,192
Loss from operations	(11,013,775)	(336,398)	(11,350,173)
Interest and other income	284,228	1,090	285,318
Loss and comprehensive loss for the year	$ (10,729,547)	$ (335,308)	$ (11,064,855)
Non-current asset additions	$ -	$ -	$ -
Finance cost(1)	$ 7,433	$ 14,987	$ 22,420
As at July 31, 2024			
Current assets	$ 17,443,140	$ 56,147	$ 17,499,287
Current liabilities	$ 6,444,793	$ 1,180,423	$ 7,625,216

(1) Finance costs relate to an embedded interest in lease commitments (Note 9) and are included in general and administrative expenses.

(Expressed in Canadian Dollars)

	For the year ended July 31, 2023		
	Platform	Xtract	Total
Revenue	$ 3,596,999	$ 514,245	$ 4,111,244
Cost of revenue	$ 1,383,623	$ 242,724	1,626,347
Gross profit	$ 2,213,376	$ 271,521	$ 2,484,897
Expenses			
Sales and marketing	4,548,976	17,154	4,566,130
General and administration	6,302,580	511,267	6,813,847
Research and development	6,758,643	319,637	7,078,280
Loss on inventory write-down	346,374	-	346,374
Loss on retirement of assets	181,107	-	181,107
	18,137,680	848,058	18,985,738
Loss from operations	(15,924,304)	(576,537)	(16,500,841)
Unrealized gain on investment	58,333	-	58,333
Realized loss on investment	(55,082)	-	(55,082)
Interest and other income	137,087	24,030	161,117
Loss and comprehensive loss for the year	$ (15,783,966)	$ (552,507)	$ (16,336,473)
Non-current asset additions	$ -	$ 32,539	$ 32,539
Finance cost[1]	$ 19,590	$ 22,647	$ 42,237
As at July 31, 2023			
Current assets	$ 11,523,425	$ 281,092	$ 11,804,517
Current liabilities	$ 2,886,139	$ 1,245,435	$ 4,131,574

(1) Finance costs relate to an embedded interest in lease commitments (Note 9) and are included in general and administrative expenses.

(Expressed in Canadian Dollars)

Geographic Breakdown

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

	For year ended July 31, 2024			As at July 31, 2024		
	Revenue			Non-current assets		
Geographic location	Platform	Xtract	Total	Platform	Xtract	Total
United States	$ 12,906,667	$ -	$ 12,906,667	$ 4,528,450	$ -	$ 4,528,450
Japan	2,301,375	-	2,301,375	496,868	-	496,868
France	396,711	-	396,711	-	-	-
United Kingdom	215,974	-	215,974	301,330	-	301,330
Canada	149,269	388,011	537,280	1,986,018	130,217	2,116,235
Total	$ 15,969,996	$ 388,011	$ 16,358,007	$ 7,312,666	$ 130,217	$ 7,442,883

	For year ended July 31, 2023			As at July 31, 2023		
	Revenue			Non-current assets		
Geographic location	Platform	Xtract	Total	Platform	Xtract	Total
United States	$ 2,548,518	$ -	$ 2,548,518	$ 4,788,639	$ -	$ 4,788,639
Japan	1,048,481	-	1,048,481	467,897	-	467,897
Canada	-	514,245	514,245	1,680,377	257,400	1,937,777
Total	$ 3,596,999	$ 514,245	$ 4,111,244	$ 6,936,913	$ 257,400	$ 7,194,313

Revenue from two customer groups represented 28% of the Company's total revenue under the Platform operating segment for the year ended July 31, 2024 (2023 – two customers represented 47% of total Platform revenue).

20. Subsequent events

The following transactions occurred subsequent to the reporting period:

i. On August 22, 2024, 12,500 stock options were exercised and converted into common shares for gross proceeds of $4,750.

ii. On September 4, 2024, the Company entered into a lease agreement for a new office and research lab in Toronto, Ontario. The lease is expected to commence on March 1, 2025, after a rent-free fixturing period. The lease has a term of five years, with annual lease payments of $219,051.

iii. On October 7, 2024, the Company granted 3,259,000 employee stock options with an exercise price of $0.67 per option. The options were granted with a term of five years and a vesting period over three years.