

CUSTOM HEALTH INC.

Consolidated Financial Statements For the years
ended December 31, 2025 and 2024
(Expressed in US Dollars)

To the Shareholders of Custom Health Inc.:

Opinions

We have audited the consolidated financial statements of Custom Health Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinions

We conducted our audits 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 audits 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 unmodified opinion on the consolidated financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2025 and, as of that date, the Company had negative cash flows from operations, a working capital deficiency and an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 this matter.

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

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

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

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

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

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

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

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

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.

Burlington, Ontario

June 30, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Custom Health Inc.
Consolidated Statements of Financial Position (expressed in US dollars)

	Note	As at December 31,	
		2025	2024
ASSETS			
Current assets			
Cash and cash equivalents	7	260,298	386,006
Trade receivables	8	1,791,156	1,222,436
Inventories	9	518,760	482,785
Prepayments and other assets	10	898,280	343,342
Total current assets		3,468,494	2,434,569
Non-current assets			
Net property and equipment	19	4,455,297	3,723,667
Intangible assets	19	7,126,757	59,832
Total non-current assets		11,582,054	3,783,499
Total assets		15,050,548	6,218,068
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts and other payables		6,670,300	6,800,097
Contract liabilities		1,290,958	870,238
Loans and borrowings	20	25,015,594	12,214,572
Other financial liabilities	11	8,376,370	5,977,736
Lease liabilities	12	1,266,760	1,157,066
Derivative liabilities	21	10,072,926	4,165,393
Total current liabilities		52,692,908	31,185,102
Non-current liabilities			
Loans and borrowings	20	6,468,334	3,827,444
Lease liabilities	12	2,910,356	3,154,312
Total non-current liabilities		9,378,690	6,981,756
Total liabilities		62,071,598	38,166,858
Shareholders' deficit			
Issued capital		96,396,082	92,439,936
Obligation to issue shares		4,837,395	-
Warrants reserve		1,612,096	1,455,764
Stock option reserve		13,636,565	7,660,080
Contributed surplus		6,540,710	6,540,710
Deficit		(166,664,519)	(136,879,468)
Other components of equity		(3,379,379)	(3,165,812)
Total deficit		(47,021,050)	(31,948,790)
Total equity and liabilities		15,050,548	6,218,068
Commitments and contingencies	22		
Subsequent events	23		

Approved on behalf of the Board:

"Shane Bishop"

Director

"Rahul Chopra"

Director

Custom Health Inc.

Consolidated Statements of Loss and Comprehensive Loss (expressed in US dollars)

	Notes	For the year ended 31 December	
		2025	2024
Continuing operations			
Revenue	17	18,321,898	18,614,497
Cost of sales		(9,932,942)	(10,182,946)
Gross profit		8,388,956	8,431,551
Expenses			
Salaries, wages & benefits		(20,094,436)	(15,795,798)
Selling and distribution expenses		(66,990)	(25,145)
Amortization and depreciation	19	(3,244,667)	(1,935,116)
Other operating expenses	18	(9,016,534)	(8,828,713)
Operating loss		(24,033,671)	(18,153,221)
Finance costs		(6,976,660)	(6,316,024)
Derivative fair value changes	21	1,259,530	(617,560)
Other (expense) income		(34,250)	8,568
Loss before taxes		(29,785,051)	(25,078,237)
Income tax recovery (expense)	13	-	303,848
Loss for the year		(29,785,051)	(24,774,389)
Other comprehensive loss			
Exchange differences on translation of foreign operations		213,567	(22,108)
Other comprehensive income (loss) for the year, net of tax		213,567	(22,108)
Total comprehensive loss for the year, net of tax		(29,571,484)	(24,796,497)

The accompanying notes form an integral part of these consolidated financial statement

Custom Health Inc.
Consolidated Statements of Cash Flows (expressed in US dollars)

	For the year ended December 31,	
	2025	2024
Operating activities		
Net loss for the year	(29,785,051)	(24,774,389)
Adjustments for:		
Finance costs, net	21,842,367	6,316,024
Share based payment	5,976,485	3,139,786
Lease interest accretion	744,873	367,592
Change in fair value of derivative financial instruments	(2,720,241)	617,560
Depreciation of property and equipment	2,158,573	1,890,284
Amortization of finite-life intangible assets	1,167,151	36,911
Exchange differences - fixed assets	(116,100)	262,621
Non-cash settlement of consulting fees via convertible note	172,500	-
Income tax recovery	-	(303,848)
Net change in non-cash working capital items	(4,289,377)	5,089,119
Cash used by operating activities	(4,848,820)	(7,358,340)
Investing activities:		
Proceeds on disposal of property, equipment and intangible assets	-	20,374
Acquisition of PatchRx, Inc., net of cash acquired	6,818	-
Purchase of investments	-	-
Purchase of property and equipment	(5,899)	(30,587)
Cash used in investing activities	919	(10,213)
Financing activities		
Lease payments	(1,938,391)	(1,791,256)
Repayment of borrowings	(549,019)	(585,023)
Proceeds from loans and borrowings	3,391,371	9,457,675
Issuance of shares	3,736,104	401,518
Cash provided by (used in) financing activities	4,640,065	7,482,914
Net (decrease) increase in cash and cash equivalents	(207,836)	114,361
Translation differences	82,128	190,890
Net (decrease) increase in cash and cash equivalents during the year	(125,708)	305,251
Cash and cash equivalents, beginning of year	386,006	80,755
Cash and cash equivalents, end of year	260,298	386,006

The accompanying notes form an integral part of these consolidated financial statement

Custom Health Inc.
Consolidated Statements of Changes in Shareholders' Deficit
(expressed in US dollars)

	Number of shares issued	Share capital	Warrant reserve	Stock option reserve	Contributed surplus	Obligation to issue shares	Deficit	Translation Reserve	Total
Balance, December 31, 2023	12,634,702	92,038,418	236,395	4,520,295	6,844,558	-	(112,105,079)	(3,187,920)	(11,653,333)
Issuance of shares, net of share issuance costs	63,887	390,068	-	-	-	-	-	-	390,068
Warrants issued	-	-	1,219,369	-	-	-	-	-	1,219,369
Stock based payments	-	-	-	3,139,786	-	-	-	-	3,139,786
Stock option exercised	5,000	11,450	-	-	-	-	-	-	11,450
Translation reserve	-	-	-	-	-	-	-	22,108	22,108
Contributed surplus	-	-	-	-	(303,848)	-	-	-	(303,848)
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(24,774,389)	-	(24,774,389)
Balance, December 31, 2024	12,703,589	\$ 92,439,936	\$ 1,455,764	\$ 7,660,080	\$ 6,540,710	\$ -	\$ (136,879,468)	\$ (3,165,812)	\$ (31,948,790)
Class C Shares, Warrants exercised	1,611,619	3,956,146	-	-	-	-	-	-	3,956,146
Warrants issued	-	-	156,332	-	-	-	-	-	156,332
Obligation to issue shares (Note 5)	-	-	-	-	-	4,837,395	-	-	4,837,395
Stock based payments	-	-	-	5,976,485	-	-	-	-	5,976,485
Translation reserve	-	-	-	-	-	-	-	(213,567)	(213,567)
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(29,785,051)	-	(29,785,051)
Balance, December 31, 2025	14,315,208	\$ 96,396,082	\$ 1,612,096	\$ 13,636,565	\$ 6,540,710	\$ 4,837,395	\$ (166,664,519)	\$ (3,379,379)	\$ (47,021,050)

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

1 CORPORATE INFORMATION

Custom Health Inc, together with its subsidiaries (collectively, "CHI" or the "Company"), is incorporated as a Delaware corporation with a corporate address at 8605 Santa Monica Blvd, PMB 64914 West Hollywood, CA 90069-4109.

Custom Health Inc. ("Custom Health" or the "Company") is a technology-enabled healthcare company that connects pharmacies, clinicians, payers, and patients through an integrated digital platform designed to improve medication adherence, chronic disease management, and patient outcomes. The Company's mission is to make it easier for people to take the right medication at the right time—every time—while giving healthcare professionals real-time insight into patient adherence and therapeutic outcomes.

2 BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") applicable to the preparation of these financial statements.

These consolidated financial statements were authorized by the Board of Directors on June 30, 2026.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities which are measured at fair value as explained in Note 3 to these consolidated financial statements. These consolidated financial statements are presented in US dollars, which is the functional currency of the Company and its subsidiaries.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities and nonmonetary assets and liabilities carried at fair value, that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of the Company's operations and the realization of its assets and discharge of its liabilities in the normal course of business. During the year ended December 31, 2025, the Company incurred a net loss of \$29,785,051 (2024 – \$24,774,389) and negative cash flows from operating activities of \$4,848,820 (2024 – \$7,358,340), and as at December 31, 2025 had an accumulated deficit of \$166,664,519 (2024 – \$136,879,468). As at that date, the Company's current liabilities of \$52,692,908 (2024 – \$31,185,102) exceeded its current assets of \$3,468,494 (2024 – \$2,434,569), resulting in a working capital deficiency of \$49,224,414 (2024 – \$28,750,533). Included in current liabilities are loans and borrowings of \$25,015,594 (2024 – \$12,214,572) due within the next twelve months, which the Company will need to repay, refinance or renegotiate.

Management intends to improve revenue and profitability of the existing business by growing revenue and reducing costs. Custom Health intends to continue to grow revenue in its pharmacy operations, technology platforms and clinical services by expanding usage of these services within its customer base. Custom Health also intends to reduce costs by streamlining operations, resource optimization, elimination of redundancies and poorly performing geographies where possible. There is no assurance that the Company will be successful in these efforts.

Continued operations of the Company depend upon the Company's ability to meet its financing requirements on a continuing basis, to continue to have access to financing, and to generate positive operating results. There can be no assurance, however, that the Company can reach profitability, raise working capital financing, or secure adequate debt or equity financing on desirable terms or at all. These material uncertainties raise significant doubt about the Company's ability to continue as a going concern.

Because the consolidated financial statements have been prepared on a going concern basis, they do not include any adjustments that might result from the outcome of this uncertainty or the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Basis of consolidation

These consolidated financial statements incorporate the assets, liabilities and financial results of CHI and its wholly owned subsidiaries. All intercompany transactions are eliminated on consolidation. As of December 31, 2025, the Company's subsidiaries include:

2 BASIS OF PREPARATION (CONTINUED)

	Subsidiaries	Jurisdiction Incorporation	of % of Equity Interest
1	Pack4U Connected Health LLC	Delaware	100% by Custom Health
2	Orlando Central Fill, Inc. dba Pack4U Corp	Delaware	100% by Custom Health
3	Pack4U Holdings (Canada) Ltd.	British Columbia, Canada	100% by Custom Health
4	Community Pharmacy of Smyrna, LLC d/b/a Keystone Community Pharmacy	Tennessee	100% by Custom Health
5	Catalyst Healthcare Ltd.	British Columbia, Canada	100% by Pack4U, Holdings (Canada) Ltd.
6	Pack4U Ontario Ltd. ¹	Ontario, Canada	49% by Pack4U Holdings (Canada) Ltd. and 51% by Teresa Pitre
7	Pack4U Saskatchewan Ltd. DBA Willowgrove Pharmacy Inc.	Saskatchewan, Canada	100% by Pack4U Holdings (Canada) Ltd.
8	M&J Pharmacy Ltd.	British Columbia, Canada	100% by Pack4U Holdings (Canada) Ltd.
9	1239760 B.C. Ltd.	British Columbia, Canada	100% by Pack4U Holdings (Canada) Ltd.
10	Catalyst Health USA Co.	Washington	100% by Catalyst Healthcare Ltd.
11	PatchRx Inc.	Delaware	100% by Custom Health

Control over a subsidiary exists when the Company is exposed to and has the rights to variable returns of the subsidiaries and has the ability to affect those returns through its power over the entity. The existence and effect of voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date control ceases. Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statements of income and comprehensive income.

¹ Pack4U Ontario Ltd.*

Although the Company holds 49% of the equity interest in Pack4U Ontario Ltd., it exercises 100% control over the entity through a Master Services Agreement (“MSA”). The MSA grants the Company full decision-making authority and rights to all the variable returns. As a result, Pack4U Ontario Ltd. is fully consolidated in these financial statements, and there is no non-controlling interest recognized.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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. Information about critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Business combination versus asset acquisition

During the year ended December 31, 2025, the Company acquired PatchRx, Inc. (Note 5). Significant judgment is required in determining whether an acquired set of assets and activities constitutes a business under IFRS 3 or a group of assets. Management assessed whether the acquired set included an input and a substantive process that together significantly contribute to the ability to create outputs, and concluded that it did not. The transaction was therefore accounted for as an asset acquisition rather than a business combination, and no goodwill was recognized.

Accounting for the acquisition also required judgment in distinguishing the amounts forming part of the consideration for the acquired assets from separate transactions, and estimation in determining the acquisition-date fair value of the consideration transferred — comprising cash, convertible promissory notes and equity instruments issued — and of the identifiable assets acquired and liabilities assumed, to which the cost was allocated on a relative fair value basis.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Revenue recognition

Identifying performance obligations and assessing distinctness (e.g., device, SaaS, implementation, and support). Determining timing of revenue recognition (point in time vs. over time) based on transfer of control or stand-ready obligations. Estimating variable consideration (usage-based fees, payor adjustments, rebates or chargebacks), including application of the constraint to avoid significant reversals. Determining principal vs. agent in arrangements involving resellers, channel partners, payors, or third-party service providers. The Company generally acts as principal in pharmacy operations and hosted software. Assessing material rights embedded in bundled contracts (e.g., discounted renewals or future services).

Inventory

Inventories are carried at the lower of cost and net realizable value, which requires the Company to utilize estimates related to fluctuations in shrinkage, retail prices and shelf life. At each reporting date, the Company reviews its inventory and determines if a reserve is required for inventory.

Useful lives and impairment of property and equipment and intangible assets

The Company has no goodwill or indefinite-life intangible assets. Determining the useful lives and residual values of property and equipment and definite-life intangible assets requires significant judgment, and changes in usage, technological developments or market conditions may result in adjustments to depreciation and amortization rates. At each reporting date, management assesses whether there is any indication that these assets may be impaired and, where such an indication exists, estimates the recoverable amount based on the higher of fair value less costs of disposal and value in use.

Borrowing Rate and Lease Term under IFRS 16

Determining the incremental borrowing rate and lease term for measuring lease liabilities involves judgment. The Company estimates the rate it would have to pay to borrow funds over a similar term and with similar security. Estimating the lease term requires management to assess the likelihood of exercising renewal options, which are included in the lease term when the Company is reasonably certain to exercise them.

Valuation of Convertible Debt

Convertible instruments are assessed for classification and measurement under IFRS 9 and IAS 32. Management estimates the fair value of the liability and any embedded derivative or equity component using discounted cash flow models and option pricing techniques. Key assumptions include discount rates, expected volatility, probability of conversion and credit risk.

Valuation of Stock Options and Company's Stock Price

For share-based payments and fair value measurement of warrants or embedded derivatives, the Company uses observable market prices where available. Where not available, valuation models such as Black-Scholes are applied, requiring assumptions about volatility, risk-free rates, and expected life of instruments. The Company's share price is estimated based on recent subscriptions with arm's length parties, and calibration techniques where no recent subscriptions of the Company's shares have occurred.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows are comprised of cash in banks, including savings accounts. Cash and cash equivalents are measured at amortized cost. Interest income is recognized by applying the effective interest rate method.

Due to and from related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Inventory

Inventories consisting of pharmaceutical products are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories that are expired, damaged, or slow-moving are written down to their estimated net realizable value. Write-downs and reversals, if any, are recognized within Cost of Sales.

Trade and other receivables

Trade and other receivables are measured at amortized cost. The Company recognizes an allowance for expected credit losses ("ECL") on trade and other receivables in accordance with IFRS 9 Financial Instruments. The Company applies the simplified approach permitted by IFRS 9 for trade receivables, whereby the allowance for ECL is measured at an amount equal to lifetime expected credit losses. Expected credit losses represent the probability-weighted estimate of credit losses over the expected life of the receivable.

In determining the ECL allowance, the Company considers historical credit loss experience, the aging profile of receivables, forward-looking information (including relevant macro-economic factors), and customer-specific information such as financial condition, payment history and known disputes.

Receivables are written off when there is no reasonable expectation of recovery. Any subsequent recoveries of amounts previously written off are recognized in Statement of loss and comprehensive loss. The movement in the allowance for expected credit losses is disclosed in Note 7 to these financial statements.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property and equipment, net

Property and equipment, net are stated at cost, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs for day-to-day servicing are charged to the consolidated statement of income and comprehensive income during the period in which they are incurred. If the replacement of a part of an item of property and equipment meets the recognition criteria, then the carrying value of the part of such an item is included as property and equipment.

The major categories of property and equipment are depreciated as follows:

Particulars	Remarks
Office furniture, fixtures and equipment	5 years straight-line
Computer equipment	3 years straight-line
Packaging equipment	5 years straight-line
Leasehold improvements	Straight-line over the term of the lease

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and separately depreciates each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted, if appropriate.

Gains or losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of income from operations in the consolidated statement of income and comprehensive income.

Intangible assets

Intangible assets comprise computer software and integrated IP platform, which is measured at cost less accumulated amortization and impairment losses. The integrated IP platform, acquired through the asset acquisition of PatchRx, Inc. (Note 5), comprises the patented PatchCap smart pill bottle cap technology and related software that together monitor medication adherence. Software and IP Platform are amortized on a straight-line basis over its estimated useful life. Expenditure on research and maintenance is expensed as incurred, while development costs are capitalized only when the criteria under IAS 38 – Intangible Assets are met. Intangible assets are reviewed for indicators of impairment at each reporting date.

Particulars	Remarks
Computer Software	7 years straight-line
Integrated IP Platform	3 years

Business combinations and Goodwill

The Company accounts for business combinations using the acquisition method under IFRS 3, consolidating the acquired business from the date control is obtained. When assessing an acquisition, management first applies the optional concentration test — if substantially all of the acquired gross assets' fair value (excluding cash, deferred tax assets and prior goodwill) is concentrated in a single asset or similar group, the transaction is treated as an asset acquisition. Where the concentration test is not met, a further assessment of whether the acquired set of assets and activities is a business will be performed.

Where the acquisition is a business combination, all identifiable assets and liabilities are recorded at fair value on the acquisition date, with consideration comprising cash paid, deferred amounts, contingent consideration at fair value and any equity instruments issued; acquisition-related costs are expensed as incurred. Non-controlling interests are measured either at fair value or at their proportionate share of the acquiree's net identifiable assets, with this choice made separately for each transaction. Goodwill, being the excess of consideration over net assets acquired, is not amortised but tested for impairment annually with any loss recognised immediately in profit or loss and not reversible; where net assets exceed consideration, the resulting gain is recognised immediately in profit or loss. Contingent consideration classified as a financial liability is remeasured to fair value at each reporting date with changes recognised in profit or loss.

Where the acquisition is an asset acquisition, the total purchase cost — including transaction costs — is allocated across acquired assets and liabilities based on their relative fair values, no goodwill is recognized.

Leases

The Company leases assets including properties, equipment and vehicles.

At inception of the arrangement, the Company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in return for consideration. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' in the consolidated statement of financial position.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Initial measurement

On initial recognition, financial assets and financial liabilities are measured at fair value. For instruments not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability are added to or deducted from the fair value.

Subsequent measurement

Financial assets at amortized cost:

Financial assets held to collect contractual cash flows that are solely payments of principal and interest are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost: Financial liabilities, including borrowings and trade payables, are subsequently measured at amortized cost using the effective interest method.

Financial assets and liabilities at FVTPL: Derivatives and embedded conversion features in convertible debt are measured at fair value through profit or loss, with changes recognized in the statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from these assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled, or expires.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset and an intention to settle on a net basis.

Trade payables and borrowings

Trade payables and other liabilities are obligations to pay for goods or services acquired in the ordinary course of business. They are classified as current liabilities if payment is due within twelve months; otherwise, they are presented as non-current. Borrowings are classified as current unless the Company has an unconditional right to defer settlement for more than twelve months.

Financial assets and liabilities measured at FVTPL

Financial assets and liabilities measured at FVTPL are assets and liabilities that do not qualify as financial assets and financial liabilities at amortized cost or at fair value through other comprehensive income. Derivative financial instruments are recorded at FVTPL unless they are designated as hedges. The Company's financial assets recorded at FVTPL include derivative financial instruments. The Company's financial liabilities recorded at FVTPL, embedded derivatives within convertible borrowings. Assets and liabilities in this category are classified as current assets and liabilities if they are expected to be settled within twelve months; otherwise, they are classified as non-current assets or non-current liabilities.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Company performs evaluations each reporting period to identify potential obligations. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Company performs evaluations each reporting period to identify potential obligations.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Income taxes for the year are comprised of current and deferred income taxes. Income taxes are recognized in the consolidated statement of income and comprehensive income, except to the extent that they relate to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Current income taxes

Current income tax expense is based on the results of the year, as adjusted for items that are not taxable or not deductible. Current income taxes are calculated using tax rates and laws that are substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the taxation authorities.

Deferred income taxes

Deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using income tax rates and laws that have been enacted or substantively enacted as at the date of the consolidated statement of financial position and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent it is probable that the assets can be recovered.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred income tax assets and liabilities are presented as non-current assets or liabilities.

Share capital and warrants

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Warrants that are classified as equity are initially measured at fair value. The fair value of the warrants are not remeasured in subsequent periods. Warrants are transferred to common shares when they are exercised based on the terms of each individual agreement. If warrants expire unexercised, the amount initially recorded is transferred to contributed surplus.

When the Company repurchases its own shares, the consideration paid, including any directly attributable incremental costs, net of the related income tax effects, is deducted from equity attributable to the Company's shareholders. Where such common shares are not cancelled and subsequently reissued, any consideration received, net of any directly attributable incremental share issuance costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Revenue

1. Pharmacy Operations

Retail and central fill pharmacy services: The Company owns and operates licensed pharmacies and centralized fill facilities across Canada and the United States. These pharmacies specialize in multi-dose medication packaging and home delivery for patients with chronic conditions and complex medication regimens.

Medication dispensing and delivery: Pharmacy teams, supported by the Company's technology infrastructure, dispense prescription medications in unit-dose or multi-dose formats and coordinate delivery/pickup to patients and care settings.

Recognition and measurement: For retail pharmacy sales to patients (including home delivery), revenue is recognized at a point in time when the customer (or caregiver) takes possession of the product, which typically occurs upon delivery to the patient or when the prescription is picked up at the pharmacy. Each prescription claim represents a distinct performance obligation, separate from other prescriptions. For centralized fill arrangements with affiliated or third-party pharmacies, revenue is recognized at a point in time when the pharmacy customer obtains control of the product (generally at delivery).

Consideration may be received from patients, insurers, pharmacy benefit managers (PBMs), and governmental payors. Variable consideration (e.g., reimbursements subject to adjudication, clawbacks, rebates, or chargebacks) is estimated and constrained to the extent that it is highly probable that a significant reversal will not occur. Co-payments and deductibles are included in the transaction price; amounts subject to payor retroactive adjustments are recognized net of expected reductions. Historical experience and current adjudication data inform estimates of variable consideration.

2. Technology Platform Fees

Spencer® smart medication dispenser (device): A proprietary, cloud-connected device that automates dispensing, captures adherence events, and communicates in real time with pharmacists and clinicians.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue (Continued)

3. Software platforms and data analytics:

- AdhereNet®—a secure, cloud platform that aggregates adherence data, prescription status, and communication tools for pharmacies, patients, and clinicians.
- oneMAR® (Medication Administration Record)—a SaaS solution supporting care facilities, pharmacies, and clinicians in tracking and documenting medication administration.

Recognition and measurement

Outright device sales: Revenue for Spencer® device sales is recognized at a point in time upon transfer of control to the customer (typically on delivery).

SaaS subscriptions (AdhereNet® and oneMAR®): Subscription fees for stand-ready access to hosted software are recognized over time, ratably over the fixed contract term during which the customer has access to the software.

Usage-based or per-device/per-user fees: Variable consideration based on usage (e.g., per resident, per device, or per transaction) is recognized as usage occurs. The Company may apply the “right to invoice” practical expedient when the invoiced amount corresponds directly with the value to the customer of the Company’s performance completed to date.

Implementation, onboarding, and integration services: When these activities do not transfer a distinct service but are necessary to set up the hosted environment, the related fees are deferred and recognized over the subscription term. If implementation/integration services are distinct, revenue is recognized over time (as services are provided) or at a point in time depending on the nature of the deliverable.

Bundled arrangements (device + SaaS + support): The Company identifies separate performance obligations (e.g., device hardware, SaaS, support) and allocates consideration to each based on stand-alone selling prices (SSP). Discounts that provide a material right to future services (e.g., discounted renewals) are treated as a separate performance obligation and recognized over the period the right is exercised or expires.

Support and maintenance: Ongoing technical support, monitoring, and software updates are typically stand-ready services recognized over time during the support term.

4. Patient and Clinician Engagement

The Company operates a virtual care and clinical monitoring network staffed by pharmacists, nurses, and patient support specialists. Using proprietary data analytics, the teams identify non-adherence, emerging risks, and care gaps, and coordinate interventions with prescribers and caregivers.

Recognition and measurement:

Telepharmacy and clinical monitoring services: Revenue is recognized over time as services are provided, based on outputs (e.g., per-intervention fees) or inputs (e.g., time-and-materials, PMPM/PMPD—per member/per patient per day/month) that faithfully depict performance.

Outcome-based or performance incentives: Variable consideration tied to adherence outcomes or quality metrics is recognized only to the extent that it is highly probable a significant reversal will not occur, with updates made as facts and circumstances change. When engagement services are integrated with device and SaaS components into a single solution that provides a combined output to the customer, the Company assesses whether the promises are highly interdependent and not separately identifiable; if so, they are accounted for as a single performance obligation and revenue is recognized on a basis that reflects the combined service pattern.

Contract balances

Contract assets (unbilled receivables) arise when revenue is recognized on services performed but not yet invoiced.

Contract liabilities (deferred revenue) arise when consideration is received or invoiced prior to transferring goods or providing services (e.g., advance billings for SaaS subscriptions, prepaid support). Revenue is recognized when (or as) the related performance obligations are satisfied.

Contract costs

Incremental costs of obtaining a contract (e.g., sales commissions related to SaaS contracts) are capitalized when recoverable and amortized on a systematic basis consistent with the pattern of transfer of the related goods or services (generally the subscription term). Ongoing fulfillment costs (e.g., customer support staffing and routine delivery expenses) are expensed as incurred, unless they qualify for capitalization under IFRS.

Foreign currency translation

In preparing the consolidated financial statements, transactions in currencies other than the Company’s functional currency are recorded at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items and on the translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Functional Currency Disclosure:

The functional currency of the Company is the United States Dollar (USD). The Company's Canadian subsidiary operates with the Canadian Dollar (CAD) as its functional currency, reflecting the primary economic environment in which it conducts its business. For consolidation purposes, the financial statements of the Canadian subsidiary are translated into USD as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period;
- Resulting exchange differences are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve.

Loss per share

Basic loss per share are calculated by dividing the net loss for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive instruments are comprised of share options granted to employees, RSUs, convertible debentures and warrants.

Subsequent changes in fair value between reporting periods are recognized in the consolidated statement of income and comprehensive income. Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of the acquired entities achieving their performance targets.

Shares issued or released from escrow in the final settlement of contingent consideration are recognized in share capital at their fair value at the time of issuance or release with a corresponding reduction in the contingent consideration liability. The current portion of contingent consideration is based on the Company's estimate of the value that will be payable within twelve months.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of income and comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment is recognized in the consolidated statement of loss and comprehensive loss.

Impairment of non-financial assets

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other long-term tangible and intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

For the purposes of impairment testing, assets are allocated to cash-generating units ("CGUs") or groups of CGUs, which represent the lowest level at which largely independent cash inflows are generated. Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

If the estimated recoverable amount of an asset or CGU is less than its carrying amount, the asset or CGU is written down to its recoverable amount, and an impairment loss is recognized in the consolidated statement of income and comprehensive income. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Impairment losses on goodwill are not reversed in subsequent periods. Non-financial assets other than goodwill that have previously been impaired are reviewed at each reporting date for possible reversal of the impairment.

Share-based payments

The Company operates a long-term incentive plan under which the Company issues equity instruments of the Company as consideration in exchange for employee or director services (the "Plan"). The Plan is open to certain directors and employees of the Company. The Plan regulates the issuance of the following equity instruments: stock options, deferred share units ("DSUs") and restricted share units ("RSUs").

The maximum number of common shares which may be issued under the Plan cannot exceed 10% of the common shares issued and outstanding at any given time, calculated on a non-diluted basis. Grants held by non-employee directors of the Company are at all times limited to no more than 1% of the common shares issued and outstanding, calculated on a non-diluted basis, and the total annual grant to any one non-employee director under the Plan cannot exceed a grant value of \$150,000 in total equity.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Stock options

The Company may decide to issue stock options as consideration in exchange for employee or director services. Stock options typically vest over three to four years and expire after five years. The fair value of the grant of the stock options is recognized in the consolidated statement of loss and comprehensive loss as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions.

The fair value of stock options is estimated using the Black-Scholes option pricing model. This model requires the input of a number of assumptions, including expected dividend yield, expected share price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect historical performance and management's best estimates, they involve inherent uncertainties based on conditions outside the Company's control. Changes in these assumptions could significantly impact the valuation of the share-based payment expense.

The contributed surplus within shareholders' equity is reduced as the stock options are exercised. If the stock options are exercised, the amount initially recorded for the stock options in contributed surplus is credited to common shares, along with the proceeds received on the exercise. If the stock options expire unexercised, the amount initially recorded for the stock options remains in contributed surplus.

RSUs

The Company may decide to issue RSUs as consideration in exchange for employee or director services. RSUs typically vest over three years. The fair value of the grant of the RSUs is recognized as a share-based compensation expense. The total amount to be expensed is determined by reference to the fair value of the RSUs granted. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting date, the Company revises its estimates of the number of RSUs that are expected to vest based on the non-market vesting conditions. The fair value of RSUs is estimated using the Company's quoted market price on the grant date.

DSUs

The Company may issue DSUs as consideration in exchange for director or officer services. DSUs typically vest over three years. The fair value of the grant of the DSUs is recognized as a share-based compensation expense. The total amount to be expensed is determined by reference to the fair value of the DSUs granted. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting date, the Company revises its estimates of the number of DSUs that are expected to vest based on the non-market vesting conditions. The fair value of DSUs is estimated using the Company's quoted market price on the grant date.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The carrying value of the Company's cash and cash equivalents, trade and other receivables, inventory, bank indebtedness, trade and other payables, deferred accounts payable, due from/to related parties and due from/to shareholders approximate their fair value, and the Company's borrowings and financial instruments have been recorded at fair value.

Convertible Debt

On initial recognition, each convertible note is separated under IAS 32 and IFRS 9 into a host debt liability and an embedded conversion option. A conversion option is classified as an equity component and recognized in equity only where it will be settled by exchanging a fixed amount of cash for a fixed number of the Company's own shares (the fixed-for-fixed criterion). Because the conversion price of the Company's notes is set by reference to variable inputs — such as a discount to a future financing price, a trailing market price, or a future listing event — the conversion option fails that criterion and is accounted for as an embedded derivative liability measured at fair value through profit or loss. The host debt is recognized as the residual after deducting the standalone fair value of the embedded derivative, and any detachable warrant that meets the fixed-for-fixed criterion is classified as equity. Subsequent to initial recognition, the host debt is measured at amortized cost using the effective interest rate method, with interest expense recognized in profit or loss as a finance cost. The embedded derivative liability is remeasured to fair value at each reporting date, with changes recognized in profit or loss.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Convertible Debt (Continued)

The Company issues other convertible debentures which may be comprised of a host debt liability, an embedded derivative and, where applicable, a detachable warrant, which is measured at the residual proceeds, if any, allocated to equity after recording the fair value the embedded derivative and the host debt.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2025. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to clarify requirements related to contractual cash flow characteristics, derecognition (including electronic settlements), ESG-linked features, and disclosure of equity instruments. Effective for annual periods beginning on or after January 1, 2026, with early application permitted. The Company is assessing the relevance of these changes to its financial instruments.

Annual Improvements to IFRS – Volume 11

In July 2024, the IASB released narrow-scope improvements affecting IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7, aimed at clarifying wording and correcting inconsistencies. Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The amendments are not expected to have a material impact.

Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

In December 2024, the IASB issued targeted amendments to clarify the own-use exemption, hedge accounting, and disclosures for contracts referencing nature-dependent electricity (e.g., renewable power purchase agreements). Effective for annual periods beginning on or after January 1, 2026, with early application permitted. The Company is evaluating applicability and effects.

IFRS 18 – Presentation and Disclosure in Financial Statements

Issued in April 2024, IFRS 18 replaces key requirements of IAS 1, introducing new structure for profit or loss, required subtotals, and enhanced principles for aggregation/disaggregation. Effective for annual periods beginning on or after January 1, 2027, with early application permitted. The Company is reviewing potential implications on financial statement presentation.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

Issued in May 2024, IFRS 19 allows eligible subsidiaries that do not have public accountability to apply reduced disclosure requirements while maintaining full recognition and measurement under IFRS. Effective for annual periods beginning on or after January 1, 2027, with early application permitted. The Company is assessing eligibility and relevance.

5 ACQUISITION OF PATCHRX

On July 31, 2025, the Company acquired 100% of the issued share capital of PatchRx, a U.S. based healthcare technology company focused on improving medication adherence and patient outcomes. It develops and markets a smart, universally fitting pill bottle cap (Patch Cap) and an integrated software platform that tracks when patients take their medicines and provides real-time adherence data to clinicians.

Management assessed that the acquisition did not meet the definition of a business under IFRS 3, and the transaction has accordingly been accounted for as an asset acquisition. No goodwill has been recognized. The acquisition was initially disclosed in the Company's interim financial statements for the period ended September 30, 2025 with the transaction provisionally accounted for as a business combination under a preliminary purchase price allocation that resulted in the recognition of goodwill; the Company has since completed its assessment and accounted for the transaction as an asset acquisition with no goodwill recognized.

5 ACQUISITION OF PATCHRX (CONTINUED)

Cost of acquisition

	\$
Agreed merger consideration	8,000,000
Net working capital adjustment	(148,128)
Transaction expense adjustment	(42,362)
Closing cash adjustment	60,265
Net cost of acquisition	7,869,775
Satisfied by:	
Cash indemnification holdback	250,000
Convertible note	1,891,646
Convertible note (exit incentive)	890,734
Fixed share consideration	4,837,395
Total consideration	7,869,775

The convertible notes issued as consideration, including the exit-incentive note, bear interest at 10% per annum, mature 15 months after closing and convert at a variable (non-fixed) price, where both the debt host and conversion option are measured at fair value.

The fixed share consideration comprises 604,674 CHI common shares issuable to the former owners on the Company going public, measured at their acquisition-date fair value of approximately \$8.00 per share.

The total cost of acquisition has been allocated to the identifiable assets and liabilities on the basis of their relative fair values at the acquisition date as follows:

Allocation of cost

	\$
Assets Acquired	
Intangible Assets (Integrated IP Platform)	8,236,346
Cash	6,818
Trade receivables	113,997
Prepayments and other assets	22,553
	<u>8,379,714</u>
Liabilities Assumed	
Accounts and other payable	(303,739)
Accounts payable (customer prepayments)	(206,200)
	<u>(509,939)</u>
Total	<u><u>7,869,775</u></u>

The Integrated IP Platform has been recognized as an intangible asset under IAS 38 and is amortized over three years on a straight-line basis.

6 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer ("CEO").

The Company has three reportable segments as follows:

1. **Pharmacy Sales and Dispensing Fees** – revenue from the sale of prescription drugs and dispensing services provided through owned pharmacies.
2. **Technology Platform Fees**
 - i. Recurring subscription revenue from AdhereNet® and oneMAR® platform users (pharmacies, health systems, and care providers).
 - ii. Device Leasing and Monitoring Fees – recurring monthly revenue from payers, healthcare organizations, and pharmacies that lease Spencer® devices and use associated monitoring services.
3. **Clinical Service Fees** – revenue earned from medication reviews, virtual consultations, and in-home clinical visits.

These segments comprise several operating segments that are aggregated due to their similar economic characteristics, customers and nature of products. The Company's CODM evaluates segment performance on the basis of consolidated results, as reported to internal management, on a periodic basis.

Custom Health Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(Expressed in US Dollars)

6 SEGMENT REPORTING (CONTINUED)

Geographic Information	Segment	for the year ended 31 December 2025			for the year ended 31 December 2024		
		Canada	USD	Total	Canada	USD	Total
Revenue		13,051,693	5,270,205	18,321,898	14,064,254	4,550,243	18,614,497
Other amounts in losses		17,763,386	30,343,563	48,106,949	20,461,470	22,927,416	43,388,886
Net Loss		(4,711,693)	(25,073,358)	(29,785,051)	(6,397,216)	(18,377,173)	(24,774,389)
Current assets		1,750,821	1,717,673	3,468,494	1,474,880	959,689	2,434,569
Non-current assets		1,728,151	9,853,903	11,582,054	2,770,413	1,013,086	3,783,499

Business Segment Information	for the year ended 31 December 2025				for the year ended 31 December 2024			
	Clinical Service	Technology Platform	Pharmacy Sales and Dispensing	Total	Clinical Service	Technology Platform	Pharmacy Sales and Dispensing	Total
Revenue	3,893,200	1,910,431	12,518,267	18,321,898	3,323,164	1,939,892	13,351,441	18,614,497
Other amounts in losses	9,865,551	4,463,542	33,777,857	48,106,949	6,830,014	3,948,184	32,610,688	43,388,886
Net Loss	(5,972,351)	(2,553,111)	(21,259,590)	(29,785,051)	(3,506,850)	(2,008,292)	(19,259,247)	(24,774,389)

7 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2025	2024
Cash on hand	1,817	1,217
Balances with banks	258,481	384,789
Total cash and cash equivalents	260,298	386,006

The Company's cash and cash equivalents are held with high-credit-quality financial institutions. The Company monitors the credit ratings of banks on a regular basis and does not expect any losses from non-performance by these counterparties.

8 TRADE RECEIVABLES

	As at December 31,	
	2025	2024
Trade receivables	1,771,927	1,241,413
Expected credit loss	(80,850)	(29,999)
Other receivables	100,079	11,022
	1,791,156	1,222,436

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Trade receivables include amounts receivable from the sale of goods and services to government agencies, employers, insurance companies and individual patients.

Trade receivables aging (Gross) was as follows:

	2025	2024
Current	1,371,914	1,040,781
More than 30 days past due	100,882	2,097
More than 60 days past due	7,109	49,565
More than 90 days past due	292,022	148,970
	1,771,927	1,241,413

8 TRADE RECEIVABLES (CONTINUED)

Movement in ECL Allowance:

	2025	2024
Balance at beginning of year	29,999	22,000
Provision for ECL during the year	50,851	22,189
Receivables written off during the year	-	(14,190)
Balance at end of year	80,850	29,999

Credit Risk and Concentration

- The Company's customer base is primarily hospitals, pharmacies, and distributors in Canada and the US.
- Credit limits are set for each customer based on credit evaluation and payment history.
- No single customer exposure exceeds the Company's internal credit limit.

9 INVENTORIES

The Company's December 31, 2025 inventories balance of \$518,760 (2024 - \$482,785) consisted of finished pharmaceutical products and medical supplies. During the year ended December 31, 2025, inventories expensed to cost of pharmacy services and supplies were \$9,932,942 (2024 - \$10,182,946).

	As at December 31,	
	2025	2024
Finished goods	518,760	482,785
Total Inventories	518,760	482,785

10 PREPAYMENTS AND OTHER ASSETS

Prepayments as at December 31, 2025 and 2024 are comprised of the following:

	As at December 31,	
	2025	2024
Insurance	114,651	40,358
Prepaid software license	83,543	125,980
Other advances	479,565	174,161
Investment	200,000	-
Short term deposits	20,523	2,843
	898,282	343,342

The investment represents a Simple Agreement for Future Equity ("SAFE") entered into with Healent Health, Inc. in November 2024, under which the Company agreed to invest up to \$500,000 in exchange for the right to receive shares of Healent's capital stock upon a future qualifying equity financing, liquidity event or dissolution event, subject to a post-money valuation cap of \$20,000,000. During the year ended December 31, 2025, the Company invested \$200,000 under the SAFE. The investment is measured at fair value through profit or loss in accordance with IFRS 9.

11 OTHER FINANCIAL LIABILITIES

	As at December 31,	
	2025	2024
Accrued - compensation	1,827,725	1,664,597
Accrued - professional fees	5,649,804	3,824,100
Accrual - others	898,841	489,309
	8,376,370	5,977,736

12 LEASES

The Company has lease contracts for various buildings and medical equipment used in its operations. Leases of buildings generally have lease terms between 3 and 10 years, while medical equipment generally have lease terms between 2 and 5 years. The Company applied incremental borrowing rates that ranged from 5% to 9% for respective leases. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

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

	Total
As at December 31, 2023	5,502,247
Additions	232,795
Accretion of interest payments	367,592
Lease payments	(1,791,256)
As at December 31, 2024	4,311,378
Reclassification of leases	(669,290)
Additions	1,724,496
Accretion of interest payments	748,923
Lease payments	(1,938,391)
As at December 31, 2025	4,177,116

The following outlines the current and long-term portion of lease liabilities during the year:

	As at December 31,	
	2025	2024
Current portion of lease liabilities	1,266,760	1,157,066
Long-term portion of lease liabilities	2,910,356	3,154,312
	4,177,116	4,311,378

The following are the amounts related to leases recognized in the consolidated statements of loss and comprehensive loss:

	As at December 31,	
	2025	2024
Depreciation expense of right-of-use assets	1,599,610	1,490,436
Net exchange differences in right-of-use assets	(102,749)	232,853
Interest accretion on lease liabilities	748,923	367,592
	2,245,784	2,090,881

13 TAXES

Income tax consists of the following:

	for the year 31 December	
	2025	2024
Current income tax	-	-
Deferred tax expense (recovery)	-	(303,848)
	-	(303,848)

Custom Health Inc.

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13 TAXES (CONTINUED)

Reconciliation of the statutory federal income tax to the Company's effective tax:

	for the year ended 31 December	
	2025	2024
Loss before income tax from continuing and discontinuing operations	(29,785,051)	(25,078,237)
Tax at federal statutory rate (21%)	(6,254,861)	(5,266,430)
State taxes, net of federal benefit	(70,784)	27,025
Tax Credits	(47,601)	(105,198)
Other Permanent Differences	1,495,932	660,275
Change in Valuation Allowance - US	3,857,669	3,572,002
Change in Foreign Valuation Allowance	1,623,822	260,213
Foreign True Up	(604,476)	849,272
Benefits of Deductible Temporary Difference not previously recognized	-	(301,007)
Provision for Taxes	-	(303,848)

Movement in the Company's deferred tax assets (liabilities) in the year is as follows:

	for the year 31 December	
	2025	2024
Beginning balance	-	-
Deferred Tax Asset (Liability) Recognized Through Equity	-	(303,848)
Deferred Tax Asset (Liability) Recognized Through P/L	-	303,848
Ending balance	-	-

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as calculated for income tax purposes gives rise to the following deferred tax assets and (liabilities):

	for the year ended 31 December	
	2025	2024
Tax loss carry forwards	414,311	113,663
Convertible Note	(414,311)	-
Intangible assets	-	(113,663)
	-	-

As at December 31, 2025, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	for the year ended 31 December	
	2025	2024
Canadian tax loss carry forwards	43,939,998	39,817,149
US tax loss carry forwards	68,957,349	36,776,863
Amortization	4,951,978	5,224,069
Accruals and reserves	6,460,691	4,310,284
R&D credits	219,599	171,998
Foreign Credits	108,425	103,416
Lease Liability	1,623,788	619,974
Convertible Note	-	3,064,591

The Company has the following tax attributes, which are subject to review, and potential adjustment, by tax authorities: i) Canadian non-capital and other losses of \$43,939,998 (2025: \$39,871,542) which expire in 2035-2044 ii) US losses generated pre-2018 of \$5,602,442, which expire starting 2024; post-2018 US losses of \$63,354,907, which will not expire.

14 RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel. Key management personnel includes the directors (executive and non-executive) and officers of the Company. Remuneration of key management personnel that was included in general and administrative expenses on the consolidated statements of loss and comprehensive loss is below.

	2025	2024
Convertible notes & other loan outstanding - Significant Shareholder ⁽ⁱ⁾	11,810,102	7,333,393
Promissory notes outstanding to Management and Board member ⁽ⁱⁱ⁾	-	22,800
	11,810,102	7,356,193

(b) Interest accrued to related parties	2025	2024
Interest accrued to Significant Shareholder (i)	597,807	3,076,906
Interest accrued to Management and Board member(ii)	-	1,267
	597,807	3,078,173

- i. Convertible notes outstanding and interest accrued to significant shareholder pertains to issued convertible notes that bear 12% coupon and contain an option to convert into the Company's ordinary shares at a price equal to the initial public offering ("IPO") price less 20% (see Note 23).
- ii. Promissory notes outstanding and interest accrued to Management and Board member pertains to issued promissory notes that bear interest in a range of 10% to 20%.
- iii. In addition, the Company owes \$440,295 (2024-\$503,893) to the directors and officers of the Company. The amounts due to the related parties bear no interest and have no repayment terms.

Key management compensation:

The Company considers its directors and executives to be key management personnel. Key management personnel compensation is comprised of the following:

	2025	2024
Management and director remuneration	234,692	127,570
Consultancy fees paid to Age Capital	350,100	350,100
	584,792	477,670

During the period, the Company entered into transactions with AGE Capital, an entity significantly influenced or owned by a member of the Board of Directors. Further, the Company owes \$889,425 (2024-\$539,325) to AGE Capital. The amounts due do not bear interest and have no repayment terms.

15 SHARE-BASED PAYMENTS

Key features of the plan are as follows:

Particulars	Details
Type of plan	Equity-settled 2021 Employee Stock Option Plan
Total options reserved	2,037,192 options
Exercise price	1.81 - 2.92 x per share
Vesting period	3 - 4 years (1/36th to 1/48th monthly)
Exercise period	Within 10 days from vesting date
Grant date	Various Date
Expiry date	10 years from Vesting date
Underlying share	Ordinary share of Class C Common Stock

Movement in share options:

Particulars	No. of Options	Weighted Avg Exercise Price
Outstanding at January 1, 2025	1,122,545	1.90
Granted during the year	485,510	2.29
Forfeited during the year	(311)	2.17
Exercised during the year	-	-
Outstanding at December 31, 2025	1,607,744	2.02
Exercisable at December 31, 2025	1,607,744	2.02

15 SHARE-BASED PAYMENTS (CONTINUED)

Fair Value Measurement:

The fair value of share options granted during the year was determined using the Black-Scholes model with the following assumptions:

Assumptions	2025	2024
Share price at grant date	8.00	11.69
Exercise price	2.29	1.81
Expected volatility	104.12%	102.24%
Expected option life	10.00	6.02
Risk-free interest rate	3.10%	3.50%

Expected volatility was based on historical share price volatility of comparable listed entities in the pharmaceutical sector.

Expense Recognized in Profit or Loss:

Particulars	2025	2024
Employee share-based payment expense	5,976,485	3,139,786

16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair Value

The carrying values of cash and cash equivalents, demand line of credit, trade accounts payable and accrued liabilities, due to related parties, current portion of lease liabilities and current portion of long-term debt approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and liabilities are as follows:

	Level	December 31, 2025		December 31, 2024	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and cash equivalents	Level 1	260,298	260,298	386,006	386,006
Trade accounts receivables and other receivables	Level 1	1,791,156	1,791,156	1,222,436	1,222,436
Financial liabilities					
Loans & Borrowings	Level 2	25,015,594	25,015,594	12,214,572	12,214,572
Trade accounts payable and accrued liabilities	Level 2	5,499,022	5,499,022	6,291,878	6,291,878
Long-term debt	Level 2	6,468,334	6,468,334	3,827,444	3,827,444
Lease liability	Level 2	4,173,066	4,173,066	4,311,378	4,311,378
Derivative Liabilities	Level 3	10,072,926	10,072,926	4,165,393	4,165,393

Fair value hierarchy- The financial instruments of the Company that are recorded at fair value have been classified into levels using the fair value hierarchy based on the degree to which the fair value is observable:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3: Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

a) Risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its development, production and financing activities. Custom Health has exposure to credit, liquidity and interest risk. Custom Health's risk management policies are established to:

- Identify and analyze the risks faced by the Company;
- Set appropriate limits and controls; and
- To monitor risks and adherence to market conditions and the Company's activities.

This narrative presents information about the Company's risk exposure, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

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16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**b) Liquidity risk:**

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they are due. The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	< 1 Year	1-2 Years	3-5 Years	> 5 Years
Loans & Borrowings	11,700,620	2,345,878	14,832,378	-
Trade accounts payable and accrued liabilities	14,817,307	-	-	-
Due to related parties	14,218,603	-	-	5,729,832
Long-term debt	-	-	-	-
Lease liability	1,150,000	700,000	900,000	25,000
Derivative Liabilities	10,072,926	-	-	-

c) Credit risk:

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that would potentially subject the Company to concentrations of credit risks consist principally of cash and accounts receivable. All of the Company's cash was held at three financial institutions as at December 31, 2025.

For accounts receivable, the Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties. For domestic sales, the Company's expected credit loss allowance with domestic counterparties is determined based on 1% of not past due amounts, 5% for 1-30 days, 10% for 31- 60 days, 25% for 61 to 90 days and 50% to 100% for greater than 90 days, as the majority of the sales transactions are with government agencies, employers, insurance companies and individual patients. For international counterparties, the Company considers the underlying contract payment terms, creditworthiness and other factors including macroeconomic conditions that potentially impact expected future credit losses.

For the accounts receivable aging and allowances, please refer to Note-8

d) Market Risk:**i) Foreign Currency Risk:**

The Company is exposed to foreign currency risk arising from transactions and balances denominated in U.S. dollars (USD) and Canadian dollars (CAD). However, due to the limited volume of such exposures, natural offsets, and/or short holding periods, management assesses the impact of exchange rate movements as immaterial to the financial statements.

Currency Exposure as on December 31, 2025

	CAD	USD
Trade receivables	1,143,934	956,726
Trade and other payables	(1,076,424)	(4,713,836)
	<u>67,510</u>	<u>3,757,110</u>

ii) Interest Rate Risk: The Company's exposure arises mainly from floating-rate borrowings.

	As at December 31,	
	2025	2024
Financial Instruments by Category		
Floating-rate borrowings	-	-
Fixed-rate borrowings	30,434,481	16,042,016
Total financial liabilities	<u>30,434,481</u>	<u>16,042,016</u>

iii) Price Risk: The Company is not exposed to any significant price risk, as it does not hold commodity-linked instruments. Equity investments are subject to price risk that are revalued every year and impact is taken in the Consolidated Statement of loss and comprehensive loss.

Capital Management: The Company's capital structure consists of equity and interest-bearing debt. Its objective is to maintain a healthy gearing ratio and ensure adequate flexibility for future growth.

	As at December 31,	
	2025	2024
Total debt	20,907,821	3,827,444
Total equity	(44,676,722)	(32,252,639)
Debt-to-equity ratio	<u>(0.47)</u>	<u>(0.12)</u>

The Company monitors this ratio quarterly and aims to keep it below 0.5.

17 REVENUE

	for the year ended 31 December	
	2025	2024
Pharmacy revenue	12,518,267	13,351,441
Clinical services	3,893,200	3,323,164
Technology services	1,910,431	1,939,892
Total Revenue	18,321,898	18,614,497

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer ("CEO"). The Company has three reportable segments, these segments comprises several operating segments that are aggregated due to their similar economic characteristics, customers and nature of products. The Company's CODM evaluates segment performance on the basis of consolidated results, as reported to internal management, on a periodic basis.

18 OTHER OPERATING EXPENSES

	for the year ended 31 December	
	2025	2024
Legal and professional services	2,758,418	3,185,507
Travel + meals and entertainment	106,369	126,834
Rent	76,714	80,995
Computer software licensing	816,062	804,479
Outside services	3,854,911	3,230,117
Other expenses	1,404,060	1,400,782
Total	9,016,534	8,828,713

Custom Health Inc.

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19 NET PROPERTY, PLANT AND EQUIPMENT

For the year ended Dec 31, 2025 and 2024

	Office furniture, fixture	Computer equipment	Vehicles	Leasehold improvements	Right-of-use assets - properties	Right-Of-Use Assets - equipment	Total Tangible Assets	Total Intangible Intangibles	Total Intangible Assets	Total
Balance at December 31, 2023	584,423	2,153,128	187,490	696,677	3,410,765	7,240,870	14,273,353	152,408	152,408	14,425,761
Additions	-	27,598	-	2,989	-	-	30,587	-	-	30,587
Disposals	-	-	(20,374)	-	-	-	(20,374)	-	-	(20,374)
Net exchange differences	(25,266)	(39,695)	(13,115)	(25,867)	(211,934)	(466,646)	(782,523)	-	-	(755,187)
Balance at December 31, 2024	559,157	2,141,031	154,001	673,799	3,198,831	6,774,224	13,501,043	179,744	179,744	13,680,787
Accumulated depreciation										
Balance at December 31, 2023	(417,179)	(1,392,645)	(134,621)	(531,542)	(1,346,532)	(4,583,182)	(8,405,701)	(56,958)	(56,958)	(8,462,659)
Depreciation	(40,231)	(330,488)	(15,984)	(21,068)	(375,292)	(1,115,144)	(1,898,207)	(36,911)	(36,911)	(1,935,118)
Disposal	-	-	7,923	-	-	-	7,923	-	-	7,923
Net exchange differences	11,597	40,229	10,679	10,377	104,418	341,309	518,609	(26,043)	-	492,566
Balance at December 31, 2024	(445,813)	(1,682,904)	(132,003)	(542,233)	(1,617,406)	(5,357,017)	(9,777,376)	(119,912)	(119,912)	(9,897,288)
Net carrying value										
As at December 31, 2024	113,344	458,127	21,998	131,566	1,581,425	1,417,207	3,723,667	59,832	59,832	3,783,499
As at December 31, 2023	167,244	760,483	52,869	165,135	2,064,233	2,657,688	5,867,652	95,450	95,450	5,963,102
Balance at December 31, 2024	559,157	2,141,031	154,001	673,799	3,198,831	6,774,224	13,501,043	179,744	179,744	13,680,787
Additions	-	966,280	-	-	-	1,724,496	2,690,776	8,236,346	8,236,346	10,927,122
Disposals	-	-	-	-	-	-	-	-	-	-
Reclassification ¹	(52,247)	-	18,775	-	-	(266,404)	(299,876)	-	-	(299,876)
Net exchange differences	23,865	12,760	8,525	15,134	122,790	310,543	493,617	1,969	1,969	495,586
Balance at December 31, 2025	530,775	3,120,071	181,301	688,933	3,321,621	8,542,859	16,385,560	8,418,059	8,418,059	24,803,619
Accumulated depreciation										
Balance at December 31, 2024	(445,813)	(1,682,904)	(132,003)	(542,233)	(1,617,406)	(5,357,017)	(9,777,376)	(119,912)	(119,912)	(9,897,288)
Depreciation	(45,132)	(383,834)	(19,572)	(22,229)	(370,128)	(1,229,482)	(2,070,377)	(1,174,290)	(1,174,290)	(3,244,667)
Disposals	-	-	-	-	-	-	-	-	-	-
Reclassification ¹	15,990	(345)	(13,560)	-	-	293,181	295,266	4,610	4,610	299,876
Net exchange differences	(21,036)	(9,527)	(7,558)	(9,070)	(71,781)	(258,803)	(377,776)	(1,710)	(1,710)	(379,485)
Balance at December 31, 2025	(495,991)	(2,076,610)	(172,693)	(573,532)	(2,059,315)	(6,552,122)	(11,930,263)	(1,291,302)	(1,291,302)	(13,221,565)
Net carrying value										
As at December 31, 2025	34,784	1,043,461	8,608	115,401	1,262,306	1,990,737	4,455,297	7,126,757	7,126,757	11,582,054
As at December 31, 2024	113,344	458,127	21,998	131,566	1,581,425	1,417,207	3,723,667	59,832	59,832	3,783,499

¹ Reclassification of right-of-use equipment between asset categories during the year (see Note 12); no net impact on net carrying value.

20 BORROWINGS

The Company over the years 2024 and 2025, issued convertible notes that bear a 12% to 15% coupon and contain a holder option to convert into the company's ordinary shares at a price equal to the IPO price less 20% (see Note 23). Because the conversion price is variable, the conversion feature fails the IAS 32 'fixed-for-fixed' criterion and is accounted for as an embedded derivative liability under IFRS 9. On initial recognition, the embedded derivative is measured at fair value with subsequent remeasurement the statement of loss and comprehensive loss. The host debt is measured at amortised cost using the effective interest method, with the effective interest rate reflecting the market rate for a similar instrument without the derivative (approximately 20% at initial recognition).

i. Movement in Convertible Debt	for the year ended 31 December	
	2025	2024
Opening Balance	12,573,853	3,714,386
New Issuances	8,103,989	3,253,123
Promissory notes modified to convertible notes	1,054,641	-
Interest Accretion	2,959,641	5,719,207
Loss on extinguishment of loans	(2,986,865)	-
Conversions	-	-
Repayments	(37,425)	(112,863)
	21,667,834	12,573,853

ii. Movement in Promissory Debt (incl. other loans)	for the year ended 31 December	
	2025	2024
Opening Balance	3,468,163	1,680,283
New Issuances	2,675,537	1,972,228
Interest Accretion (EIR)	1,180,385	235,167
Repayments	(675,978)	(419,515)
Modified to convertible	(1,054,641)	-
Other loans advanced in 2025	4,222,628	-
	9,816,094	3,468,163

Current and Non-Current Classification of i & ii	for the year ended 31 December	
	2025	2024
Current Portion	25,015,594	12,214,572
Non-Current Portion	6,468,334	3,827,444
Total	31,483,928	16,042,016

Key Terms of Convertible Debt

Term	Details
Conversion Price	\$8-\$10 per share
Coupon Rates	12%-15% per annum
Maturity	2026-2031 ¹

P&L Impact

Item	2025 (\$)	2024 (\$)
Interest Expense (EIR)	4,012,351	5,954,374
Loss on extinguishment of loans	1,094,294	-
Fair Value (gain)/loss on Derivatives	(1,259,530)	617,560

¹ All of the Company's debt matures in 2026, except for two loans maturing in 2029 and 2031.

21 DERIVATIVE LIABILITIES

Movement in Derivative Liabilities	for the year ended 31 December	
	2025	2024
Opening Balance	4,165,393	289,886
New Issuances	3,451,318	3,310,590
Loss on extinguishment of loans	3,715,746	-
Repaid	-	(52,643)
Fair Value Change (P&L)	(1,259,530)	617,560
	10,072,926	4,165,393

22 COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Company may be involved in and potentially subject to legal actions and proceedings. The Company does not expect that any current claim against the Company, individually or in the aggregate, will have a material adverse effect on the Company's financial results. If circumstances change and it becomes probable that the Company will be held liable for claims against it and such claim is estimable, the Company will recognize a provision during the period in which the change in probability occurs, which could be material to the Company's consolidated statements of comprehensive loss or consolidated statements of financial position.

23 SUBSEQUENT EVENTS

TSX Listing

On May 30, 2025, Custom Health entered into an Arrangement Agreement (as subsequently amended on October 31, 2025, January 30, 2026, and March 24, 2026) with Queue Ventures Ltd. ("Queue Ventures"), Custom Merger Sub Inc. ("Merger Sub"), Queue SubCo ("Subco"), and Custom FundCo Inc. ("Fundco") (the "Arrangement Agreement"). Pursuant to the Arrangement Agreement, Queue Ventures agreed to acquire all of the issued and outstanding shares of Custom Health (the "Custom Shares") by way of a court-approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). On June 5, 2026, the Arrangement was successfully completed.

Pursuant to the Arrangement, Queue Ventures acquired 100% of the issued and outstanding common shares of Custom Health, a Delaware corporation ("Custom Delaware"). The acquisition was effected through: (i) a merger of Custom Delaware and Merger Sub, a wholly-owned subsidiary of Custom Health Holdings, pursuant to the Delaware General Corporation Law, with Custom Delaware surviving as a wholly-owned subsidiary of Custom Health Holdings; and (ii) the amalgamation of Subco and Fundco, both wholly-owned subsidiaries of Custom Health Holdings, which amalgamated and continued as one company ("Amalco"). Subsequent to the amalgamation, all assets and liabilities of Amalco were conveyed to and assumed by Custom Health Holdings under the Income Tax Act (Canada), and Amalco was wound up and dissolved. In connection with the Arrangement, Queue Ventures changed its name from "Queue Ventures Ltd." to "Custom Health Holdings Inc." ("Custom Health Holdings").

As consideration for the Arrangement, Custom Health Holdings issued 22,140,377 common shares (the "Consideration Shares") to the former shareholders of Custom Delaware. In addition:

- Custom Health Holdings granted 2,298,061 replacement stock options (the "Replacement Options") to purchase Common Shares, issued in exchange for the cancelled incentive stock options of Custom Delaware;
- Custom Health Holdings assumed all obligations underlying the outstanding common share purchase warrants of Custom Delaware (the "Custom Warrants") and the outstanding convertible promissory notes of Custom Delaware (the "Custom Notes"), each exercisable into Common Shares; and
- Custom Health Holdings granted 62,500 restricted share units ("RSUs") upon completion of the Arrangement.

The common shares of Custom Health Holdings commenced trading on the TSX under the symbol "CHLT" on June 24, 2026.

In connection with the Arrangement, Custom FundCo Inc. issued and sold 1,200,000 Subscription Receipts for aggregate gross proceeds of \$9,600,000, pursuant to a brokered private placement and a subscription receipt agreement dated December 5, 2025, among Custom Health Holdings, Fundco, Custom Delaware, Odyssey Trust Company, Stifel Nicolaus Canada Inc., and Bloom Burton Securities Inc. (together, the "Agents"). Each Subscription Receipt converted into one common share of Fundco (an "SR Share"), and upon closing of the Arrangement, each SR Share was exchanged for one Common Share of Custom Health Holdings. The Agents are entitled to: (i) a cash commission equal to 6.0% of the gross proceeds raised under the Concurrent Financing; and (ii) FundCo Compensation Options equal to 3.0% of the number of FundCo Subscription Receipts issued, exercisable at US\$8.00 per share for a period of 24 months following the satisfaction of the escrow release conditions.

InnovativeRx Acquisition

On June 10, 2026, Custom Health Holdings closed its acquisition of substantially all of the operating assets of InnovativeRx US Holdings, Inc. ("InnovativeRx") through the merger of InnovativeRx's operating subsidiaries, including InnovativeRx North Ohio, Inc. and Flywheel Healthcare, LLC, into a wholly owned subsidiary of Custom Health Inc., effective June 3, 2026. The transaction expanded its integrated pharmacy and clinical infrastructure in the United States, particularly in Indiana and Ohio, and is expected to support further expansion into surrounding states.

The total consideration for the InnovativeRx acquisition is US\$16,550,000, paid by Custom Health as follows: (i) up to US\$9,800,000 paid in shares of Class A Common Stock of Custom Health, Inc., and (ii) up to US\$6,750,000 paid in cash, which cash covered payments made to certain debenture holders of InnovativeRx, subject to certain agreed holdback amounts and adjustments. Management is currently assessing the purchase price allocation, and the amounts recognized may be adjusted within the measurement period as that assessment is completed.

23 SUBSEQUENT EVENTS (CONTINUED)

Loans and Credit Facilities

In connection with the completion of the Arrangement, Custom Health Holdings has entered into several financing arrangements, as set out below.

Senior Secured Convertible Notes

On June 3, 2026, Custom Health Holdings amended a senior secured note purchase agreement dated April 22, 2024, as amended, a guaranty dated April 22, 2024 and a security and pledge agreement dated April 22, 2024 (collectively, the “Funicular Transaction Agreements”), entered into between Custom Delaware and Funicular Funds, LP as lead investor and collateral agent. The amendments to the Funicular Transaction Agreements authorize a new series of notes (“Funicular Notes”) in the aggregate principal amount of up to US\$20,000,000, which will be convertible at the option of the holders thereof into Common Shares at a conversion price per Common Share to be determined in accordance with the terms and conditions of the Funicular Transaction Agreements. In addition, upon issuance of the Funicular Notes, Custom Health Holdings will issue to each holder thereof warrants to purchase Common Shares (“Funicular Warrants”) as is equal to 50% coverage of the principal amount of the applicable Funicular Note divided by the exercise price of such Funicular Warrants. The exercise price of the Funicular Warrants will be the greater of: (i) 120% of the volume-weighted average trading price (“VWAP”) of the Common Shares on the TSX for the five (5) trading days ending three (3) trading days prior to the conversion of the Funicular Warrants; and (ii) US\$8.00.

Promissory Note Financing

Custom Health Holdings, as borrower, entered into a promissory note purchase agreement dated June 4, 2026 (the “Yorkville Note Purchase Agreement”), pursuant to which Custom Health Holdings agreed to issue to certain purchasers (the “Purchasers”) one or more promissory notes in an aggregate principal amount of up to US\$15,000,000 on the terms and subject to the conditions set out in the Yorkville Note Purchase Agreement. On June 4, 2026, Custom Health Holdings issued a promissory note in an aggregate principal amount of US\$3,000,000 (the “First Tranche Note”) to YA II PN, Ltd. as initial lender (the “Initial Lender”), with additional notes issuable upon mutual agreement between Custom Health Holdings and the Initial Lender. In connection with the First Tranche Note, Custom Health Holdings will issue to the Initial Lender warrants (the “Yorkville Warrants”) on the fifth trading day following the Listing. The Yorkville Warrants will entitle the holder thereof to acquire such number of Common Shares as is equal to 100% coverage of the First Tranche Note. The Yorkville Warrants will bear an exercise price per Common Share equal to the greater of: (a) 120% of the VWAP of the Common Shares for the five (5) consecutive trading days immediately following the Listing; and (b) US\$8.00, converted into Canadian dollars at the Bank of Canada rate of exchange on the applicable trading date. In connection with the Yorkville Note Purchase Agreement, Custom Health Holdings has entered into a right of first refusal agreement with Yorkville Securities, LLC (“Yorkville”), an affiliate of the Initial Lender, pursuant to which Yorkville has been granted certain participation rights to act as co-placement agent or underwriter in connection with future equity or equity-linked financings of Custom Health Holdings, in each case on the terms and subject to the conditions set out in the Yorkville Note Purchase Agreement.

Unsecured Credit Facility

Custom Health Holdings entered into a convertible promissory note purchase agreement dated June 4, 2026, with 102114598 Saskatchewan Ltd. as lender, pursuant to which Custom Health Holdings may issue unsecured convertible promissory notes (the “102 Saskatchewan Notes”) in an aggregate principal amount of up to US\$15,000,000, which may be drawn down by Custom Health Holdings from time to time by way of one or more advances, subject to a minimum amount of US\$100,000 per advance and a 12-month availability period following the Listing. The 102 Saskatchewan Notes will bear an interest rate of 12% per annum, have a maturity of 18 months following the Listing and are convertible into Common Shares at the VWAP of the Common Shares for the five (5) consecutive trading days immediately prior to such conversion, subject to customary limitations, including a 9.99% beneficial ownership cap.

Secured Credit Facility

Custom Health Holdings, as a parent guarantor of its borrowing subsidiary, Pack4U Saskatchewan Ltd. (the “Borrower”), entered into a credit agreement dated June 5, 2026 with Fair Capital Partners Inc. (“FairCap”) as administrative agent (the “FairCap Credit Agreement”) to establish certain facilities (the “Credit Facilities”) in favour of the Borrower. The Credit Facilities mature on June 5, 2029, as may be amended from time to time and comprise of a senior secured credit facility in an aggregate principal amount of C\$7,000,000 (the “Term Facility”) and a revolving credit facility in an aggregate principal amount of C\$3,000,000 (the “Revolving Facility”). The Term Facility is non-revolving and intended to be used primarily for acquisition financing, while the Revolving Facility is intended for general corporate and working capital purposes. In connection with the FairCap Credit Agreement, Custom Health Holdings has agreed to issue to FairCap 27,174 warrants to purchase Common Shares (the “FairCap Warrants”), with each FairCap Warrant bearing an exercise price of US\$8.00, exercisable at any time prior to June 5, 2033. In connection with the Credit Facilities, Custom Health Holdings has entered into a guarantee in favour of FairCap.