# DARELLE ONLINE SOLUTIONS INC.

## CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Years Ended August 31, 2025 and 2024

# Independent Auditor's Report

To the Shareholders of Darelle Online Solutions Inc.

## Opinion

We have audited the consolidated financial statements of Darelle Online Solutions Inc. (the "Company"), which comprise the consolidated statement of financial position as at August 31, 2025, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

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

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company, as at August 31, 2025, had an accumulated deficit of $9,233,045 and has not achieved profitable operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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

Except for the matter described in Material Uncertainty Related to Going Concern section, We have determined that there are no other key audit matters to communicate in our report.

## Other Matter

The financial statements of the Company for the year ended August 31, 2024, Darelle were audited by another auditor who expressed an unmodified opinion on those statements on November 28, 2024.

## Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

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

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

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

DMCL.

**DALE MATHESON CARR-HILTON LABONTE LLP**
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 22, 2025

**DARELLE ONLINE SOLUTIONS INC.**
**Consolidated Statements of Financial Position**
(Expressed in Canadian dollars)

| As at | | August 31, 2025 | | August 31, 2024 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | 244,341 | $ | 3,438 |
| Account and other receivables (note 9) | | 7,990 | | 9,859 |
| **Total assets** | $ | 252,331 | $ | 13,297 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (notes 6, and 9) | $ | 50,549 | $ | 556,258 |
| Due to related parties (note 8) | | 49,500 | | 793,184 |
| | | 100,049 | | 1,349,442 |
| **Non-Current Liabilities** | | | | |
| Forborne accounts payable (note 12) | | 425,043 | | - |
| Forborne amount due to related parties (notes 8, and 12) | | 690,268 | | - |
| Promissory notes payable (notes 8, and 11) | | 43,327 | | - |
| | | 1,158,638 | | - |
| **Total liabilities** | | 1,258,687 | | 1,349,442 |
| **Shareholders' Deficiency** | | | | |
| Share capital (note 4) | | 6,109,074 | | 5,886,871 |
| Reserves (note 5) | | 2,117,615 | | 1,713,145 |
| Deficit | | (9,233,045) | | (8,936,161) |
| **Total shareholders' deficiency** | | (1,006,356) | | (1,336,145) |
| **Total liabilities and shareholders' deficiency** | $ | 252,331 | $ | 13,297 |

Nature of operations and going concern (note 1)
Subsequent events (note 14)

Approved on behalf of the Board of Directors:

……."Dean Bethune"……………Director ……………"John Newman"………………Director

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

**DARELLE ONLINE SOLUTIONS INC.**
**Consolidated Statements of Comprehensive Loss**
(Expressed in Canadian dollars)

| For the years ended | | August 31, 2025 | | August 31, 2024 |
|---|---|---|---|---|
| **Revenue** | $ | 39,103 | $ | 68,915 |
| **Expenses** | | | | |
| Consulting fees | | 9,030 | | 15,360 |
| Software development | | 75,000 | | - |
| General and administrative | | 25,189 | | 24,803 |
| Management fees (note 8) | | 98,500 | | 149,000 |
| Professional fees | | 51,244 | | 38,578 |
| Transfer agent and filing fees | | 18,786 | | 19,251 |
| Travel | | 647 | | 1,686 |
| Total operating expenses | | 278,396 | | 248,678 |
| **Loss from operations** | | (239,293) | | (179,763) |
| **Other income/(loss)** | | | | |
| Other income (loss) | | (90) | | - |
| Gain on derecognition of financial liabilities (note 6) | | - | | 20,750 |
| Accretion (notes 7, 8, and 12) | | (57,501) | | (1,267) |
| **Other income (expense)** | | (57,591) | | 19,483 |
| **Net loss and comprehensive loss** | **$** | **(296,884)** | **$** | **(160,280)** |
| **Basic and diluted loss per share** | **$** | **(0.09)** | **$** | **(0.07)** |
| **Weighted average number of shares outstanding – basic and diluted** | | **3,178,117** | | **2,456,939** |

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

**DARELLE ONLINE SOLUTIONS INC.**
**Consolidated Statements of Changes in Shareholders' Deficiency**
(Expressed in Canadian dollars)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | Number of Shares[(1)] | Amount | Reserves | Deficit | Total |
| **Balance, August 31, 2023** | **2,456,939** | **$ 5,886,871** | **$ 1,706,548** | **$ (8,775,881)** | **$ (1,182,462)** |
| Derecognition of financial liabilities (note 6) | - | - | 6,597 | - | 6,597 |
| Loss for the year | - | - | - | (160,280) | (160,280) |
| **Balance, August 31, 2024** | **2,456,939** | **$ 5,886,871** | **$ 1,713,145** | **$ (8,936,161)** | **$ (1,336,145)** |
| Issuance of units – allocation to share capital (note 4) | 4,786,000 | 300,679 | 177,921 | - | 478,600 |
| Issuance of finder shares (note 4) | 598,250 | 59,825 | - | - | 59,825 |
| Share issue costs – finder shares | - | (59,825) | - | - | (59,825) |
| Share issue costs | - | (78,477) | - | - | (78,477) |
| Contribution from shareholder under forbearance arrangements (note 5) | - | - | 226,549 | - | 226,549 |
| Loss for the year | - | - | - | (296,884) | (296,884) |
| **Balance, August 31, 2025** | **7,841,189** | **$ 6,109,073** | **$ 2,117,616** | **$ (9,233,045)** | **$ (1,006,356)** |

(1) All common share and per share amounts have been retrospectively adjusted to reflect the 1 for 30 share consolidation that became effect on August 13, 2024 (note 4).

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

**DARELLE ONLINE SOLUTIONS INC.**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian dollars)

| For the years ended | | August 31, 2025 | | August 31, 2024 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net loss | $ | (296,884) | $ | (160,280) |
| **Adjustment for item not affecting cash:** | | | | |
| Accretion | | 57,501 | | 1,267 |
| Interest expense | | 3,327 | | - |
| Derecognition of financial liabilities | | - | | (20,750) |
| **Changes in non-cash working capital items:** | | | | |
| Accounts payable and accrued liabilities | | 55,967 | | 529,861 |
| Due to related parties | | - | | (370,665) |
| Account and other receivables | | 1,869 | | 4,906 |
| **Total cash used in operating activities** | | (178,220) | | (15,661) |
| **Financing Activities** | | | | |
| Proceeds from issuance of units | | 478,600 | | - |
| Share issue costs - cash | | (78,477) | | - |
| Proceeds on promissory notes issued | | 40,000 | | - |
| Repayment of forborne amounts payable to related parties | | (21,000) | | - |
| Repayment of loan payable | | - | | (40,000) |
| **Total cash from (used in) financing activities** | | 419,123 | | (40,000) |
| **Increase (decrease) in cash** | | 240,903 | | (55,661) |
| **Cash at beginning of year** | | 3,438 | | 59,099 |
| **Cash at end of year** | $ | 244,341 | $ | 3,438 |

*Supplemental cash flow information – significant non-cash transactions*

| | | | | |
|---|---|---|---|---|
| Contribution from shareholder under forbearance arrangements | $ | 226,550 | $ | - |
| Forborne amounts payable to related parties | $ | 656,350 | $ | - |
| Forborne accounts payables | $ | 422,460 | $ | - |
| Finder's fee – unit issuance | $ | 59,825 | $ | - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Darelle Online Solutions Inc. (the "Company") was incorporated in Vancouver, British Columbia on February 11, 2005. The Company's shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "DAR". The primary office is located at 4610 Sheridan Ridge Road, Nanaimo, British Columbia, Canada.

The Company provides an online raffle lottery system to charities. The online raffle program enables charitable and nonprofit organizations to create, sell, deliver, and manage their raffle ticket and 50/50 draws completely online.

The consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, meaning it will continue operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at August 31, 2025, the Company had not achieved profitable operations and has a cumulative deficit of $9,233,045 (2024 - $8,936,161). While revenue continues to be generated from operating activities, it has declined year over year and remains insufficient to cover operating costs. The Company continues to incur operating losses and relies on external financing to fund its activities.

The Company's ability to continue as a going concern is dependent on its ability to secure additional financing, maintain creditor support, and ultimately achieve profitable operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments may be material.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) 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").

The consolidated financial statements were approved by the Board of Directors and authorized for issue on December 22, 2025.

(b) Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries, include the accounts of Darelle Online Solutions Inc. and its wholly-owned subsidiaries, Darelle Media Inc. and 0639305 B.C. Ltd. Control exists when the Company has power over an investee, exposure or rights, to variable returns from involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's return. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All inter-company transactions and balances have been eliminated on consolidation.

(c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at their fair value. In addition, these financial statements have been prepared using accrual basis of accounting, except for cash flow information. These consolidated financial statements have been prepared in Canadian Dollars. The Canadian dollar is the functional and presentation currency of the Company.

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the service in the normal course of the Company's activities. The Company follows a five-step model in accordance with *IFRS 15 Revenue from Contract with Customers*:

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations in the contract; and
5. Recognize revenue when or as the Company satisfies a performance obligation.

The Company earns revenue from providing services under contracts with customers. Revenue is recognized when control of the promised services is transferred to the customer in an amount that reflects the consideration expected in exchange for those services. Contracts typically include distinct obligations such as initial setup of online platforms and ongoing processing services. Setup services are generally completed in a short timeframe, while processing services relate to maintaining systems for the duration of the event. Each performance obligation is priced on a stand-alone basis, representing the price the Company would charge if the service were sold separately.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Revenue is measured based on agreed contractual terms and allocated to each distinct service according to its stand-alone selling price. It is recognized when the related performance obligation is satisfied, which occurs when the platform is ready for use for setup services and upon completion of the event for processing services. This approach reflects the nature and timing of revenue earned from the Company's operations.

(e) Cash

Cash includes cash on hand and deposits held with financial institutions.

(f) Share capital

The Company records proceeds from share issuances net of issue costs and any related tax effects. When equity offerings include common shares issued together with attached warrants, and both instruments are classified as equity, the total net proceeds are allocated between the components based on their relative fair values at the issuance date. The fair value of the warrants is estimated using the Black-Scholes Option Pricing Model, and the remaining amount is attributed to the common shares.

(g) Share-based payments

The Company grants stock options to employees, officers, and directors to acquire common shares of the Company. The fair value of the share-based compensation is measured at the grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period using the graded vesting method. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(h) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income/loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences are not provided for relating to goodwill not deductible for tax purposes. The initial recognition of assets or liabilities that affect both accounting or taxable profit/loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

Recognition of deferred tax asset for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the asset can be utilized. At the end of each reporting year, The Company will reassess any unrecognized deferred tax assets. The Company will recognize any deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated using the weighted average number of common shares outstanding during the period.

Diluted loss per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all warrants and stock options outstanding (if any) at year-end having a dilutive effect has been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. The calculation proved to be anti-dilutive for the years presented.

(j) Financial instruments

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

The following tables shows the classification under IFRS 9:

| | **IFRS 9** |
|---|---|
| | Classification/Measurement |
| **Financial Assets** | |
| Cash | Amortized cost |
| Account and other Receivables, Excluding GST Recoverable | Amortized cost |
| | |
| **Financial Liabilities** | |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties | Amortized cost |
| Loan payable | Amortized cost |
| Forborne accounts payable | Amortized cost |
| Forborne account due to related parties | Amortized cost |
| Promissory note payable | Amortized cost |

**2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

i) those to be measured subsequently at fair value through profit or loss ("FVTPL");
ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and
iii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an instrument that is subsequently measured at FVTPL is recognized in profit or loss.

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss.

An impairment loss in respect of a financial asset measured at amortized costs is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Losses are recognized in the consolidated statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of comprehensive loss.

Financial liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. At present, accounts payable and accrued liabilities are measured at amortized cost.

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

Gains and losses on derecognition are generally recognized in profit or loss.

(k) New accounting pronouncements

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure. The amendments clarify the classification of financial assts with environmental, social and corporate governance and similar features and addresses concerns raised regarding the settlement of liabilities through electronic payment systems. The amendments are effective for annual periods beginning on or after January 1, 2026 with early adoption permitted.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements which will replace IAS 1. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the impact on the Company’s financial statements.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Significant accounting estimates*

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

i) In calculating the fair value of the share-based compensation and warrants, management uses the Black Scholes Option Pricing Model which includes estimates related to the Company's share price volatility and expected life of the instruments.

ii) The determination of the allowance for expected credit loss on the financial assets such as account and other receivable.

iii) The fair value of the forbearance arrangements is determined using the effective interest method to measure financial liabilities at amortized cost under IFRS 9. Management judgement is required for the determination of expected future cash flows on the financial instrument being measured. The effective interest rate is based on management's assessment that a third-party market participant would require for a financial instrument with similar credit risk and maturity.

*Critical accounting judgements*

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

i) The assessment of the Company's ability to continue as a going concern involves judgment based on historical experience. Significant judgments are used in the Company's assessment of its ability to continue as a going concern, which are described in Note 1.

ii) Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted.

## 4. SHARE CAPITAL

*Common shares*

Authorized - The Company is authorized to issue an unlimited number of common shares without par value.

*For the year ended August 31, 2025*

On July 7, 2025, the Company completed a non-brokered private placement of 4,786,000 units at $0.10 per unit for gross proceeds of $478,600. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of $0.13 until July 7, 2027. The fair value of the warrants was estimated on the grant date using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free rate 2.69%, expected volatility 110%, expected life 2 years, and dividend yield 0%. The Company allocated the unit proceeds between share capital and warrants reserve on a relative fair-value basis, resulting in $177,921 recorded to warrants reserve and $300,679 to share capital.

On July 7, 2025, in connection with the private placement, the Company issued 598,250 common shares to finders as equity-settled share issuance costs. These shares were valued at $59,825 based on the $0.10 per unit private placement price, which approximated fair value at issuance.

*For the year ended August 31, 2024*

Effective August 13, 2024, the Company completed a share consolidation on the basis of one new common share for every thirty (30) existing common shares held (“Share Consolidation”).

Fractional shares resulting from the Share Consolidation were rounded up to the nearest whole number. There was no impact on the total authorized share capital of the Company as a result of the Share Consolidation; neither did the Share Consolidation result in any change to the total value of shareholders’ equity. All historical per-share amounts presented in these consolidated financial statements, including basis and diluted loss or earnings per share, have been retrospectively restated to reflect the impact of the share consolidation for all periods presented.

## 5. RESERVES

The Company records the fair values of warrants issued in connection with unit financings, the share-based payment reserve for stock options, and other equity components within reserves on the consolidated statements of financial position. When warrants or stock options are exercised into common shares, the corresponding amount in reserves is transferred to share capital.

(a). Warrants

During the year ended August 31, 2025, the Company issued 4,786,000 warrants with an exercise price of $0.13 until July 7, 2027 (Note 4). The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model and allocated on a fair value basis.

## 5. RESERVES (continued)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Balance, beginning of the year | $ | 1,706,548 | $ | 1,706,548 |
| Issued for financing | | 177,921 | | - |
| Balance, ending of the year | $ | 1,884,469 | $ | 1,726,548 |

(b). Stock options

During the years ended August 31, 2025 and 2024, the Company did not have stock options granted and outstanding.

(c). Other reserve

During the year ended August 31, 2025, the Company recognized $226,550 in other reserve representing the equity component arising on the initial recognition of shareholder loans measured at fair value. The loans were advanced by shareholders in the capacity of shareholders at below-market terms.

During the year ended August 31, 2024, the Company recognized an increase of $6,597 in reserve as a result from derecognizing certain financial liability in the same amount owed to a shareholder who is not a related party to the Company. The financial liability was related to the fiscal year 2013 and the derecognition of it did not require any consideration to be paid or any non-cash asset transferred or liability to be assumed. The Company had determined that such liability be derecognized based on the judgment applied regarding the likelihood of settlement and the estimate made towards the consideration that could be required.

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Balance, beginning of the year | $ | 6,597 | $ | - |
| Recognition of financial liability | | - | | 6,597 |
| Shareholder loan fair value adjustment | | 226,550 | | - |
| Balance, ending of the year | $ | 233,147 | $ | 6,597 |

## 6. DERECOGNITION OF FINANCIAL LIABILITIES

During the year ended August 31, 2025, there was no derecognition of financial liabilities.

During the year ended August 31, 2024, the Company recognized a gain of $20,750 on the derecognition of financial liabilities related to certain accounts payable, of which $15,750 related to the fiscal year 2013 and $5,000 was related to the fiscal year 2019.

## 7. CEBA LOAN PAYABLE

| | 2025 | 2024 |
|---|---|---|
| Balance, beginning of the year | $ - | $ 38,733 |
| Accretion expense | - | 1,267 |
| Repayment | - | (40,000) |
| Balance, ending of the year | $ - | $ - |

During previous years, the Company received $60,000 loan through the Canada Emergency Business Account "(CEBA)" program, in which $20,000 of the loan would be forgivable if the remaining loan balance is fully repaid on or before January 18, 2024. $20,000 of the loan was recognized as government assistance in other income previously.

On January 17, 2024, the Company repaid the $40,000 CEBA loan balance in full. The Company recorded $1,267 accretion expense related to this loan payable on the consolidated statement of comprehensive loss for the year ended August 31, 2024. There was no accretion expense during the current fiscal year as the loan was repaid in the prior year.

## 8. RELATED PARTY TRANSACTIONS

These transactions were in the normal course of operations and were valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Key management compensation**

| | August 31, 2025 | August 31, 2024 |
|---|---|---|
| Management fees | $ 90,000 | $ 120,000 |
| Director fees | $ 8,500 | $ 29,000 |

- During the year ended August 31, 2025, the Company incurred and recorded $90,000 (2024 - $120,000) as management fees pursuant to a contract with a company owned by an officer. The Company entered into an agreement dated February 6, 2015, with the officer of the Company. Under the terms of the agreement, through their company, the officer would receive a monthly consulting fee of $10,000. On August 31, 2025, $843,684 (2024 – $793,184) was due and payable to a company controlled by an officer for management fees rendered.

- On February 14, 2025, the Company entered into a forbearance agreement with the Company controlled by the officer in respect of $794,184 of the total amount owing as at that date. Under the terms of the agreement, the related party agreed to forbear from demanding or enforcing repayment of this amount for a period of twenty-four (24) months. This portion of the payable has been reclassified from current to non-current liabilities as at August 31, 2025 (note 12).

## 8. RELATED PARTY TRANSACTIONS (continued)

At August 31, 2025, the total amount owing to the company controlled by the officer was $843,684 (2024 – $793,184), of which

- $794,184 is classified as a non-current liability, and
- $49,500 is classified as a current liability

During the year ended August 31, 2025, the Company recognized accretion expense of $33,917 (2024 - $Nil) in respect of loans owing to a related party. The accretion represents the unwinding of the discount recorded on initial recognition of the loans at fair value, in accordance with IFRS 9 and the Company's accounting policy for financial instruments.

- On February 14, 2025, the Company entered into three forbearance agreements with certain related parties in respect of $21,000 of the total amount owing as at that date. Under the terms of the agreement, the related party agreed to forbear from demanding or enforcing repayment of this amount for a period of twenty-four (24) months. During the year ended August 31, 2025, the Company repaid the balance of $21,000 in full. During the year ended August 31, 2025, the Company recognized accretion expense of $3,645 (2024 - $Nil).

- During the year ended August 31, 2025, the Company incurred and recorded $8,500 (2024 - $29,000) as director fees. At August 31, 2025, $Nil (2024 - $29,000) was due and payable to directors for meeting fees rendered.

- At August 31, 2025, the Company has a balance of $10,866 (August 31, 2024 - $Nil) related to issuance of a promissory note to a related party. The unsecured note carries a principal balance of $10,000, bears interest of 10% per annum, and is due on October 29, 2026. During the year ended August 31, 2025, the Company recorded $866 (2024 - $Nil) as interest on the note (Note 11).

## 9. FINANCIAL INSTRUMENTS

The carrying amounts present in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

| | August 31, 2025 | August 31, 2024 |
|---|---|---|
| **Financial assets** | | |
| Cash | $ 244,341 | $ 3,438 |
| Account and other receivables, excluding GST recoverable | 2,792 | 7,846 |
| | $ 247,133 | $ 11,284 |
| **Financial liabilities** | | |
| Accounts payable and accrued liabilities | $ 50,549 | $ 556,258 |
| Due to related parties | 49,500 | 793,184 |
| Promissory notes payable | 43,327 | - |
| Forborne accounts payable | 425,043 | - |
| Forborne amounts due to related parties | 690,268 | - |
| | $1,258,687 | $1,349,442 |

## 9. FINANCIAL INSTRUMENTS (continued)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level I that are observable for the asset or liability either directly or indirectly; and
Level 3: Inputs that are not based on observable market data.

The carrying values of cash, accounts receivables, accounts payable due to related parties, promissory note payable approximate their fair values due to the immediate or short-term nature of these instruments. There has been no significant change in credit and market interest rates since the date of its receipt.

The Company has exposure to credit, foreign exchange, liquidity, and interest rate risk as follows:

**Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial assets are cash and account receivables. The Company holds it cash in bank accounts with highly rated financial institutions, therefore minimizing the Company's credit risk.

The Company provides credit to certain customers in the normal course of operations. Credit risk is generally limited to receivables from customers. The Company's credit risk related to its trades receivables is moderate. Other receivables are due from government agencies.

Account and other receivables are comprised of the following:

| | **August 31, 2025** | **August 31, 2024** |
|---|---|---|
| Trade receivables | $ 2,792 | $ 7,846 |
| Allowance for doubtful debts | - | - |
| Net trade receivables | 2,792 | 7,846 |
| GST recoverable | 5,198 | 2,013 |
| | **$ 7,990** | **$ 9,859** |

The Company's trade receivables are monitored on an ongoing basis for impairment.

## 9. FINANCIAL INSTRUMENTS (continued)

An analysis of the age of receivables is as follows:

| | August 31, 2025 | August 31, 2024 |
|---|---|---|
| 31 – 60 days | $ - | $ - |
| 61 – 90 days | - | - |
| Greater than 90 days | 528 | 527 |
| Balance past due | 528 | 527 |
| Current balance | 2,264 | 7,319 |
| Trade receivables | **$ 2,792** | **$ 7,846** |

### Foreign exchange risk

Foreign currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from current conversions is not significant and therefore does not hedge its foreign exchange risk.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company has sufficient cash as of August 31, 2025 to meet short-term business requirement. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on the Company's ability to obtain financing (Note 1).

The Company's contractual liabilities and obligations are as follows:

| | <1 year | 1 to 3 years | 4 to 5 years | >5 years | Total |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 50,549 | - | - | - | $ 50,549 |
| Due to related party | 49,500 | - | - | - | 49,500 |
| Promissory notes payable | | 43,327 | - | - | 43,327 |
| Forborne accounts payable | | 425,043 | - | - | 425,043 |
| Forborne amount due to related parties | | 690,268 | - | - | 690,268 |
| **Balance August 31, 2025** | **$ 100,049** | **1,158,638** | **-** | **-** | **$ 1,258,687** |

| | <1 year | 1 to 3 years | 4 to 5 years | >5 years | Total |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 556,258 | - | - | - | $ 556,258 |
| Due to related parties | 793,184 | - | - | - | 793,184 |
| **Balance August 31, 2024** | **$ 1,349,442** | **-** | **-** | **-** | **$ 1,349,442** |

## 10. CAPITAL MANAGEMENT

The Company defines its capital as follows:

- shareholders' equity, comprising of issued common shares, reserves and deficit;
- debt, including any current and non-current portions; and
- short term borrowing

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, debt and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## 11. PROMISSORY NOTES PAYABLE

On October 29, 2024, the Company issued four promissory notes to a related party and three arm's length parties, each with a principal amount of $10,000, totaling $40,000. The original terms of the notes required repayment of the principal together with interest at 10% per annum, calculated on a simple interest basis, in a single payment due 90 days from the date of issuance. The notes bore no interim interest payments and were recorded at amortized cost.

On February 12, 2025, the Company and the noteholders executed an addendum to the promissory notes, under which the maturity date was extended to October 29, 2026. The interest terms remain unchanged at 10% per annum, with simple interest accrued and payable at maturity. There are no scheduled interim payments of either principal or interest.

As at August 31, 2025, the carrying amount of the notes was $43,327 (2024 - $Nil), and the related interest expense for the year ended August 31, 2025 is $3,327 (2024 - $Nil). The entire liability is now classified as a non-current liability, as no repayment is required within the next twelve months.

## 12. FORBEARANCE AGREEMENTS AND ARRANGEMENTS

### Forbearance Agreements

In February 2025, the Company entered into forbearance agreements with various parties as follows:

- 1047356 B.C. Ltd., agreed to forbear from demanding or enforcing payment of an outstanding balance of $490,176 for a period of twenty-four (24) months from the agreement date.

- A related party defined entered into a forbearance agreement with respect to a balance owing of $794,184 on substantially the same terms, including a forbearance period of twenty-four (24) months from the agreement date (note 8).

- Three related parties defined entered into a forbearance agreement with respect to a balance owing of $21,000 on substantially the same terms, including a forbearance period of twenty-four (24) months from the agreement date. During the year ended August 31, 2025, the Company repaid the balance of $21,000 in full (note 8).

## 12. FORBEARANCE AGREEMENTS AND ARRANGEMENTS (continued)

The Company has allocated $1,305,360 from accounts payable and accrued liabilities to forborne accounts payable and forborne amount due to related parties. The forbearance arrangements are interest free and were recognized at fair value using the Company's incremental borrowing rate of 10% per annum. The Company recorded $226,550 in other reserve representing the equity component arising on the initial recognition of shareholder loans. As at August 31, 2025, the forbearance arrangement balance amounted to $1,115,311. During the year ended August 31, 2025, the Company recorded accretion expense of $57,501 (2024 - $Nil).

Under the terms of the agreements, the creditors have contractually waived their rights to enforce payment until at least February 14, 2027 and February 28, 2027, respectively, unless a defined default event occurs.

## 13. INCOME TAXES

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 27%. The Company had no assessable profit for all periods disclosed.

The tax expense at statutory rates for the Company can be reconciled to the reported loss for the year as follows:

| For the years ended August 31, | 2025 | 2024 |
|---|---|---|
| Income (loss) before income taxes | (296,884) | $ (160,280) |
| Statutory rate | 27.00% | 27.00% |
| Income tax (recovery) expense at statutory rates | (80,159) | (43,276) |
| Non-deductible items | 841 | 52 |
| Share issuance costs | (21,220) | - |
| Change in deferred tax asset not recognized | 100,538 | 43,224 |
| | $ - | $ - |

The Company has deductible temporary differences for which deferred tax assets have not been recognized due to the uncertainty of their recovery. The significant component of unrecognized deferred income tax assets as at August 31, 2025 and 2024 are as follows:

| | 2025 | 2024 |
|---|---|---|
| Intangible assets | $ 398,382 | $ 398,382 |
| Capital losses available for carryforward | 574,997 | 574,997 |
| Financing and other deductible temporary differences | 62,873 | - |
| Non-capital losses available for future periods | 7,032,372 | 6,722,883 |
| Total unrecognized deductible temporary differences | $8,068,624 | $ 7,696,262 |

## 13. INCOME TAXES (continued)

The Company has non-capital loss carryforwards of approximately $7,027,667 (2024 - $6,722,883) in Canadian non-capital losses available for carry-forward to reduce future years taxable income. The potential benefits of these carry-forward non-capital losses has not been recognized in these financial statements.

The tax pools relating to these deductible temporary differences expire as follows:

| | Non-capital losses |
|---|---|
| 2026 | 721,525 |
| 2027 | 768,388 |
| 2028 | 614,809 |
| 2029 | 265,876 |
| 2030 | 370,959 |
| 2031 | 133,309 |
| 2032 | 312,757 |
| 2033 | 138,969 |
| 2034 | 454,145 |
| 2035 | 1,189,620 |
| 2036 | 397,488 |
| 2037 | 211,075 |
| 2038 | 199,079 |
| 2039 | 192,853 |
| 2040 | 147,075 |
| 2041 | 175,714 |
| 2042 | 127,010 |
| 2043 | 159,276 |
| 2044 | 163,322 |
| 2045 | 310,414 |
| | $ 7,032,372 |

## 14. SUBSEQUENT EVENTS

On September 25, 2025, the TSX Venture Exchange (“Exchange”) provided final acceptance of the private placement originally closed on July 7, 2025. The Company had received conditional approval from the Exchange on July 7, 2025, at which time the Company issued a treasury direction, received total proceeds of $478,600, and became obligated to issue the related units. Accordingly, the transaction was recognized in the financial statements for the year ended August 31, 2025, with the proceeds allocated between share capital and warrants reserve in accordance with *IAS 32 – Financial Instruments: Presentation.*

As the final acceptance occurred subsequent to year-end, the event does not give rise to any further accounting adjustments in the subsequent period.

**14. SUBSEQUENT EVENTS (continued)**

Under debt assignment agreement dated June 10, 2025, certain amounts owing to both related parties and other creditors may be assigned. These assignments were conditional upon instalment payments, with partial payments made on September 1 and October 1, 2025. The Company continues to be liable for the underlying debts, and there has been no derecognition of the liabilities. However, to the extent that amounts owing to related parties are fully assigned in the future, a reclassification to “accounts payable and accrued liabilities” may occur. These subsequent events do not result in a change to profit or loss and have no financial impact on the statements presented for the year ended August 31, 2025.