ALCHEMY

Condensed Interim Consolidated Financial Statements of

Alchemy Labs Inc.

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026 AND 2025

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") for the preparation of condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ALCHEMY LABS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2026 (unaudited) and December 31, 2025 (audited)
(All figures expressed in Canadian dollars unless otherwise noted)
(Unaudited)

	Notes		June 30, 2026		December 31, 2025
ASSETS					
CURRENT					
Cash and cash equivalents	7	**$**	**1,259,817**	$	2,265,030
Short term investments	8		**-**		1,004,435
Trade and other receivables	9		**138,775**		101,428
Inventory	10		**831,080**		741,286
Other current assets	11		**841,498**		434,143
			3,071,170		4,546,322
NON CURRENT ASSETS					
Property and equipment, net	12		**817,405**		537,489
Right-of use assets	13		**1,112,711**		1,210,938
Intangible assets	14		**2,229,652**		1,651,430
Other assets	11		**70,743**		90,298
			4,230,511		3,490,155
TOTAL ASSETS		**$**	**7,301,681**	$	8,036,477
LIABILITIES and EQUITY					
CURRENT					
Trade and other payables	15	**$**	**1,213,242**	$	712,762
Contract liabilities	19		**54,335**		232,158
Derivative liabilities	6		**3,454,566**		3,270,442
Current portion of long term debt	16		**6,753,133**		5,889,311
Current portion of lease liabilities	13		**222,361**		214,982
			11,697,637		10,319,655
NON CURRENT LIABILITIES					
Long term debt	16		**773,755**		575,894
Lease liabilities	13		**1,014,490**		1,108,423
			1,788,245		1,684,317
TOTAL LIABILITIES			**13,485,882**		12,003,972
SHAREHOLDERS' EQUITY					
Share capital	17		**12,733,778**		11,488,499
Warrants	18		**-**		245,282
Contributed surplus	21		**1,527,027**		1,179,778
Deficit			**(20,195,186)**		(16,827,038)
Foreign currency translation reserve			**(249,820)**		(54,016)
TOTAL SHAREHOLDERS' EQUITY			**(6,184,201)**		(3,967,495)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**7,301,681**	$	8,036,477

Approved on Behalf of the Board of Directors on August 17, 2026:

Nature and description of the Company (Note 1)
Material Accounting policies and going concern (Note 2)
Subsequent events (Note 25)

"*Rahul Petkar*" - Director
"*Peter Hatges*" - Director

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

ALCHEMY LABS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

For the three and six month periods ended June 30, 2026, and 2025

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

	Three months ended June 30: 2026	Three months ended June 30: 2025	Six months ended June 30: 2026	Six months ended June 30: 2025
Revenue	**581,027**	496,871	**$ 981,280**	$ 1,119,398
Cost of sales	**356,224**	498,048	**617,790**	892,786
Gross profit	**224,803**	(1,177)	**363,490**	226,612
Expenses				
Sales and marketing	**721,006**	487,390	**1,286,462**	941,661
General and administrative	**535,646**	152,790	**1,327,419**	641,010
Research and development	**106,699**	25,466	**145,713**	71,356
Product development	**47,558**	64,981	**82,671**	127,303
Other operating expenses (income)	**2,576**	30,041	**(56,175)**	101,653
Total operating expenses	**1,413,485**	760,668	**2,786,090**	1,882,983
Operating loss	**(1,188,682)**	(761,845)	**(2,422,600)**	(1,656,371)
Finance expense	**366,018**	125,588	**945,033**	179,322
Foreign exchange loss (gain)	**(85,541)**	239,073	**(183,609)**	2,850
Other expenses	**104,397**	21,646	**184,124**	31,178
Total other expense	**384,874**	386,307	**945,548**	213,350
Net loss	**(1,573,556)**	(1,148,152)	**(3,368,148)**	(1,869,721)
Other comprehensive loss (gain)				
Items that may be recycled subsequently to net gain (loss):				
Currency translation of foreign operations, net of tax	**(92,691)**	235,849	**(195,804)**	(10,353)
Other comprehensive loss (gain) for the period, net of tax	**(92,691)**	235,849	**(195,804)**	(10,353)
Total comprehensive loss	**$ (1,666,247)**	$ (912,303)	**$ (3,563,952)**	$ (1,880,074)
Weighted average number of shares outstanding for basic and diluted calculation	**27,866,776**	27,818,428	**28,156,864**	27,818,428
Basic and diluted loss per share	**$ (0.06)**	$ (0.03)	**$ (0.12)**	$ (0.07)

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

ALCHEMY LABS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six month period ended June 30, 2026

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

	Notes	Share Capital	Warrants Reserve	Contributed Surplus	Deficit	Foreign currency translation reserve	Total
Balance, January 1, 2025		**$ 11,462,999**	**$ 245,282**	**$ 828,217**	**$ (11,192,422)**	**$ (247,403)**	**$ 1,096,673**
Net loss for the period					(1,869,721)		(1,869,721)
Other comprehensive loss:							
Currency translation of foreign operations, net of tax						(10,353)	(10,353)
Stock-based compensation				84,228			84,228
Share issuance	17	25,500					25,500
Balance, June 30, 2025		**$ 11,488,499**	**$ 245,282**	**$ 912,445**	**$ (13,062,143)**	**$ (257,756)**	**$ (673,673)**
Balance, January 1, 2026		**$ 11,488,499**	**$ 245,282**	**$ 1,179,778**	**$ (16,827,038)**	**$ (54,016)**	**$ (3,967,495)**
Net loss for the period					(3,368,148)		(3,368,148)
Other comprehensive loss:							
Currency translation of foreign operations, net of tax						(195,804)	(195,804)
Stock-based compensation	21			347,249			347,249
Conversion of warrants into share capital	18	245,282	(245,282)				-
Share issuance	17	999,997					999,997
Balance, June 30, 2026		**$ 12,733,778**	**$ -**	**$ 1,527,027**	**$ (20,195,186)**	**$ (249,820)**	**$ (6,184,201)**

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

ALCHEMY LABS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six month period ended June 30, 2026, and 2025
(All figures expressed in Canadian dollars unless otherwise noted)
(Unaudited)

		For the six months ended June 30:	
	Notes	**2026**	**2025**
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Net loss for the period		**$ (3,368,148)**	$ (1,869,721)
Add (deduct) items:			
Amortization of property and equipment	12	**34,742**	23,390
Amortization of intangibles assets	14	**2,814**	656
Amortization of right-of-use assets	13	**98,227**	40,112
Stock-based payments	21	**347,249**	84,229
Unrealized foreign exchange gain (loss)		**(195,804)**	(10,353)
Interest expense	16	**945,033**	179,322
Interest paid		**(3,668)**	(17,915)
Interest on lease liabilities	13	**(32,205)**	(13,695)
Loss on derivative liability		**184,123**	31,178
Other		**(6,419)**	(6,608)
		(1,994,056)	(1,559,405)
Changes in non-cash working capital:			
Increase in trade and other receivables		**(37,347)**	(52,361)
Decrease (increase) in inventory	10	**(89,794)**	119,540
Decrease (increase) in other current and non-current assets	11	**(387,800)**	150,148
Increase (decrease) in trade and other payables	15	**500,480**	(230,460)
Increase (decrease) in contract liabilities	19	**(177,823)**	(18,628)
		(192,284)	(31,761)
Net cash flows used in operating activities		**(2,186,340)**	(1,591,166)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Redemption of short term investments	8	**1,004,435**	-
Purchase of property and equipment	12	**(314,658)**	(28,256)
Purchase of internally generated intangible assets	14	**(581,036)**	(237,196)
Net cash flows provided by (used in) investing activities		**108,741**	(265,452)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issuance	17	**999,997**	-
Principal payments of lease liabilities	13	**(86,554)**	(37,435)
Proceeds from debt	16	**191,638**	2,292,825
Repayment of debt		**(32,695)**	(170,259)
Net cash flows provided by financing activities		**1,072,386**	2,085,131
Net change in cash		**(1,005,213)**	228,513
Cash and cash equivalents, beginning of the period		**2,265,030**	143,183
Cash and cash equivalents, end of the period		**$ 1,259,817**	$ 371,696

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

1. Nature and description of the Company

The condensed interim consolidated financial statements of Alchemy Labs Inc. and its subsidiaries (collectively the "Company" or "Alchemy") for the three and six months ended June 30, 2026 ("YTD"), including the condensed interim consolidated comparative information for the three and six months ended June 30, 2025, and the condensed interim consolidated statement of financial position as at December 31, 2025, were authorized for issuance by the Board of Directors on August 17, 2026.

The Company is incorporated under the Business Corporations Act (British Columbia) and is headquartered in 265 Breithaupt Street, Unit 5, Kitchener, Ontario, Canada N2H 5H3.

Alchemy is a nanotechnology company that develops and commercializes protective coatings for niche and specialty markets. The Company's core product, a windshield protective film, is a film for automotive vehicles equipped with advanced driver assistance systems. The Company also uses its technology to develop multi-spectral camouflage applications for use in the defence industry.

The Company has two wholly-owned subsidiaries:

- Neverfrost Inc.
- Neverfrost USA Inc.

The Company's fiscal year ends on December 31.

On July 9, 2026, the Company completed its initial public offering of common stock at which time it issued 13,738,447 units at a price of $1.00 per unit for $13,738,447 in gross proceeds before financial advisory commissions and other related expenses including legal costs. Each unit consists of one common share and one-half of one warrant. Each warrant will entitle the holder to purchase one common share at a price of $1.50 for a period of twenty-four months after the closing date.

2. Material accounting policies and going concern

These condensed interim consolidated financial statements for the three and six months ended June 30, 2026 have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements do not include all information and disclosures required for full annual consolidated financial statements prepared in accordance with IFRS Accounting Standards and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2025 ("FY 2025").

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, including convertible loans, derivative liabilities and stock-based compensation arrangements, which are measured at fair value.

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Going concern

These condensed interim 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.

For the six months ended June 30, 2026, the Company reported a net loss of $3,368,148 (six months ended June 30, 2025: $1,869,721).

For the six months ended June 30, 2026, the Company reported a net comprehensive loss of $3,563,952 (six months ended June 30, 2025: $1,880,074) and net cash flows used in operating activities of $2,186,340 (six months ended June 30, 2025: $1,591,166).

As at June 30, 2026, the Company had an accumulated deficit of $20,195,186 (December 31, 2025: $16,827,038) and shareholders' deficit of $6,184,201 (December 31, 2025: deficit of $3,967,495).

The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from operations or obtain additional financing through equity or debt financing.

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of operations.

These condensed interim consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that would be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

2.2 Material accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the Company's audited consolidated financial statements for the year ended December 31, 2025.

Standards issued but not yet effective have been reviewed and are not expected to have a material impact on the Company.

3. Significant accounting judgements, estimates and assumptions

The preparation of the condensed interim consolidated financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(All figures expressed in Canadian dollars unless otherwise noted)

There have been no significant changes in the Company's critical accounting judgments and estimates from those disclosed in the audited consolidated financial statements for the year ended December 31, 2025.

4. Standards issued but not yet effective

IFRS 18 - Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued a new standard IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

5. Capital Management

For the Company's capital management purposes, capital includes share capital and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Company's capital management is to ensure that it maintains sufficient capital resources to support its business operations and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it after considering changes in economic conditions, operating performance and financing requirements. To maintain or adjust the capital structure, the Company may issue new shares, issue debt instruments, adjust dividend payments, obtain additional financing from related parties or financial institutions.

The Company monitors capital on an ongoing basis based on expected receipt of receivables and the due dates of its financial liabilities.

There were no changes in the Company's objectives, policies or processes for managing capital during the six months ended June 30, 2026.

6. Financial Instruments

The Company has assessed that the fair values of financial assets and financial liabilities approximate their carrying amounts, largely due to the short-term maturities of these instruments, except for the item noted below.

The Company's financial instrument measured at fair value as at June 30, 2026, is as follows:

	Classification	Carrying Amount	Fair Value	Fair Value Hierarchy
Derivative liability	Fair value through profit or loss	$3,454,566	$3,454,566	Level 3

Convertible Loan Agreements

NameSilo Loan: On December 18, 2024, the Company entered into a convertible loan agreement with NameSilo Technologies Corp. ("NameSilo") for a non-revolving drawdown facility of up to $500,000, subsequently amended to increase the facility to $1,350,000. As at June 30, 2026, the Company had drawn the full $1,350,000 under this agreement. The principal and accrued interest are convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026. The number of shares (rounded down to the nearest whole number) to be issued to NameSilo shall be equal to the principal and accrued interest of the Loan at the time of conversion divided by 75% of the greater of the issue price of (a) the securities issued pursuant to the last equity financing of the Company prior to the listing and (b) any equity securities issued pursuant to or in connection with the listing.

Additional Convertible Loans: During the year ended December 31, 2025, the Company entered into additional convertible loan agreements with third parties totaling $6,501,000 between the July 1 to September 30, 2025. The number of shares (rounded down to the nearest whole number) to be issued to any third party due amounts under these additional convertible loan agreements shall be equal to the principal and accrued interest of the Loan at the time of conversion divided by the lesser of: (a) 75% of the listing event share price and (b) $1.25.

The principal and accrued interest under these agreements are automatically convertible into common shares of the Company upon the occurrence of a listing event which occurred on July 9, 2026 at a price of $0.75 per share. These loans would have otherwise matured between July 17, 2027, and October 10, 2027.

Derivative Liability Classification

The conversion features of the above convertible loans are considered embedded derivatives and are classified as derivative liabilities and measured at fair value through profit or loss. These instruments are categorized as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs.

Valuation Methodology

The fair value of the derivative liability was determined using a probability-weighted option pricing model based on the Black-Scholes-Merton framework. The valuation incorporates: probability of occurrence of a listing event, expected timing of the listing event (2026), expected volatility (61%-65%), expected conversion terms, contractual interest rates (3.68%-4.21%), most recent arm's length financing price ($0.85 per share).

Given the contingent nature of the listing event, management applied significant judgment in estimating probabilities and timing assumptions.

There were no financial instruments classified as Level 1 or Level 2, and there were no transfers between Level 1 and Level 2 during the six month period ended June 30, 2026 (December 31, 2025 – nil).

(All figures expressed in Canadian dollars unless otherwise noted)

		Derivative Liability
January 1, 2025	$	124,849
Additions		2,826,717
Changes in fair value recognized in other expenses		318,876
December 31, 2025		**3,270,442**
Additions		**-**
Changes in fair value recognized in other expenses		**184,124**
June 30, 2026		**3,454,566**
Current		**3,454,566**
Non-current		**-**

The following table provides information about how the fair value of this financial liability is determined (in particular, the valuation technique and inputs used).

Financial instrument	Valuation technique	Inputs used
Derivative liability	Weighted probability	Estimates of listing event and non-listing event; last financing price

7. Cash and cash equivalents

		June 30, 2026		December 31, 2025
Cash at bank	**$**	**175,979**	$	131,540
Online payment platforms		**7,076**		2,606
Short-term investments of less than 90 days		**1,076,762**		2,130,884
	$	**1,259,817**	$	2,265,030

As of June 30, 2026, cash and cash equivalents include short-term investments of $1,076,762 with interest rates of 2.1%-2.5% (December 31, 2025: $2,130,884 with interest rate of 2.13%-2.22%). However, interest earned on short-term investments may vary depending on market rates and tiers. Interest is calculated daily and paid monthly. These investments are considered highly liquid and are readily convertible to known amounts of cash with an insignificant risk of changes in value.

8. Short term investments

As at December 31, 2025, the Company had purchased a total of $1,004,435 in short term investment notes with a term of more than ninety-days that matured between February 10, 2026 and March 12, 2026 with interest rates of 2.13%-2.46%.

(All figures expressed in Canadian dollars unless otherwise noted)

9. Trade and other receivables

		June 30, 2026		December 31, 2025
Trade receivables	**$**	**22,455**	$	7,085
Goods and services tax receivable		**116,320**		94,343
	$	**138,775**	$	101,428

As at June 30, 2026, the Company has government remittances receivable of $116,320 (December 31, 2025: $94,343).

As at June 30, 2026, the Company has not recorded any allowance for expected credit losses relating to its accounts receivable (December 31, 2025: $nil).

10. Inventories

		June 30, 2026		December 31, 2025
Raw materials	**$**	**348,379**	$	381,814
Work in process		**367,848**		18,782
Finished goods		**114,853**		340,690
	$	**831,080**	$	741,286

For the three and six months ended June 30, 2026, inventories of $337,768 and $514,077 (June 30, 2025: $364,156 and $705,339) respectively were expensed and reported in 'Cost of sales'.

During the three and six months ended June 30, 2026, the Company recorded $nil in terms of inventory allowances and write-offs (December 31, 2025: $164,863).

11. Other assets

		June 30, 2026		December 31, 2025
Prepayments	**$**	**522,891**	$	235,091
Investment tax credits		**389,350**		289,350
	$	**912,241**	$	524,441
Current	**$**	**841,498**	$	434,143
Non-current	**$**	**70,743**	$	90,298

(All figures expressed in Canadian dollars unless otherwise noted)

12. Property, plant, and equipment

	Lab equipment	Office equipment	Production equipment	Production Moulds	Computer equipment	Leasehold Improvements	Total
Cost							
Balance, January 1, 2025	$ 123,418	$ 15,807	$ 157,103	$ -	$ -	$ -	$ 296,328
Additions	10,933	17,786	248,923	-	21,617	94,461	393,720
Balance, December 31, 2025	134,351	33,593	406,026	-	21,617	94,461	690,048
Additions	34,079	9,867	77,780	150,244	13,094	29,594	314,658
Balance, June 30, 2026	**$ 168,430**	**$ 43,460**	**$ 483,806**	**$ 150,244**	**$ 34,711**	**$ 124,055**	**$ 1,004,706**
Depreciation and impairment							
Balance, January 1, 2025	$ 103,288	$ 10,112	$ -	$ -	$ -	$ -	$ 113,400
Depreciation	20,130	4,940	-		3,603	10,486	39,159
Balance, December 31, 2025	123,418	15,052	-	-	3,603	10,486	152,559
Depreciation	3,750	3,853	12,095	-	4,694	10,350	34,742
Balance, June 30, 2026	**$ 127,168**	**$ 18,905**	**$ 12,095**	**$ -**	**$ 8,297**	**$ 20,836**	**$ 187,301**
Net book value							
December 31, 2025	$ 10,933	$ 18,541	$ 406,026	$ -	$ 18,014	$ 83,975	$ 537,489
June 30, 2026	**$ 41,262**	**$ 24,555**	**$ 471,711**	**$ 150,244**	**$ 26,414**	**$ 103,219**	**$ 817,405**

Depreciation expenses are included in ‘Cost of sales’ as well as Research and development’, ‘General and administrative’ expenses.

Depreciation will commence on production moulds once they are put into regular commercial use.

13. Leases

Set out below are the carrying amounts of right-of-use assets in relation to leases held by the Company, and movements during the periods.

	Buildings	Computer Equipment	Total
As at January 1, 2025	$ -	$ -	$ -
Additions	1,371,890	14,429	1,386,319
Depreciation	(171,487)	(3,894)	(175,381)
As at December 31, 2025	1,200,403	10,535	1,210,938
Depreciation	(95,270)	(2,957)	(98,227)
As at June 30, 2026	**$ 1,105,133**	**$ 7,578**	**$ 1,112,711**
Net Book Value			
December 31, 2025	$ 1,200,403	$ 10,535	$ 1,210,938
June 30, 2026	**$ 1,105,133**	**$ 7,578**	**$ 1,112,711**

(All figures expressed in Canadian dollars unless otherwise noted)

The Company entered into a new office and production facility lease agreement for 13,136 square feet of space which commenced on May 1, 2025 and expires on April 30, 2031. The monthly lease payments per square foot range from $21.00 to $23.50 over the term of the lease and includes the Company's proportionate share of realty taxes, operating costs, maintenance, building insurance and management fees. The lease is being amortized over the term of the lease.

Depreciation expenses are included in "General and administrative" expenses.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	For the six months ended June 30:			
		2026		**2025**
Opening balance	**$**	**1,323,405**	$	-
Additions		**-**		1,386,319
Accretion of interest		**32,205**		13,695
Payments		**(118,759)**		(51,130)
Ending balance	**$**	**1,236,851**	$	1,348,884
Current	**$**	**222,361**	$	111,655
Non-current	**$**	**1,014,490**	$	1,237,229

Reconciliation of lease liabilities arising from financing activities:

	For the six months ended June 30:			
		2026		**2025**
Opening balance	**$**	**1,323,405**	$	-
Additions		**-**		1,386,319
Accretion of interest		**32,205**		13,695
Cash flows		**(118,759)**		(51,130)
Ending balance	**$**	**1,236,851**	$	1,348,884
Current	**$**	**222,361**	$	111,655
Non-current	**$**	**1,014,490**	$	1,237,229

(All figures expressed in Canadian dollars unless otherwise noted)

The following amounts are recognized in the consolidated financial statements of loss and comprehensive loss as lease expense for the three and six months ended June 30:

	For the three months ended June 30: 2026	For the three months ended June 30: 2025	For the six months ended June 30: 2026	For the six months ended June 30: 2025
Depreciation expense on right-of-use assets	**$ 58,402**	$ 39,311	**$ 98,227**	$ 40,112
Interest on lease liabilities (included in finance costs)	**18,535**	13,538	**32,205**	13,695
Total net expenses	**$ 76,937**	$ 52,849	**$ 130,432**	$ 53,807

14. Intangible assets

	Capitalized development costs	Patents	Computer Software	Total
Cost				
Balance, January 1, 2025	$ 1,072,007	$ 19,669	$ -	$ 1,091,676
Additions	694,760	-	8,668	703,428
Contract materials reimbursement	(138,281)	-	-	(138,281)
Balance, December 31, 2025	1,628,486	19,669	8,668	1,656,823
Additions	564,073	16,963	-	581,036
Balance, June 30, 2026	**$ 2,192,559**	**$ 36,632**	**$ 8,668**	**$ 2,237,859**
Amortization and impairment				
Balance, January 1, 2025	$ -	$ 109	$ -	$ 109
Amortization	-	1,311	3,973	5,284
Balance, December 31, 2025	-	1,420	3,973	5,393
Amortization	-	654	2,160	2,814
Balance, June 30, 2026	**$ -**	**$ 2,074**	**$ 6,133**	**$ 8,207**
Net book value				
December 31, 2025	$ 1,628,486	$ 18,249	$ 4,695	$ 1,651,430
June 30, 2026	**$ 2,192,559**	**$ 34,558**	**$ 2,535**	**$ 2,229,652**

Capitalized development costs are not currently available for use and so amortization has not commenced.

(All figures expressed in Canadian dollars unless otherwise noted)

15. Trade and other payables

		June 30, 2026		December 31, 2025
Trade payables	**$**	**590,786**	$	337,162
Accrued expenses		**465,159**		246,272
Other liabilities		**157,297**		129,328
	$	**1,213,242**	$	712,762

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be reasonable approximations of their fair values, due to their short-term nature.

Included in 'Other liabilities' above is $63,035 of bank indebtedness related to corporate credit cards as at June 30, 2026 (December 31, 2025: $36,434).

16. Debt

		June 30, 2026		December 31, 2025
Current portion of long-term debt	**$**	**6,753,133**	$	5,889,311
Long-term debt		**773,755**		575,894
	$	**7,526,888**	$	6,465,205
Opening balance	**$**	**6,465,205**	$	437,839
Additions, net of transaction costs		**191,638**		8,070,910
Accretion expense		**902,740**		991,113
Derivative liability reclassification		**-**		(2,826,707)
Repayments		**(32,695)**		(207,950)
Ending balance	**$**	**7,526,888**	$	6,465,205

Total financing costs including interest and accretion expense on long-term debt and other liabilities for the three and six months ended June 30, 2026, was $366,018 and $945,033 (June 30, 2025: $125,588 and $179,322) respectively.

Convertible Loans

Current debt includes convertible loans with a face value of $7,851,000 as at June 30, 2026 (December 31, 2025: $7,851,000) issued under the NameSilo Loan and Additional Convertible Loan agreements (refer to Note 6). The interest rate on all Loans is 12% per year. The maturity date of the NameSilo Loan is December 18, 2026. The maturity date of the Additional Convertible Loans ranges between July 17, 2027, and October 10, 2027.

Early settlement could be required by the Lenders should certain events of default occur, such as bankruptcy, a change of control, default on this or any other of the Company's debt arrangements or other breach of the terms of the Loan agreement. As of June 30, 2026, and the date of these financial statements, the Company is in full compliance with the covenants under this agreement.

These loans have been recognized in two parts: a liability component and an embedded derivative, which is classified as a liability and measured at fair value. The embedded derivative exists and is classified as a liability because at the time the loan was issued, the conversion price was not fixed but included a discount and fluctuates in response to changes in the market price of the Company's shares. In accordance with IFRS 9, the embedded derivative was measured first at its estimated fair value and the residual of the proceeds received from the loan less the fair value of the embedded derivative and a commitment fee of $25,500, settled in shares in fiscal 2025 and paid to secure the facility was assigned to the loan component. Refer to Note 6 for related fair value measurement disclosures.

BSP Loan

In May 2024, the Company entered into an agreement ("BSP Loan") for maximum borrowing available of $1.8 million with Federal Economic Development Agency for Southern Ontario via Business Scale-up and Productivity stream ("BSP"). The loan is interest-free until maturity, at which point interest on overdue amounts will accrue in accordance with the federal *Interest and Administrative Charges Regulation*.

The facility's drawdowns are recognized at fair value with effective interest rates ranging from 5.5%-8.04%, resulting in grant income of $26,905 and $55,498 being recognized in the net balance of 'Other operating expenses (income)' in the three and six months ended June 30, 2026 (three and six months ending June 30, 2025: $17,884 and $51,992) respectively, calculated as the difference between the fair value of the loans and their face value. The maturity date is December 1, 2032. The outstanding balance pursuant to this loan was $989,612 as at June 30, 2026 (December 31, 2025: $619,933) and its carrying amount is $751,752 (December 31, 2025: $541,636).

The BSP Loan was provided to help fund the commercialization of a new product and to expand the Company's manufacturing facilities in Kitchener, Ontario (the "Project"). Under the terms of the loan agreement, early repayment may be required at the option of the lender should an event of default occur, such as bankruptcy or insolvency, non-payment of amounts due under the agreement, failure to meet the objectives or milestones of the Project, dissolution of the Company or otherwise ceasing to conduct business, or other non-compliance with the terms of the agreement. As of June 30, 2026 and the date of these financial statements, the Company is in full compliance with the covenants under the BSP Loan Agreement.

CDAP Loan

In April 2024, the Company entered into a $50,000 interest-free loan agreement ("CDAP Loan") with Business Development Bank of Canada ("BDC"). The interest-free loan is considered government assistance and was recognized at fair value with an effective interest rate of 8.36%, resulting in accretion expense of $698 and $1,418 being recognized in finance expense in the three and six months ended June 30, 2026 (three and six months ended June 30, 2025: $845 and $1,674) respectively, calculated as the difference between the fair value of the loans and their face value. The maturity date is March 17, 2030. The outstanding balance pursuant to the CDAP Loan is $37,350 as at June 30, 2026 and its carrying amount is $31,693 (December 31, 2025: $35,525). As of June 30, 2026 and the date of these financial statements, the Company is in full compliance with the covenants under the CDAP Loan Agreement.

BDC Loans

In April 2021, the Company entered into a $120,000 loan agreement ("BDC Loan 120K") with BDC. The interest rate on the BDC Loan 120K is based on BDC's floating interest rate plus a variance of 1.45% per year. The maturity date is March 1, 2027. The outstanding balance pursuant to this loan is $18,000 as at June 30, 2026 (December 31, 2025: $30,000). For the six months ended June 30, 2026, the interest rate on this loan was 8.00% (December 31, 2025: 8.0%).

In May 2020, the Company entered into a $230,000 loan agreement ("BDC Loan 230K") with BDC. The interest rate on the BDC Loan 230K is based on BDC's floating interest rate minus a variance of 1.75% per year. The loan agreement was amended on January 31, 2023 with extending the maturity date to April 1, 2026. The outstanding balance pursuant to this loan is $nil as at June 30, 2026 (December 31, 2025: $15,715). The BDC Loan 230k was fully repaid as of April 1, 2026. For the six months ended June 30, 2026, the interest rate on this loan was 4.80% (December 31, 2025: 4.80%).

The Company has provided collateral security on all personal property and assets to BDC. As of June 30, 2026 and the date of these financial statements, the Company is in full compliance with the covenants under the BDC Loan Agreement.

CEBA Loan

In March 2020, the Company entered into a $40,000 term loan agreement ("CEBA Term Loan") with Canadian Emergency Business Account ("CEBA"). The interest rate on the CEBA Term Loan is 0% per annum during the initial term ending December 31, 2022 and 5% per annum during the extended term ending December 31, 2025, with the first payment to be made on January 31, 2023. The maturity date is December 31, 2026. The term loan agreement was amended in 2021, increasing the loan amount from $40,000 to $60,000. The outstanding balance pursuant to this loan is $60,000 on June 30, 2026 (December 31, 2025: $60,000). As of June 30, 2026, and the date of these financial statements, the Company is in full compliance with the covenants under the CEBA Loan Agreement.

(All figures expressed in Canadian dollars unless otherwise noted)

17. Share Capital

	Issued and Fully Paid	
	June 30, 2026	December 31, 2025
Common shares	$ 12,733,778	$ 11,488,499
	$ 12,733,778	11,488,499

Authorized share capital

As at June 30, 2026, the Company has authorized an unlimited number of common and preferred shares, of which 29,017,031 common shares were issued and outstanding.

Issued and fully paid

On April 16, 2026, the Company issued 1,176,470 new common shares upon the exercise of the same number of warrants at $0.85 per common share for net proceeds of approximately $1,000,000.

During the year ended December 31, 2025, 30,000 common shares at $0.85 per share were issued to NameSilo Technologies for an aggregate value of $25,500 in consideration for the $1,100,000 in additional convertible loans extended to the Company during the year.

As at June 30, 2026, there were 29,017,031 common shares issued and outstanding (December 31, 2025: 27,840,561).

Dividends paid

For the six months ended June 30, 2026, $nil (December 31, 2025: $nil) dividends were declared and paid.

(All figures expressed in Canadian dollars unless otherwise noted)

18. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2026:

	Number of Warrants		Weighted Average Exercise Price
As at January 1, 2025	**1,176,470**	**$**	**0.85**
Issued	-		-
Exercised	-		-
Expired	-		-
Balance, December 31, 2025	**1,176,470**	**$**	**0.85**
Exercised	1,176,470	$	0.85
Balance, June 30, 2026	**-**	**$**	**-**

On April 16, 2026, 1,176,470 new common shares were issued upon the exercise of the same number of warrants at $0.85 per common share warrant for net proceeds of approximately $1,000,000.

19. Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the three months ended June 30:				For the six months ended June 30:			
		2026		2025		2026		2025
Type of goods or services								
Product related	**$**	**474,025**	$	474,225	**$**	**771,440**	$	1,022,291
Rendering of services		**107,002**		22,646		**209,840**		97,107
Total revenue from contracts with customers	**$**	**581,027**	$	496,871	**$**	**981,280**	$	1,119,398
Timing of revenue recognition								
Goods and services transferred at a point in time	**$**	**499,067**	$	496,871	**$**	**899,320**	$	1,081,310
Goods and services transferred over time		**81,960**		-		**81,960**		38,088
Total revenue from contracts with customers	**$**	**581,027**	$	496,871	**$**	**981,280**	$	1,119,398

(All figures expressed in Canadian dollars unless otherwise noted)

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the three months ended June 30:		For the six months ended June 30:	
	2026	**2025**	**2026**	**2025**
Geographical Markets				
Canada	**$ 44,919**	$ 159,455	**$ 59,426**	$ 222,718
United States	**235,033**	242,034	**460,219**	611,585
Rest of world	**301,075**	95,382	**461,635**	285,095
Total revenue	**$ 581,027**	$ 496,871	**$ 981,280**	$ 1,119,398

Contract Liabilities

Contract liabilities principally relate to customer advances received before the Company fulfills its performance obligations. Revenues of $81,960 and $168,128 were recognized during the three and six months ended June 30, 2026 (June 30, 2025- $6,065 and $38,088) respectively, which were included in the balance of contract liabilities at the beginning of each respective period.

20. Expenses

The following expenses are presented for the three and six month periods ended June 30, 2026 and June 30, 2025, consistent with the presentation of the condensed interim statements of loss in accordance with **IAS 34 – Interim Financial Reporting**.

	For the three months ended June 30:		For the six months ended June 30:	
	2026	**2025**	**2026**	**2025**
Depreciation and amortization are included in:				
Research and development costs	**$ 3,077**	$ 10,744	**$ 4,404**	$ 20,896
Cost of sales	**12,095**	-	**12,095**	-
General and administrative	**70,354**	40,760	**119,284**	42,461
	$ 85,526	$ 51,504	**$ 135,783**	$ 63,357
Employee benefits are included in:				
Sales and marketing	**$ 439,888**	$ 327,305	**$ 814,571**	$ 632,946
General and administrative	**281,252**	107,651	**628,725**	222,484
Research and development	**139,682**	74,741	**214,602**	146,924
Product development	**32,355**	58,908	**64,102**	115,474
Other operating expenses (income)	**215,167**	130,154	**399,967**	249,365
	$ 1,108,344	$ 698,759	**$ 2,121,967**	$ 1,367,193

For the three and six months ended June 30, 2026, $71,865 and $236,736 respectively of employee benefits costs included in 'Research and development' and 'Other operating expenses (income)' have been capitalized within 'Capitalized development costs' (June 30, 2025: $88,802 and $163,742 respectively).

(All figures expressed in Canadian dollars unless otherwise noted)

21. Stock-based compensation

The expense arising from equity-settled share-based compensation transaction for the three and six month periods ended June 30 are as follows:

	For the three months ended June 30: 2026	2025	For the six months ended June 30: 2026	2025
Expense arising from equity-settled share-based compensation transactions:				
Time-based stock options	**$ 114,111**	$ 17,817	**$ 347,249**	$ 54,874
Performance-based stock options	**-**	14,759	**-**	29,355
	$ 114,111	$ 32,576	**$ 347,249**	$ 84,229

Movements during the period

The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, time-based stock options during the six months ended June 30, 2026:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2026	1,873,439	$ 0.71	$ 0.62	5.95 years
Granted	500,000	0.73	0.85	
Exercised	-	-	-	
Forfeiture	(10,000)	0.74	0.74	
Expired	-			
Outstanding as at June 30, 2026	**2,363,439**	**$ 0.71**	**$ 0.79**	**5.90 years**
Exercisable as at June 30, 2026	1,073,039		$0.78	

The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, time-based stock options during the year ended December 31, 2025:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2025	1,077,057	$ 0.73	$ 0.77	8.51 years
Granted	1,524,935	0.74	0.85	
Exercised	-	-	-	
Forfeiture	(608,068)	0.74	0.85	
Expired	(120,485)	0.74	0.67	
Outstanding as at December 31, 2025	**1,873,439**	**$ 0.74**	**$ 0.81**	**5.95 years**
Exercisable as at December 31, 2025	709,914		$0.74	

(All figures expressed in Canadian dollars unless otherwise noted)

The following tables list the inputs to the model used for the Stock Options Plan for the six months ended June 30, 2026, and the fiscal year ended December 31, 2025, respectively:

	June 30, 2026	December 31, 2025
Stock price	**$ 0.85**	$ 0.85
Dividend yield	**0%**	0%
Historical volatility	**65%**	65%
Risk-free rate	**3.50% to 3.60%**	3.67% to 4.13%
Expected term	**5 to 7 years**	5 to 7 years

22. Financial instruments and risk management

Financial assets and financial liabilities

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and long term debt approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its trade accounts receivable. To mitigate this risk, the Company limits the amount of credit it extends to a limited number of customers and carries out regular credit evaluations of these customers relative to their history of on-time payment and the maturity date of any balances outstanding. An impairment analysis is performed at each reporting date to measure ECLs. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

As at June 30, 2026 and December 31, 2025, the maximum exposure to credit risk relating to accounts receivable is represented by the carrying values of the asset on the Company's statements of financial position. Credit quality of a customer is assessed based on a credit rating assessment and individual credit limits are defined and approved in accordance with this assessment.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its variable rate interest-bearing debt consisting of bank indebtedness and bank loans. The Company does not use derivative financial instruments to mitigate interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes sales and purchase transactions in USD and therefore is subject to gains or losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to mitigate foreign exchange risk. The carrying amounts of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

(All figures expressed in Canadian dollars unless otherwise noted)

		June 30, 2026		December 31, 2025
Cash and cash equivalents	$	106,635	$	147,688
Trade and other receivables		18,160		7,085
Trade and other payables		(364,477)		(283,195)
	$	**(239,682)**	$	(128,422)

Foreign exchange risk sensitivity analysis

A 10% change of CAD strengthening against USD applied to the Company's $239,682 net USD monetary liability position as at June 30, 2026 would have decreased net loss by $23,968, assuming all other variables, in particular interest rates, remained constant.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities:

As at June 30, 2026		< 1 year		1 – 5 years		> 5 years	Total
Trade and other payables	$	1,213,242	$	-	$	-	$ 1,213,242
Contract liabilities		54,335		-		-	54,335
Debt		7,938,960		720,118		296,883	8,955,961
Lease liabilities		222,361		1,014,490		-	1,236,851
	$	**9,428,898**	**$**	**1,734,608**	**$**	**296,883**	**$11,460,389**

As at December 31, 2025		< 1 year		1 – 5 years		> 5 years	Total
Trade and other payables	$	712,762	$	-	$	-	$ 712,762
Contract liabilities		232,158		-		-	232,158
Debt		7,960,966		509,808		148,495	8,619,269
Lease liabilities		214,982		1,030,896		77,527	1,323,405
	$	**9,120,868**	**$**	**1,540,704**	**$**	**226,022**	**$10,887,594**

Capital risk management

The Company is subject to certain financing arrangements, covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the six months ended June 30, 2026 and the year ended December 31, 2025.

There have been no changes to the Company's capital risk management policy for the six months ended June 30, 2026 and the year ended December 31, 2025.

(All figures expressed in Canadian dollars unless otherwise noted)

23. Related party disclosures

The following transactions occurred with related parties:

	For the six months ended June 30: 2026	2025
Interest expense on loan payable	**$ 100,418**	53,129
Share issuance to NameSilo Technologies Corp.	**-**	25,500
	$ 100,418	$ 78,629

The following total balances are outstanding with related parties:

	June 30, 2026	December 31, 2025
Convertible loan payable to:		
NameSilo Technologies	**$ 1,282,709**	$ 988,535
Maxcroft Holdings Inc.	**173,495**	115,160
Off the Grid Ventures Fund 1, LLC	**115,010**	76,113

These amounts are classified as current (Note 16).

Short-term employee benefits of key management personnel of the Company for the six month period ended June 30:

	For the six months ended June 30: 2026	2025
Short-term benefits	**$ 253,462**	$ 194,005
Share-based compensation	**62,175**	33,740
Total	**$ 315,637**	$ 227,745

The amounts disclosed above are the amounts recognized as an expense during the reporting period related to key management personnel. There are no long-term incentive plans for senior management personnel.

24. Segment information

The Chief Operating Decision Maker (CODM) has been identified as the Chief Executive Officer. The CODM evaluates the Company's performance and makes resource allocation decisions based on internal reporting, which includes monthly management accounts and budget summary analyses.

In determining the Company's operating segments, management has considered the level of information which is regularly reviewed by the CODM. Information regularly reviewed by the Chief Executive Officer is at a consolidated group level only, with some limited disaggregated revenue information provided for the geographical regions of the Canada, United States and the Rest of the World. Although pricing strategies are determined by country, the CODM does not assess performance or make resource allocation decisions based on regional or market-specific data. Instead, such decisions are based on the overall consolidated performance of the Company.

Accordingly, management has determined that the Company operates as a single operating segment at the group level.

Note 19 sets out the Company's revenue in the key geographic markets in which customers are located.

25. Subsequent Events

On July 9, 2026, the Company completed its initial public offering of common stock at which time it issued 13,738,447 units at a price of $1.00 per unit for total gross proceeds of $13,738,447 before financial advisory commissions and other related expenses including legal costs. Each unit consists of one common share and one-half of one warrant. Each warrant will entitle the holder to purchase one common share at a price of $1.50 for a period of twenty-four months after the closing date.

The principal and accrued interest of both the NameSilo Loan and Additional Convertible Loans were automatically converted into common shares of the Company upon the occurrence of the July 9, 2026 listing event at a price of $0.75 per share. A total of 11,718,642 common shares of the Company were issued as of July 9, 2026 in satisfaction of all such loan obligations.