FOBI AI INC.

Consolidated Financial Statements

Years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

CAN Partners LLP
Chartered Professional Accountants
PUBLIC ACCOUNTANTS and ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Fobi AI Inc.:

Opinion

We have audited the consolidated financial statements of Fobi AI Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2025, and the consolidated statements of loss and comprehensive loss, consolidated statement of changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2025, and its consolidated financial performance and its consolidated cash flows for the year 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2025 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of these matters.

Other Matters - *Comparative Information*

The consolidated financial statements of the Company for the year ended June 30, 2024 were audited by another auditor who expressed an unqualified opinion on those statements on September 29, 2025.

As described in Note 5 to the financial statements, certain comparative figures have been re-presented to reflect the classification of a discontinued operation in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Our opinion is not modified in respect of this matter.

Key Audit Matters

Disposal of Subsidiary and Presentation as Discontinued Operations

Description of the Matter

During the year ended June 30, 2025, the Company completed the sale of its wholly owned subsidiary, Fobi AI Germany GmbH ("Passcreator"). As a result of the transaction, the subsidiary was deconsolidated and its results were presented as discontinued operations in the consolidated financial statements.

We identified the disposal of Passcreator as a key audit matter due to the significance of the transaction to the consolidated financial statements and the judgment involved in determining the appropriate accounting treatment.

In particular, judgment was required in determining the date on which control was lost, assessing whether the disposal met the criteria for presentation as a discontinued operation, and determining the appropriate presentation of the gain on disposal.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures included, among others, the following:

- **Understanding the transaction and loss of control:**
  We reviewed the share purchase agreement and related transaction documentation to understand the structure of the disposal, the transfer of ownership interests, and the contractual terms relevant to determining when control of the subsidiary transferred to the purchaser.

- **Assessment of derecognition and discontinued operations presentation:**
  We evaluated management's determination that the disposal met the criteria for classification as a discontinued operation and assessed whether the subsidiary was appropriately derecognized as of the disposal date.

- **Evaluation of gain on disposal:**
  We assessed management's calculation of the gain on disposal, including the derecognition of the subsidiary's net assets and the treatment of cumulative foreign currency translation amounts.

- **Consideration of audit scope and available information:**
  Our procedures were designed to assess whether any differences in the subsidiary's closing balances would have a material impact on the consolidated financial statements, taking into account the structure of the transaction and the presentation of the disposed entity within discontinued operations.

- **Presentation and disclosure:**
  We reviewed the presentation and disclosure of the discontinued operation in the consolidated financial statements, including the comparative information, to assess consistency with the applicable financial reporting framework.

<u>Revenue Recognition</u>

Description of the Matter

The Company generates revenue from platform-based services, subscription arrangements, and related support services. Revenue recognition involves judgment in determining the appropriate timing of recognition and assessing whether performance obligations are satisfied over time or at a point in time in accordance with IFRS 15 *Revenue from Contracts with Customers*.

We identified revenue recognition as a key audit matter due to the significance of revenue to the financial statements and the judgment involved in applying the Company's accounting policies. During the year, a significant portion of the Company's historical revenue related to Passcreator, which was disposed of and presented as a discontinued operation.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures included, among others, the following:

- **Understanding revenue streams and policies:**
  We obtained an understanding of the Company's revenue streams and evaluated management's revenue recognition policies for consistency with IFRS 15, including the identification of performance obligations and the timing of revenue recognition.

- **Assessment of revenue composition and materiality:**
  We assessed the relative significance of the Company's revenue streams and considered the extent to which revenue from continuing operations contributed to the consolidated results, noting that a significant portion of historical revenue related to the discontinued operations.

- **Review of contracts and supporting documentation:**
  On a sample basis, we reviewed customer contracts and related documentation to understand key commercial terms, including pricing, service periods, and the nature of the promised goods or services.

- **Substantive procedures:**
  We performed substantive procedures over selected revenue transactions, including agreeing recorded amounts to underlying invoices and, where applicable, to subsequent cash receipts. We also considered whether revenue recognition patterns were consistent with contractual terms and historical trends.

- **Consideration of period-end recognition:**
  We evaluated whether revenue recognized during the period was consistent with the timing of service delivery and contractual arrangements, taking into account the Company's historical revenue patterns and the nature of its ongoing activities.

Other Information

Management is responsible for the other information. The other information comprises the Management 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 as issued by the International Accounting Standard Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

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

CAN Partners LLP

Markham, Ontario
March 27, 2026

Chartered Professional Accountants
Licensed Public Accountants

Fobi AI Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		As at June 30, 2025		As at June 30, 2024
Assets					
Current assets					
Cash		**$**	1,344,431		222,700
Accounts receivable	(Note 6)		198,282		608,248
Prepaid expenses			-		227,579
Total Current Assets			1,542,713		1,058,527
Non-current assets					
Equipment	(Note 8)		-		5,274
Right-of-use asset	(Note 9)		26,260		51,803
Intangible assets	(Note 10)		-		458,629
Total Assets		**$**	1,568,973	$	1,574,233
Current liabilities					
Accounts payable and accrued liabilities	(Note 12)	$	4,532,840	$	2,921,974
Income tax payable			-		399,844
Current portion of lease liabilities	(Note 14)		15,379		25,454
Deferred revenue			45,346		226,290
Total Current Liabilities			4,593,565		3,573,562
Long-term liabilities					
Lease liabilities	(Note 14)		13,735		29,111
Warrant liabilities	(Note 17)		-		4,244
Total long-term liabilities			13,735		33,355
Total Liabilities			4,607,300		3,606,917
Shareholders’ equity (deficiency)					
Share capital	(Note 15)		60,291,050		60,291,050
Contributed surplus			19,756,607		19,756,607
Deficit			(83,101,713)		(81,992,381)
Accumulated other comprehensive loss			15,731		(87,960)
Total Equity			(3,038,325)		(2,032,684)
Total Liabilities and Shareholders’ equity (deficiency)		**$**	1,568,973	$	1,574,233

Nature of operations, going concern and continuance of business (Note 1)
Commitments and contingencies (Note 20)
Subsequent events (Note 23)

Approved and authorized for issuance on behalf of the Board of Directors on March 27, 2026:

/s/ “Jeffrey Hyman”	*/s/ “Robert Douglas Anson”*
Director	Director

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

Fobi AI Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the years ended June 30,			
	Note		**2025**		**2024**
Revenue					
PaaS	(Note 22)	$	464,813	$	1,136,143
Support services	(Note 22)		42,812		201,122
Total revenue from continuing operations			507,625		1,337,265
Expenses					
Advertising and marketing			164,986		695,211
Amortization and depreciation	(Notes 8, 9, 10)		490,537		1,720,432
Consulting fees			269,403		842,766
Bad debts	(Note 6)		-		(36,827)
Insurance			91,048		121,757
Investor relations			(5,182)		78,668
Office and general			135,849		185,151
Professional fees			415,103		1,163,039
Rent			43,671		53,953
Research			121,928		274,356
Share-based compensation	(Note 16)		-		1,153,929
Technology costs			181,750		368,017
Transfer agent and filing fees			6,191		177,096
Travel			11,104		65,625
Wages and benefits			1,529,481		3,010,225
Total operating expenses from continuing operations			(3,455,869)		(9,873,398)
Other income (loss)					
Other income			18,736		12,834
Interest and accretion expense			(61,395)		(556,825)
Interest income			-		4,688
Impairment of Goodwill and Intangible assets	(Notes 10,11)		-		(439,841)
Foreign exchange gain (loss)			(23,969)		(20,665)
Change in value of contingent consideration			-		15,697
Loss from sale of investments	(Note 7)		-		(31,936)
Unrealized gain on warrants	(Note 17)		4,244		355,967
Net loss before income taxes from continuing operations			(3,010,630)		(9,196,214)
Current income tax expense			-		(92,026)
Deferred income tax recovery			-		110,360
Net loss from continuing operations		$	(3,010,630)	$	(9,177,880)
Net income (loss) from discontinued operations	(Note 5)		1,901,298		(1,818,732)
Net loss			(1,109,332)		(10,996,612)
Exchange difference on translating foreign operations			25,385		21,610
Comprehensive loss			(1,083,947)		(10,975,002)
Continuing operations net loss per share - basic & diluted		$	(0.01)	$	(0.05)
Discontinued operations net income (loss) per share - basic & diluted			0.01		(0.01)
Total net loss per share - basic and diluted			0.00		(0.06)
Weighted average number of common shares outstanding (basic and diluted)			224,597,977		189,835,812

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

Fobi AI Inc.

Consolidated Statements of Changes in Shareholders Equity
(Expressed in Canadian Dollars)

	Common Shares					
	Number	**Amount**	**Contributed Surplus**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total Shareholders' Equity (Deficiency)**
		$	**$**	**$**	**$**	**$**
Balance, June 30, 2023	**166,367,901**	**56,605,978**	**17,068,177**	**(109,570)**	**(70,995,769)**	**2,568,816**
Issuance of common shares for cash, net of share issuance costs (Note 15(a)-(f))	49,315,247	2,027,081	2,199,661	-	-	4,226,742
Issuance of common shares for acquisition of assets (Note 15(g))	476,126	41,899	-	-	-	41,899
Issuance of common shares for services (Note 15(h))	770,421	58,552	-	-	-	58,552
Stock options exercised (Notes 16)	4,671,854	1,347,790	(665,160)	-	-	682,630
Issuance of common shares to settle debt (Note 15(i))	2,996,428	209,750	-	-	-	209,750
Share-based compensation (Notes 16, 17)	-	-	1,153,929	-	-	1,153,929
Exchange difference on translating foreign operations	-	-	-	21,610	-	21,610
Net loss	-	-	-	-	(10,996,612)	(10,996,612)
Balance, June 30, 2024	**224,597,977**	**60,291,050**	**19,756,607**	**(87,960)**	**(81,992,381)**	**(2,032,684)**
Share-based compensation (Notes 16, 17)	-	-	-	-	-	-
Exchange difference on translating foreign operations	-	-	-	103,691	-	103,691
Net loss	-	-	-	-	(1,109,332)	(1,109,332)
Balance, June 30, 2025	**224,597,977**	**60,291,050**	**19,756,607**	**15,731**	**(83,101,713)**	**(3,038,325)**

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

Fobi AI Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended,	
	June 30, 2025	**June 30, 2024**
Cash flows provided by (used in) operating activities		
Net loss	**$** (1,109,332)	(10,996,612)
Items not affecting cash:		
Amortization and depreciation	490,537	1,886,768
Expected credit losses	22,703	(17,429)
Deferred income tax recovery	-	(107,295)
Shares issued for services	-	58,552
Change in fair value of contingent consideration	-	(15,697)
Interest and accretion expense	7,298	2,310
Share-based compensation	-	1,153,929
Loss on sale of investments	-	31,936
Unrealized gain on warrants	(4,244)	(355,967)
Impairment of goodwill	-	1,498,646
Impairment of intangible assets	-	643,467
Impairment of equipment	-	9,540
Unrealized foreign exchange gains	(1,091)	(8,971)
Gain on disposition of Fobi AI Germany GmbH	(1,887,320)	-
Changes in non-cash working capital:		
Accounts receivable	137,234	(350,972)
Prepaid expenses	211,946	(205,873)
Accounts payable and accrued liabilities	1,358,905	1,739,850
Income tax payable	-	399,844
Proceeds from sale of shares received from customers	-	69,264
Deferred revenue	(84,818)	(313,104)
Net cash provided by (used in) operating activities	**(858,182)**	**(4,877,814)**
Cash flows used in investing activities		
Right-of-use asset	-	(42,290)
Proceeds on disposition of Fobi AI Germany GmbH	2,186,082	-
Cash disposed on disposition of Fobi AI Germany GmbH	(199,073)	-
Net cash used in investing activities	**1,987,009**	**(42,290)**
Cash flow provided by (used in) financing activities		
Proceeds from shares issued for cash	-	4,472,995
Share issuance costs	-	(246,253)
Proceeds from exercise of options	-	682,630
Repayment of principal portion of the lease liability	(32,751)	10,581
Net cash provided by (used in) financing activities	**(32,751)**	**4,919,953**
Effect of exchange rate changes on cash and cash equivalents	25,655	21,610
Change in cash	1,121,731	21,459
Cash, beginning	222,700	201,241
Cash, ending	**$ 1,344,431**	**$ 222,700**

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

1. Nature of Operations, Going Concern and Continuance of Business

Fobi AI Inc. (the "Company") was incorporated under the laws of the province of British Columbia, Canada, on January 12, 1987, under the name 320092 British Columbia Ltd. A separate company, AlkaLi3 with operations in the province of Alberta, changed its name to AlkaLi3 Resources Inc. ("AlkaLi3") and began trading on the NEX board of the TSX Venture Exchange ("TSXV") under the symbol "ALK.H" on August 16, 2016. On June 12, 2019, Loop Insights Inc. and AlkaLi3 entered into an amalgamation agreement and amalgamated as one company under the name Loop Insights Inc. On June 2, 2021, Loop Insights Inc. changed its name to Fobi AI Inc. And on May 31, 2021, the Company's trading name changed to "FOBI" on TSX Venture Exchange and to "FOBIF" on OTCQF.

Fobi AI Inc. is a Canadian technology company operating in the technology industry. The Company generates revenue from software-as-a-service ("SaaS") offerings, as well as from reselling, referring, and licensing its technology, and from consulting and development services. The Company operates in Canada, the United States, and Europe through its wholly owned subsidiaries (Note 2c). On June 11, 2025, the Company disposed of its wholly-owned German subsidiary, Fobi AI Germany GmbH (Note 5), resulting in the deconsolidation of that subsidiary and the classification of its results as discontinued operations.

The registered address of the Company's corporate office and principal place of business is Suite 1002, 1322 West Broadway, Vancouver, British Columbia, V6H 1H2.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, these consolidated financial statements do not include any adjustments that would be required if the Company were unable to continue as a going concern.

As at June 30, 2025, the Company had an accumulated deficit of $83,101,713 (June 30, 2024 – $81,992,381) and negative cash flows from operating activities of $858,182 during the year (2024 – $4,877,814). The Company requires additional financing to fund its ongoing operating activities and meet its obligations as they come due.

During the year ended June 30, 2025, the Company disposed of its wholly-owned subsidiary, Fobi AI Germany GmbH (Note 5), which resulted in the deconsolidation of that subsidiary and provided additional liquidity. In addition, subsequent to year end, the Company has initiated a private placement financing, as described in Note 23, which management expects to provide additional working capital.

Based on existing cash resources, the proceeds from the disposal of the subsidiary, and the anticipated completion of financing activities, management believes that the Company will have sufficient liquidity to meet its obligations for at least the twelve months following the date these consolidated financial statements. However, the Company's ability to continue as a going concern is dependent upon the successful completion of its financing plans and the achievement of forecasted operating results.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that may be required if the Company is unable to continue as a going concern.

2. Basis of Preparation

a) Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with IFRS® Accounting Standards ("IFRS®") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 27, 2026.

b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities, which are measured at fair value.

c) Basis of Consolidation and Functional Currency

The consolidated financial statements are presented in Canadian Dollars (CAD), which is also the functional currency of the parent company.

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiaries	Country of incorporation	Functional currency	Percentage of ownership
Fobi AI (USA) Inc.	USA	US Dollar	100%
Pulse Investor Services Ltd.	Canada	CAD	100%
Passworks, S.A.	Portugal	Euros	100%
*Fobi AI Germany GmbH	Germany	Euros	0%

*Disposed of Fobi AI Germany GmbH in June 2025

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

d) Disposal of Fobi AI Germany GmbH and classification as discontinued operations

As part of the efforts to meet the Company's obligations, the Company sold its subsidiary Fobi AI Germany GmbH and as such, Fobi AI Germany GmbH's net income attributable are presented as discontinued operations in the consolidated financial statements.

Upon the loss of control of a subsidiary, the Company derecognizes the assets and liabilities of the subsidiary, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations. A component comprises of operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. When the Company classifies an operation as a discontinued operation, it re-presents the comparative Consolidated Statements of Loss and Comprehensive Loss as if the operation had been discontinued from the start of the comparative year.

2. Basis of Preparation (continued)

Discontinued operations and any gain or loss from disposal are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of net loss and comprehensive loss.

Additional disclosures are provided in Note 5. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

3. Material Accounting Policies

a) Revenue Recognition

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer; b) identification of the performance obligations in the contract; c) determination of the transaction price; d) allocation of the transaction price for the performance obligations in the contract and e) recognition of revenue when the Company satisfies a performance obligation. The company has the following revenue streams:

i. Revenue from platform-as-a-service (PaaS) arrangements, which allows customers on-demand access to a complete, ready-to-use, cloud-hosted platform for developing, running, maintaining and managing applications. Revenue from the PaaS, which includes wallet passes and coupon subscriptions, is recognized in the month they are earned.
ii. Revenue from support services arrangements, which include implementation, technical support, and maintenance of the Company's products. These support services are billed based on man-hours spent, and do not provide customization of the products offered by the Company.

The Company's technologies in relation to software revenue and PaaS provide the customer with a right to access the technologies as they exist when made available to the customer. The Company also, from time to time, enters into contracts that contain multiple services such as maintenance and support for its products. In accordance with IFRS 15, the Company evaluates these arrangements to determine the appropriate accounting treatment in order to recognize revenue based on whether the multiple products in the contract are distinct. A product is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the product or services is separately identifiable from other promises in the contract. Non-distinct products or services are combined with other products or services until they are distinct as a bundle and therefore form a single performance obligation.

The Company recognizes PaaS revenue over the period of time when control of the software has been transferred. Revenue from support services is recognized as man-hours are spend and billed to the customer. Revenue is measured at the amount of consideration to which the Company expects to be entitled, including variable consideration to the extent that it is highly probable that a significant reversal will not occur. For customer contracts where the Company expects to be paid within one year, the consideration is not adjusted for the effects of a financing component.

For PaaS customer contracts where the Company provides services over a specific term, the Company defers revenue upon entering into an agreement and recognizes revenue on a straight-line basis over the contract period. Unrecognized revenue at period end is shown on the statement of financial position as deferred revenue.

3. Material Accounting Policies (continued)

b) Impairment of non-financial Assets

The carrying value of the Company's non-financial assets are reviewed at each reporting period to determine if indicators of impairment are present. If any such indicator exists, the asset's recoverable amount is estimated. For the purpose of impairment testing, the recoverable amount is determined for an individual asset or grouped together into a CGU, which represents the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of loss and comprehensive loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. With the exception of goodwill, impairments of non-financial assets recognized in a prior period are re-assessed at the end of each reporting period to determine if indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the asset or CGUs carrying amount. The reversal of an impairment loss may not exceed the carrying amount, net of depreciation or amortization, of the asset or CGU had no impairment loss been recognized.

The carrying amount of the CGU or group of CGUs to which goodwill has been allocated is tested annually for impairment or when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a CGU or group of CGUs, any impairment of goodwill previously recorded is not subsequently reversed.

c) Business Combination

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs. Where the acquired assets do not constitute a business, they are considered an asset acquisition and recorded at cost.

On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Company's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognized in the consolidated statements of loss and comprehensive loss.

3. Material Accounting Policies (continued)

The consideration transferred by the Company to acquire control of an entity is calculated as the sum of the acquisition date fair values of the assets transferred, liabilities incurred and equity interests issued by the Company, including the fair value of all the assets and liabilities resulting from a deferred payment arrangement. Acquisition-related costs are expensed as incurred. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's weighted average cost of capital, calculated by estimating a specific company risk premium over the risk-free rate. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss. Where shares are issued as consideration for business combinations, a discount for lack of marketability is calculated where there are restrictions on shares.

During the year ended June 30, 2024, the Company completed a transaction described in Note 10 and concluded that the transaction was an asset acquisition. The assets acquired were intangible assets. Management applied significant judgment in making this determination in accordance with IFRS 3. In particular, the Company applied the optional concentration test to assess whether substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable asset or a group of similar identifiable assets.

Based on this assessment, management concluded that the concentration test was met, as the transaction involved the acquisition of a single category of intangible assets without the acquisition of any substantive processes or outputs. Accordingly, the acquired set did not constitute a business, and the transaction was accounted for as an asset acquisition.

d) Investment in Associate

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date.

At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that its investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of investment in an associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

e) Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. The Company amortizes its office equipment on a straight-line basis over three years. The Company amortizes its hardware on a straight-line basis over three years once it is available for use. Right-of-use assets are amortized over the lease term of the underlying asset.

3. Material Accounting Policies (continued)

f) Intangible Assets

Intangible assets, acquired separately, are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Following the initial recognition, acquired intangible assets are measured at the carrying value less accumulated amortization and impairment losses, if any. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Management is amortizing the intangible assets over the following periods:

Intellectual property	3 years
Customer relationships	3 years
Developed technology	5 years
Non-compete	5 years

Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

g) Goodwill

Goodwill is measured as the excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired. Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill acquired through a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs that are expected to benefit from the related business combination. The Company has determined it has two separate CGUs to which goodwill has been allocated to: Passcreator and Passworks.

h) Cash

Cash includes deposits held with major financial institutions.

i) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

3. Material Accounting Policies (continued)

j) Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. The Company classifies its financial assets in the following categories: (i) amortized cost; or (ii) 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 initially 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.

Financial assets are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in the consolidated statements of loss and comprehensive loss. Financial assets measured at amortized cost are comprised of cash and accounts receivable.
- Mandatorily at fair value through profit or loss - assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income or loss, are measured at FVTPL. All interest income and changes in the financial assets' carrying amount are recognized in the consolidated statements of loss and comprehensive loss. Financial assets measured at FVTPL are comprised of investments.

Designated at fair value through profit or loss – on initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains or losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in the consolidated statements of loss and comprehensive loss. No financial assets were designated FVTPL on initial recognition.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money. The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

3. Material Accounting Policies (continued)

Financial liabilities:
The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities are classified as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statements of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method. Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

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

The Company has classified its classification of its financial instruments as follows:

Classification of financial instruments

Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Warrant liabilities	FVTPL
Contingent consideration	FVTPL

Impairment

The impairment of financial assets under IFRS 9 is based on an expected credit loss (“ECL”) model. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company assesses whether there has been a significant increase in credit risk since initial recognition or a financial asset is credit impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants.

For financial assets with significant increase in credit risk since initial recognition and financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the financial asset.

3. Material Accounting Policies (continued)

The Company elected to apply the simplified approach and measure loss allowances for accounts receivable at an amount equal to lifetime ECLs applied at each reporting date. The Company adopted the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experience to estimate lifetime ECL adjusted for estimated changes to credit risks and forecasts of future economic conditions, and the results are discussed in Note 6. Credit losses are recorded in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. When an impairment loss has decreased in a subsequent period, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed immediately in the consolidated statements of loss and comprehensive loss. The reversal of an impairment loss may not exceed the amortized cost had no impairment loss been recognized.

k) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity.

l) Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

m) Share-based Payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants, as detailed in Note 16. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted. Equity settled share-based payments under share-based payment plans are ultimately recognized as an expense in the consolidated statements of loss and comprehensive loss with a corresponding credit to contributed surplus, in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

n) Research

The Company incurs costs on activities that relate to research of new products and services. Research costs are expensed as incurred.

3. Material Accounting Policies (continued)

o) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred income tax

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

p) Segment Reporting

The Company currently operates in a single operating segment. The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Marker, or “CODM”) in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

q) Foreign Currency

Assets and liabilities of entities having a functional currency other than the CAD are translated into the CAD presentation currency at the rate of exchange at the reporting period end date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive income included in shareholders’ equity. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

3. Material Accounting Policies (continued)

r) Accounting Pronouncements Issued but Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after July 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company's consolidated financial statements.

Amendment to IAS 1 – Non-current liabilities with covenants

On October 31, 2022, the IASB issued amendments "Non-current liabilities with covenants". These amendments were in response to concerns raised on applying previous amendments to the classification of liabilities as current or non-current that would have become effective for reporting periods beginning on or after January 1, 2023.

The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The new amendments are effective for annual reporting periods beginning on or after January 1, 2024, and override the previous amendments. The Company does not have liabilities with covenants, as such the amendments would not have an impact on the financial statements.

Amendment to IFRS 9 and IFRS 7 Financial Instruments Disclosures - *Classification and Measurement of Financial Instruments*

On 30 May 2024, the IASB issued targeted amendments to IFRS 9, 'Financial Instruments', and IFRS 7, 'Financial Instruments: Disclosures'. The amendments respond to recent questions arising in practice, and include new requirements not only for financial institutions but also for corporate entities. These new requirements will apply from January 1, 2026, with early application permitted.

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation that apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its "operating profit or loss".

IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS® requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

4. Significant Accounting Estimates and Judgments (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Estimated useful lives of long-lived assets
Depreciation and amortization of equipment and intangible assets are dependent upon estimates of useful lives. Management bases these estimates on a number of factors, including product life cycle, expected usage and comparative industry standards. Useful life is based on the period over which an asset is expected to be available for use by the Company.

Goodwill impairment testing and recoverability of long-lived assets
The determination of a CGU is based on management's significant judgment and is an assessment of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amounts of the CGUs were estimated based on an assessment of the higher of value in use using a discounted cash flow approach and fair value less costs of disposal. The approach uses cash flow projections based upon a financial forecast approved by management, covering a four-to-five-year period. Cash flows projections until the end of an asset or CGUs useful life are extrapolated using the estimated terminal growth rate for value in use impairment analysis. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events.

Share-based compensation
The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation which requires the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of share-based compensation.

Business combinations
Management applies judgement in determining whether it has acquired a business as part of a transaction. Significant judgement is used to determine whether acquired processes are considered substantive. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

All acquisitions, except for WalletCom, have been accounted for as business combinations using the acquisition method. The WalletCom acquisition (Note 10) was accounted for as an asset acquisition. Management applied significant judgment in making this determination, including the application of the concentration test under IFRS 3. The test was met, as substantially all of the fair value of the acquired assets was concentrated in a single identifiable intangible asset, and no substantive processes were acquired. As a result, the transaction did not meet the definition of a business under IFRS 3.

Further, significant judgments are necessary in assessing the taxable status of the business combinations, which has a direct correlation to the recognition of a deferred tax liability, for any difference in basis between tax and accounting, and corresponding amount in goodwill. An assessment by a tax authority that concluded differently could materially change the deferred tax amounts. The Company bases their judgments on their assessment of the facts of the underlying contractual agreements.

4. Significant Accounting Estimates and Judgments (continued)

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date

Deferred tax assets and liabilities
The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Revenue recognition
Management applies judgement in its evaluation of whether the applicable criteria for revenue recognition have been met. The Company uses significant judgment to assess whether services sold in a customer contract are considered distinct and should be accounted for as separate performance obligations.

The Company's contracts with customers often include promises to transfer multiple goods and services to a customer. Determining whether goods and services are considered distinct performance obligations that should be accounted for separately versus together may require judgment. Judgment is also needed in assessing the ability to collect the corresponding receivables.

Going concern
At the end of each reporting period, management exercises significant judgment in assessing the Company's ability to continue as a going concern and operate in the normal course by reviewing the Company's performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's assessment are derived from actual operating results along with industry and market trends.

Expected credit losses
The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company also reviews current economic conditions from time to time and assesses whether there would be any impact on the expected credit losses.

Fair value of financial instruments
The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses significant judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of significant judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market

(Expressed in Canadian Dollars)

5. Discontinued Operations

On June 11, 2025, the Company executed and closed an agreement with Hans ehf to sell 100% of the shares in Fobi AI Germany GmbH which was part of the Europe segment. Under the terms of the agreement, the total purchase price is EUR 1.54 million equivalent to $2,186,082 which resulted in a gain of $1,887,320 after deducting the net asset of $220,726 and recycled accumulated foreign exchange translation loss of $78,036. From the closing proceeds, $313,360 was used to pay off outstanding legal payables and tax owing as stipulated in the agreement.

The agreement also includes certain non-solicitation covenants and customary representations and warranties that remain in effect for periods ranging from 3 to 5 years.

The results of the discontinued operations are presented below:

	June 11, 2025
	$
Cash	199,073
Amounts receivable	248,587
Prepaid expenses	15,633
Other current assets	1,443
Assets disposed	464,735
Accounts payable and accrued liabilities	147,883
Deferred revenue	96,126
Liabilities disposed	244,009
Net assets disposed	220,726

The summarized results of discontinued operations is as follows for the period ended June 11, 2025 and the year ended June 30, 2024:

	June 11, 2025	**June 30, 2024**
	$	**$**
Revenue	2,218,417	1,583,533
Expenses and other		
Advertising and marketing	(45,569)	(16,389)
Amortization	-	(166,336)
Bad debts	(22,703)	(19,398)
Insurance	(5,886)	(4,440)
Office and general	(89,121)	(61,461)
Professional fees	(91,420)	(43,584)
Rent	(38,094)	(45,927)
Technology costs	(823,517)	(581,235)
Wages and benefits	(1,066,855)	(751,253)
Other income	10,480	2,596
Impairment	-	(1,711,812)
Foreign currency gain (loss)	-	39
Deferred income tax recovery	(31,752)	(3,065)
	13,978	(1,818,732)
Gain on sale	1,887,320	-
Net gain from discontinued operations	**1,901,298**	**(1,818,732)**

(Expressed in Canadian Dollars)

5. Discontinued Operations (continued)

The net cash flows from the disposal group are, as follows:

	June 11, 2025	June 30, 2024
	$	$
Net cash flows from operating activities	140,318	46,510
Net cash flows used in investing activities – excluding proceeds from disposal of the discontinued operations described above	-	-
Net cash flows used in financing activities	-	-
Net cash provided by discontinued operations	**140,318**	**40,380**

6. Accounts Receivable

		June 30, 2025		June 30, 2024
GST/VAT recoverable	$	41,452	$	61,525
Trade accounts receivable		155,456		544,723
Shareholder loan		1,374		2,000
	$	**198,282**	**$**	**608,248**

The Company recorded an allowance on bad debts of $nil for the year-ended June 30, 2025 (2024 - $17,429 recovery).

7. Investment

Investment in BevWorks Brands Inc.

On June 21, 2023, BevWorks Brands Inc. (“BevWorks”) exercised its option to issue 11,875,000 common shares (the “Equity”) to the Company in consideration for the use of the Company’s technology in relation to the agreement completed between BevWorks Brands Co. and the Company on March 24, 2023.

As per the agreement, the Company entered into a license agreement to grant BevWorks a non-exclusive license to use the Company’s platform to enhance, market and commercialize their business. The Equity equaled 50% of all outstanding shares of BevWorks at the time of issuance. In accordance with IFRS 10 and 28, the Company’s interest in BevWorks is recorded as an investment in an associate, accounted for using the equity method, given BevWorks founders have operational control and the board is made up of two members appointed by BevWorks and one member appointed by the Company. On acquisition and as of June 30, 2023, the value of this investment was $nil.

During the years ended June 30, 2025 and 2024, the Company did not enter into any transactions with BevWorks, and the associate did not make use of the license granted. As such, the investment is considered to be impaired. Given that the value of the investment had been recorded as $nil, there was no impact recorded on the Company’s statement of income.

(Expressed in Canadian Dollars)

8. Equipment

	Total $
Cost:	
Balance, June 30, 2023	224,644
Foreign exchange	-
Impairment adjustment	(9,540)
Balance, June 30, 2024 and 2025	215,104
Accumulated depreciation:	
Balance, June 30, 2023	100,874
Foreign exchange	(6,126)
Depreciation	49,859
Balance, June 30, 2024	209,830
Foreign exchange	(1,091)
Depreciation	6,365
Balance, June 30, 2025	215,104
Carrying amounts:	
Balance, June 30, 2024	5,274
Balance, June 30, 2025	-

9. Right-of-use Assets

	Total $
Cost:	
Balance, June 30, 2023	85,515
Additions	36,671
Dispositions	(19,593)
Balance, June 30, 2024 and June 30, 2025	102,593
Accumulated depreciation:	
Balance, June 30, 2023	47,699
Depreciation	28,303
Dispositions	(25,212)
Balance, June 30, 2024	50,790
Depreciation	25,543
Balance, June 30, 2025	76,333
Carrying amounts:	
Balance, June 30, 2024	51,803
Balance, June 30, 2025	26,260

(Expressed in Canadian Dollars)

10. Intangible Assets

On September 22, 2021, the Company entered into an Asset Purchase Agreement with Qples to acquire certain assets including the Qples SaaS coupon management platform 4.0, the Grocery Coupon Network Mobile App, the Qples Platform 3.0, and to assume specified liabilities ("Purchased Assets"). In consideration for the Purchased Assets, the Company paid US$2,120 ($2,704), issued 1,222,551 common shares with a fair value of $3,569,848, and granted a US$294,405 ($375,543) loan to Qples. The loan was paid directly by the Company to the Small Business Administration ("SBA") on behalf of Qples as repayment in full by Qples of its loan from the SBA. The loan is subject to repayment by Qples to the Company using proceeds from the sale of 114,212 shares of the Company ("SBA Pay-out Shares"), on the date that is four months and one day after the issuance of SBA Pay-Out shares. On March 27, 2022, the Company and Qples entered into an amending agreement whereby the repayment period of the loan was extended to April 1, 2023. On May 19, 2023, Qples disposed of the SBA Payout shares and paid $41,579 in cash to the Company to settle the Loan. As the fair value of the SBA-Payout shares was reduced to $46,256 at June 30, 2022, the Company recorded a realized loss on loan receivable of $4,677 to reduce the carrying value of the loan receivable as at June 30, 2023, to $nil.

As additional consideration for the Purchased Assets, in the event the aggregate gross revenue generated directly from the Purchased Assets during the period January 1, 2022, to December 31, 2022, exceeded $1,600,000 and $3,200,000, the Company shall issue to Qples an aggregate of $500,000 and $1,000,000 of Earn-Out Shares respectively ("Revenue Targets"). As at June 30, 2023, Revenue Targets were not reached and no Earn-Out Shares were due to Qples.

On April 25, 2024, the Company completed its acquisition of certain assets related to the Wallet Com application from Wallet Communication SL. In consideration the Company issued 476,126 common shares with a fair market value of $41,899. The acquisition was accounted for as an asset acquisition.

The Company reviews the carrying value of its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year ended June 30, 2025, the intangible asset balance was $nil, therefore no indicators of impairment were noted. During the year ended June 30, 2024, the Company identified indicators of impairment related to the Passworks, Passcreator and Wallet Com assets, as a result of this assessment an impairment adjustment of $1,224,281 was made to intangible assets for the period ended June 30, 2024.

	Total $
Cost:	
Balance, June 30, 2023	5,993,227
Additions	41,899
Impairment	(1,224,281)
Foreign currency adjustment	12,321
Balance, June 30, 2024 and June 30, 2025	4,823,166
Accumulated amortization:	
Balance, June 30, 2023	3,127,269
Amortization	1,808,606
Impairment	(580,814)
Foreign currency adjustment	9,476
Balance, June 30, 2024	4,364,537
Amortization	458,629
Balance, June 30, 2025	4,823,166
Carrying amounts:	
Balance, June 30, 2024	458,629
Balance, June 30, 2025	-

(Expressed in Canadian Dollars)

11. Goodwill

Below is the allocation of goodwill to the different CGUs identified by the Company:

	Passcreator	Passworks	Total
Balance as at June 30, 2022	$ 1,182,751	$ -	$ 1,182,751
Acquired on acquisition	-	230,001	230,001
Foreign currency adjustment	85,894	-	85,894
Balance as at June 30, 2023	$ 1,268,645	$ 230,001	$ $1,498,646
Impairment loss	(1,268,645)	(230,001)	(1,498,646)
Balance as at June 30, 2024 and 2025	**$ -**	**$ -**	**$ -**

At June 30, 2024, based on the impairment test, the Company determined that the goodwill and intangible assets were impaired due to the financial performance and negative cashflows from operations. As a result, management recorded an impairment loss of $1,498,646 (2023 - $nil).

Details relating to the discount cash flow models using in the goodwill asset impairment tests of the Company are as follows:

Valuation basis	Value-in-use
Key Assumptions	Terminal growth rate Revenue growth rate Discount rate Income tax rate Projected EBITDA
Determination of assumptions	Terminal growth rates are based on management’s estimate of future long-term average growth rates. Revenue growth rates are based on past performance and management’s estimate of future long-term average growth rates. Discount rates are based on the Company’s weighted average cost of capital for each CGU. Income tax rates are based on appropriate rates per region. Projected EBITDA is based on past performance and management’s estimate of future long-term average growth rates.
Period of specific projected cash flows	5 years

Below are the key assumptions used in the discounted cash flow models:

	Passcreator	Passworks
Discount rate	27.50%	28.0%
Income tax rate	15.8%	20.0%
Terminal growth rate	2%	2%
Projected EBITDA	2%	2%
Revenue growth rate	2%	2%

The Company determined the rates above based on past performance and its expectations for future performance. The discount rates used reflect specific risks in relation to each CGU. Changes in inputs, such as discount rates and future cash flows, are subject to estimate and changes in these inputs can materially impact the estimated recoverable amount of the intangible assets and goodwill.

12. Accounts Payable and Accrued Liabilities

	June 30, 2025	June 30, 2024
Accounts payable	$ 3,075,228	$ 2,320,540
Accrued liabilities	1,457,612	601,434
	$ 4,532,840	**$ 2,921,974**

(Expressed in Canadian Dollars)

13. Related Party Transactions and Balances

The Company's related parties with transactions during the year ended June 30, 2025, consist of directors, officers and the following companies controlled by directors and officers:

Related party	Nature of transactions	June 30, 2025	June 30, 2024
		$	$
Catapult Consulting Corp. (Officer)	Professional fees	-	126,000
Vancouver Corporate Solutions (Corporate Secretary)	Professional fees	54,119	46,292
Lotz CPA Professional Corporation (former CFO)	Professional fees and share-based payments	238,685	83,090

No post-employment benefits, other long-term benefits and termination benefits were made during the year ended June 30, 2025. Key management compensation during the years ended June 30, 2025 and 2024, inclusive of their related companies, consists of the following:

		June 30, 2025		June 30, 2024
Salaries, wages and professional fees		838,182		1,077,774
Share-based payments		-		62,877
	$	**838,182**	**$**	**1,140,651**

As at June 30, 2025, the Company has amounts payable to its directors and officers totaling $162,485 (June 30, 2024- $18,179 payable) which is included in accounts receivable and accounts payable and accrued liabilities for the prior year. The amounts receivable is unsecured, non-interest bearing and due on demand.

14. Lease Liabilities

		June 30, 2025		June 30, 2024
Lease liability, beginning of period	$	54,565	$	41,674
Leases recognized during the period		-		36,671
Disposition of lease		-		(2,716)
Finance costs		7,298		2,310
Lease payments		(32,751)		(23,374)
Lease liability, end of period		**29,112**		**54,565**
Less current portion		15,379		25,454
Non-current portion	$	13,733	$	29,111

The lease liability was discounted using the Company's incremental borrowing rate of 18%.

As at June 30, 2025, the Company's future minimum lease payments are as follows:		
Fiscal year ended June 30, 2025	$	33,672
Total lease payments		33,672
Amounts representing interest over the term of the lease		(4,560)
Present value of net lease payments	$	29,112

15. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

As at June 30, 2025, the Company had 224,597,977 (2024 -224,597,977) issued and fully paid common shares.

During the year ended June 30, 2025, there were no new share issuances.

During the year ended June 30, 2024:

Shares issued under private placements

(a) On August 31, 2023, the Company completed a non-brokered private placement LIFE offering of 4,651,681 units at $0.22 per unit for gross proceeds of $1,023,370. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.30 per share at any time for a period of 36 months. In connection with this private placement, the Company incurred share issuance costs of $39,025 and issued 177,345 finder's warrants with a fair value of $24,932. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement, with the exception of having an exercise price of $0.22. The warrants issued were classified as equity and were valued using the following Black-Scholes option pricing model inputs: share price of $0.22, exercise price of $0.30 and $0.22 for unit and finders warrants respectively, expected life of 3 years, 104% volatility and 4.40% risk free rate. Share issuance costs were allocated between the shares and warrants based on their proportion of allocated proceeds.

(b) On September 15, 2023, the Company completed the second tranche of a non-brokered private placement LIFE offering of 2,109,045 units at $0.22 per unit for gross proceeds of $463,990. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.30 per share at any time for a period of 36 months. In connection with this private placement, the Company incurred share issuance costs of $25,479 and issued 115,815 finder's warrants with a fair value of $13,407. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement with the exception of having an exercise price of $0.22. The warrants issued were classified as equity and were valued using the following Black-Scholes option pricing model inputs: share price of $0.19, exercise price of $0.30 and $0.22 for unit and finders warrants respectively, expected life of 3 years, 104% volatility and 4.47% risk free rate. Share issuance costs were allocated between the shares and warrants based on their proportion of allocated proceeds.

(c) On September 29, 2023, the Company completed the third tranche of a non-brokered private placement offering of 45,454 units at $0.22 per unit for gross proceeds of $10,000 on the same terms as the prior two tranches. The initial prorated fair value of the private placement warrants was $2,809, which has been accounted for in contributed surplus. The warrants issued were classified as equity and were valued using the following Black-Scholes option pricing model inputs: share price of $0.21, exercise price of $0.21, expected life of 3 years, 103% volatility and 4.64% risk free rate. Share issuance costs were allocated between the shares and warrants based on their proportion of allocated proceeds.

15. Share Capital (continued)

(d) On February 23, 2024 the Company completed a non-brokered private placement LIFE offering of 21,693,370 units at $0.07 per unit for gross proceeds of $1,518,535. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.14 per share at any time for a period of 36 months. In connection with this private placement, the Company incurred share issuance costs of $ 105,963 and issued 1,513,755 finder's warrants with a fair value of $65,430. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement. The warrants issued were classified as equity and were valued using the following Black-Scholes option pricing model inputs: share price of $0.09, exercise price of $0.14, expected life of 3 years, 95% volatility and 3.93% risk free rate. Share issuance costs were allocated between the shares and warrants based on their proportion of allocated proceeds.

(e) On February 28, 2024 the Company completed a non-brokered private placement LIFE offering of 13,212,128 units at $0.07 per unit for gross proceeds of $924,849. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.14 per share at any time for a period of 36 months. In connection with this private placement, the Company incurred share issuance costs of $36,019 and issued 514,560 finder's warrants with a fair value of $22,215. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement. The warrants issued were classified as equity, and were valued using the following Black-Scholes option pricing model inputs: share price of $0.09, exercise price of $0.14, expected life of 3 years, 95% volatility and 3.95% risk free rate. Share issuance costs were allocated between the shares and warrants based on their proportion of allocated proceeds.

(f) On February 28, 2024 the Company completed a non-brokered private placement offering of 7,603,569 units at $0.07 per unit for gross proceeds of $532,250. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.14 per share at any time for a period of 36 months. In connection with this private placement, the Company incurred share issuance costs of $14,420 and issued 206,000 finder's warrants with a fair value of $8,894. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement. The warrants issued were classified as equity, and were valued using the following Black-Scholes option pricing model inputs: share price of $0.09, exercise price of $0.14, expected life of 3 years, 95% volatility and 3.95% risk free rate. Share issuance costs were allocated between the shares and warrants based on their proportion of allocated proceeds.

Shares issued related to acquisition of Intellectual Property

(g) The Company issued a total of 476,126 common shares at $0.088 per share pursuant to the acquisition of the Wallet-com Intellectual property (Note 10)

Shares for services

(h) The Company issued a total of 770,421 common shares at $0.076 per share pursuant to fulfil the Services rendered under the Passworks acquisition.

Shares issued to settle debts

(i) The Company issued a total of 2,996,428 common shares to settle $209,750 of debt obligations, with no loss or gain recognized.

(Expressed in Canadian Dollars)

16. Stock Options

During the year ended June 30, 2025, the Company granted a total of nil (2024 - 8,968,076) stock options. The total grant date fair value of the stock options was determined using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. At June 30, 2025, the fair value of options with performance conditions was $nil (2024 - $nil) with $nil recognized as share-based compensation expense during the fiscal year ended June 30, 2025 (2024 - $nil). No options with performance conditions vested during the year ended June 30, 2025 (2024 – nil). Changes in assumptions can materially affect estimates of fair value.

During the year ended June 30, 2025, the Company issued a total of nil (2024 – 4,671,854) common shares to employees, officers and consultants of the Company pursuant to the exercise of options, for gross proceeds of $nil (2024 - $683,630). The exercise of the options as summarized above resulted in a reclassification of $nil (2024 - $665,160) from contributed surplus to share capital.

The following table summarizes the continuity of the Company's stock options:

	2025		2024	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding – beginning of period	22,349,494	$0.38	18,795,393	$0.51
Granted	-	-	12,449,609	0.11
Exercised	-	-	(4,671,854)	0.15
Forfeited/Expired	(320,000)	0.14	(512,500)	0.69
Cancelled	(7,156,500)	0.26	(3,711,154)	0.39
Outstanding – end of year	14,872,994	$0.44	22,349,494	$0.38
Exercisable – end of year	14,772,994	$0.44	20,386,994	$0.40

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended June 30, 2025, the Company recognized share-based compensation expense of $Nil (2024 - $1,153,929), of which $Nil (2024 - $66,262) pertains to directors and officers of the Company. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2025	2024
Exercise price	N/A	$0.16
Risk-free interest rate	N/A	3.67%
Dividend yield	N/A	0.00%
Expected volatility	N/A	116%
Expected life (years)	N/A	4.66

(Expressed in Canadian Dollars)

16. Stock Options (continued)

Additional information regarding options outstanding as at June 30, 2025, is as follows:

	Stock options outstanding		Stock options exercisable	
Exercise prices	**Number of stock options outstanding**	**Weighted average years to expiry**	**Number of stock options exercisable**	**Weighted average years to expiry**
\$0.06 - \$0.90	12,447,994	2.49	12,347,994	2.49
\$1.00 - \$1.99	2,425,000	1.04	2,425,000	1.04
	14,872,994	2.30	14,772,994	2.30

17. Warrants

In accordance with IAS 32, equity classification applies to instruments where a fixed amount of cash (or liability), denominated in the issuer's functional currency, is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria). Instruments issued that fail to meet equity classification will be accounted for as a liability.

Given the variability of the adjustment clause in the number of common shares purchasable per warrant exercise for the warrants issued in private placements that took place during the year ended June 30, 2023, the warrants were treated as a liability.

These warrants were all expired during the year. During the year ended June 30, 2025, the Company recorded a gain of \$4,244 (2024 - \$355,967) in relation to the change in fair value of the warrants issued during the year ended June 30, 2023 (using the difference in the Black Scholes warrant fair value at the date previous measurement date, and the Black Scholes warrant fair value at the date of each year-end).

Given there was no variability clause for warrants issued during the years ended June 30, 2025, and June 30, 2024, the related warrants were treated as equity.

The following table summarizes the continuity of the Company's warrants:

	2025		2024	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Outstanding – beginning of period	51,689,512	\$0.17	3,249,880	\$0.49
Issued	-	-	48,439,632	0.15
Exercised	-	-	-	-
Expired	(3,249,880)	0.49	-	-
Outstanding – end of period	48,439,632	0.15	51,689,512	0.17

No warrants were exercised during the year ended June 30, 2025 and 2024.

(Expressed in Canadian Dollars)

17. Warrants (continued)

Additional information regarding warrants outstanding as at June 30, 2025, is as follows:

Exercise prices	Warrants Outstanding	Weighted Average Remaining Contracted Life (years)
$0.14	44,743,382	1.66
$0.30	3,696,250	1.19
$0.17	48,439,632	1.62

18. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors 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 defines capital to include cash and share capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during year ended June 30, 2025. The Company is not subject to externally imposed capital requirements.

The following table summarizes the Company's contractual commitments and obligations as of June 30, 2025:

	Payments Due by Period				
	Total	Less Than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More Than 5 Years
Lease liabilities	$29,112	$15,379	$13,733	–	–
Total contractual obligations	$29,112	$15,379	$13,733	–	–

19. Financial Instruments

The Company's financial instruments are comprised of cash, amounts receivable, loans receivable, investments, accounts payable, lease liabilities, warrant liabilities and contingent considerations. The carrying value of cash as presented in the statement of financial position is a reasonable estimate of its fair value.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below.

Level 1 - Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Investments are valued using quoted market prices in active markets. Accordingly, these are included in Level 1 of the fair value hierarchy.

19. Financial Instruments (continued)

Level 2 - Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. Warrant liabilities are included in Level 2 of the fair value hierarchy.

Level 3 - Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices. Contingent consideration is included in Level 3 of the fair value hierarchy.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	**June 30, 2024**	Level 1	Level 2	Level 3	**June 30, 2025**
	$	$	$	**$**	$	$	$	**$**
Warrant liabilities	-	4,244	-	4,244	-	-	-	-

There were no transfers between Levels 1, 2, or 3 in these consolidated financial statements.

Financial assets and liabilities measured at amortized cost, including cash, receivables and payables, have carrying amounts that approximate their fair values (level 2) due to their short-term nature.

Except as described in the following paragraphs, in management's opinion, the Company is not exposed to financial instrument risks including credit risk, foreign exchange rate risk or interest rate risk.

The Company will be exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk. These risks and related risk management practices employed by the Company are discussed below:

(a) Market risk

The Company was exposed to market risk with respect to its marketable securities, which consisted of common shares held in a publicly traded company and is dependent upon the market price or the fair value of the common shares for that company. This publicly traded company serves in the logistics industry. The market price or the fair value of the common shares of that company can fluctuate significantly. During the year ended June 30, 2024, the Company sold all marketable securities and is no longer exposed to such risk.

(b) Interest rate risk

Interest rate risk refers to the effect on the fair value of the Company's assets and liabilities due to fluctuations in interest rates. The Company does not have investments in any variable interest-bearing securities and therefore is not subject to interest rate risk.

(c) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of accounts receivable from customers and GST receivable from the Government of Canada.

19. Financial Instruments (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The majority of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 90 days. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

The maturities of the Group’s financial liabilities are as follows:

Liquidity Risk

		As of June 30, 2025
Less than 90 days:		
Accounts payable and accrued liabilities	$	4,532,840
Current portion of lease liabilities		15,379

(e) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is mainly exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars and Euros:

As at June 30, 2025:

	US$	**Euro**
Cash	853	198
Amounts receivable	10,972	66,946
Accounts payable and accrued liabilities	(360,021)	-
Net exposure	**(348,208)**	**67,144**
Canadian dollar equivalent	**(475,374)**	**107,632**

As at June 30, 2024:

	US$	**Euro**
Cash	93	72,339
Amounts receivable	106,264	166,861
Accounts payable and accrued liabilities	(162,292)	(24,585)
Net exposure	**(55,935)**	**214,615**
Canadian dollar equivalent	**(76,558)**	**314,603**

A 10% change in the foreign exchange rate of Euro’s or US dollars is not expected to have a material impact on the Company’s consolidated financial statements.

(Expressed in Canadian Dollars)

20. Commitments and Contingencies

(a) From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. We accrued any contingencies that we think is probable to the best of our estimation. Other proceedings and claims against the Company subject to future resolution, including the uncertainties of litigation where management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, cannot be reliably estimated and/or will not have a material adverse effect on the financial condition of the Company.

(b) The Company has entered into employment agreements with its COO and CEO wherein the Company has agreed to pay annual salaries to these individuals. Should the employment of these individuals be terminated for any reason other than for-cause termination or resignation, the individuals will be eligible for compensation equivalent to an aggregate of one year's salary and any performance bonus equivalent to one-half of any of the average of the two highest performance bonuses, paid in the previous five fiscal years.

21. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the period ended June 30, 2025, and 2024:

	June 30, 2025	**June 30, 2024**
	$	**$**
Net loss before income taxes	(3,010,632)	(9,196,214)
Statutory tax rate	27%	27.0%
Expected income tax recovery	(812,871)	(2,482,978)
Non-deductible items	200,330	219,183
Stock based compensation	-	311,561
Effect of different jurisdiction tax rates	(3,066)	(66,340)
Share issuance costs	-	(96,062)
Change in deferred tax assets not recognized	615,607	2,096,302
Income tax expense (recovery)	**-**	**(18,334)**

	June 30, 2025	**June 30, 2024**
	$	**$**
Current tax expense	-	92,026
Deferred tax recovery	-	(110,360)
Income tax expense (recovery)	**-**	**(18,334)**

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred taxes have not been recognized in respect of the following deductible temporary differences. Details of deferred tax assets (liabilities) are as follows:

	June 30, 2025	**June 30, 2024**
	$	**$**
Deferred tax assets (liabilities)		
ROU assets	(7,090)	(13,987)
ROU liabilities	7,090	13,987
Deferred tax assets (liabilities)	**-**	**-**

(Expressed in Canadian Dollars)

21. Income Taxes (continued)

Movement in net deferred tax balances:

	June 30, 2025	June 30, 2024
	$	$
Balance at the beginning of the year	-	(107,295)
Recognized in profit/loss	-	130,212
Other – foreign exchange	-	(22,917)
Balance at the end of the year	-	-

The unrecognized deductible temporary difference as at June 30, 2025 and 2024 are comprised of the following:

	June 30, 2025	June 30, 2024
	$	$
Intangible assets	4,547,194	4,547,194
Vacation accrual	7,797	13,110
Marketable securities	-	62,536
Lease liability	2,854	2,762
Financing costs	433,194	519,942
Capital losses	6,469,267	6,547,844
Non-capital losses	39,750,253	37,304,718
Total unrecognized deductible differences	**51,210,559**	**48,998,106**

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforward of approximately $39,621,815 (2024: $37,139,138) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring between 2043 and 2045:

2045	$ 2,482,677
2043	$ 37,139,138

The Company has not recognized deferred tax assets in respect of net operating losses of approximately $128,438 (2024: $165,580) which may be carried forward to apply against future income for US income tax purposes, subject to the final determination by taxation authorities expiring in 2044.

(Expressed in Canadian Dollars)

22. Segmented Information

The Company operates in one operating segment, being the technology segment wherein the Company earns revenues from directly selling software as a service, reselling, referring and licensing its technology to licensors. The Company's operations and non-current assets in different geographical segments are as follows:

Geographical Segments		North America		Europe		Total
Non-current assets other than financial instruments						
Balance, June 30, 2025	$	26,260	$	-	$	26,260
Balance, June 30, 2024		515,706		-		515,706
Liabilities						
Balance, June 30, 2025	$	3,897,234	$	710,064	$	4,607,298
Balance, June 30, 2024		2,646,793		960,124		3,606,917
Year ended June 30, 2025						
Revenues from continuing operations	$	259,109	$	248,517	$	507,626
Net income (loss) before income taxes from continuing operations		(3,022,595)		11,965		(3,010,630)
Year ended June 30, 2024						
Revenues from continuing operations	$	1,002,141	$	335,125	$	1,337,265
Impairment losses from continuing operations		-		439,841		439,841
Net loss before income taxes from continuing operations		(8,669,826)		(526,388)		(9,196,214)

23. Subsequent Events

On December 12, 2025, Fobi AI Inc. received partial revocation of its cease trade order from the British Columbia Securities Commission to conduct a private placement offering of up to 30 million units at C$0.05 per unit, aiming to raise up to $1.5 million. Each unit will consist of one common share and one warrant exercisable at C$0.10 for 36 months. The proceeds are planned to be used primarily to cover accounting, audit, and legal fees needed to file outstanding disclosure documents and obtain full revocation of the cease trade order.

Subsequent to year end, the Company completed two tranches of the above non-brokered private placement of units at a price of $0.05 per unit. On January 23, 2026, the Company closed the first tranche and issued 10,084,000 units for gross proceeds of $504,200. In connection with the first tranche, the Company would pay finder's fees consisting of $3,500 in cash and issued 70,000 finder's warrants.

On February 3, 2026, the Company closed the second tranche and issued 10,000,000 units for gross proceeds of $500,000. No finder's fees were disclosed in connection with the second tranche. The total issuance across both tranches amounted to 20,084,000 units for aggregate gross proceeds of $1,004,200.

Between November 2024 and early 2025, the Company received complaints from certain former employees alleging non-payment of wages and related employee entitlements under the British Columbia *Employment Standards Act*. The British Columbia Employment Standards Branch conducted an investigation covering unpaid wages and other employee-related amounts within the applicable statutory recovery periods. Based on the findings of the investigation, a demand notice in the amount of $465,838.07 was issued. On August 18, 2025, the Employment Standards Branch issued a formal notice cancelling the demand notice upon Company's payment of the owed wages. As at the date of authorization of these financial statements, the investigation has concluded and there is no outstanding enforcement order related to this matter.