

RECO INTERNATIONAL GROUP INC.

Consolidated Financial Statements

September 30, 2025 and 2024

(Expressed in Canadian Dollars)

Independent Auditor's Report

To: The Shareholders of **Reco International Group Inc.**

Opinion

We have audited the consolidated financial statements of Reco International Group Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at September 30, 2025 and 2024, and the consolidated statements of operations and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that at September 30, 2025 the Company had a net loss of \$1,422,325 and a working capital deficiency of \$2,923,815. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified 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 and not otherwise addressed in our report. 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 the Material Uncertainty Related to Going Concern section of our report, we have determined that there are no key audit matters to be communicated in our auditors' report.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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.

Independent Auditors' Report (continued)

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 Consolidated 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 judgement 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore 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 Scott Reinarz, CPA, CA.



Chartered Professional Accountants

January 20, 2026
Calgary, Alberta

RECO INTERNATIONAL GROUP INC.
Consolidated Statements of Financial Position
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash	\$ 35,863	\$ 134,384
Accounts receivable (Note 4)	479,517	883,110
Prepaid expenses and other	<u>23,610</u>	<u>22,840</u>
	538,990	1,040,334
Deposits	33,844	11,105
Equipment (Note 6)	42,313	53,127
Right-of-use asset (Note 10)	<u>268,974</u>	<u>159,922</u>
	<u>\$ 884,121</u>	<u>\$ 1,264,488</u>
LIABILITIES		
Current Liabilities		
Bank indebtedness (Note 7)	\$ 235,751	\$ -
Accounts payable and accrued liabilities (Note 8)	1,334,397	1,010,787
Amounts payable to related parties (Note 5)	1,072,437	759,385
Contract liabilities (Note 9)	652,333	564,541
Current portion of lease liability (Note 10)	<u>167,887</u>	<u>193,282</u>
	3,462,805	2,527,995
Lease liability (Note 10)	<u>107,148</u>	<u>-</u>
	3,569,953	2,527,995
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 11)	2,272,335	2,272,335
Share-based compensation reserve	423,162	423,162
Deficit	<u>(5,381,329)</u>	<u>(3,959,004)</u>
	<u>(2,685,832)</u>	<u>(1,263,507)</u>
	<u>\$ 884,121</u>	<u>\$ 1,264,488</u>

Reporting entity and going concern (Note 1)

Approved on behalf of the Board

“Hugh Zhen”	“Hubert Lau”
Signed _____	Signed _____
Director	Director

See accompanying notes to the consolidated financial statements

RECO INTERNATIONAL GROUP INC.

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended September 30, 2025 and 2024

(Expressed in Canadian Dollars)

	2025	2024
Revenue	<u>\$ 2,799,932</u>	<u>\$ 3,967,083</u>
Expenses		
Subcontracts	1,962,258	2,087,292
General and administrative	693,395	586,511
Materials and supplies	673,426	722,602
Salaries and benefits	599,503	589,984
Depreciation	243,350	254,398
Finance costs (Note 12)	21,099	25,386
Bad debt (recovery) expense (Note 4)	(4,309)	116,548
Share-based compensation	<u>-</u>	<u>25,194</u>
	<u>4,188,722</u>	<u>4,407,915</u>
Net loss before other income (expense)	(1,388,790)	(440,832)
Other income (expense)		
Impairment of amounts due from related parties (Note 5)	(43,260)	(52,201)
Other income	<u>9,725</u>	<u>53,654</u>
	<u>(33,535)</u>	<u>1,453</u>
Net loss and comprehensive loss	<u>\$ (1,422,325)</u>	<u>\$ (439,379)</u>
Loss per common share - basic and diluted (Note 13)	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - basic and diluted (Note 13)	<u>49,635,635</u>	<u>49,635,635</u>

See accompanying notes to the consolidated financial statements

RECO INTERNATIONAL GROUP INC.

Consolidated Statements of Changes in Deficiency
For the Years Ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

	Share Capital		Share-Based	Deficit	Total
	Shares	Amount	Compensation Reserve		
Balance, September 30, 2023	49,635,635	\$ 2,272,335	\$ 397,968	\$(3,519,625)	\$ (849,322)
Share-based compensation (Note 11)	-	-	25,194	-	25,194
Net loss and comprehensive loss	-	-	-	(439,379)	(439,379)
Balance, September 30, 2024	49,635,635	\$ 2,272,335	\$ 423,162	\$(3,959,004)	\$ (1,263,507)
Net loss and comprehensive loss	-	-	-	(1,422,325)	(1,422,325)
Balance, September 30, 2025	<u>49,635,635</u>	<u>\$ 2,272,335</u>	<u>\$ 423,162</u>	<u>\$(5,381,329)</u>	<u>\$ (2,685,832)</u>

See accompanying notes to the consolidated financial statements

RECO INTERNATIONAL GROUP INC.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

	2025	2024
Cash Provided by (Used in):		
Operating Activities		
Net loss	\$ (1,422,325)	\$ (439,379)
Items not involving cash:		
Share-based compensation (Note 11)	-	25,194
Depreciation	243,350	254,398
Impairment of amounts due from related parties (Note 5)	43,260	52,201
Bad debt expense (recovery)	(4,309)	116,548
Interest on lease liability	15,945	22,404
Net change in non-cash working capital balances (Note 14)	<u>1,131,586</u>	<u>268,697</u>
	<u>7,507</u>	<u>300,063</u>
Investing Activities		
Advances to related parties (Note 5)	(43,260)	(52,201)
Purchase of equipment (Note 6)	(1,831)	(2,793)
Lease security deposit refunded	11,105	-
Lease security deposit paid	<u>(33,844)</u>	<u>-</u>
	<u>(67,830)</u>	<u>(54,994)</u>
Financing Activities		
Repayments of long-term debt	-	(70,000)
Repayment of lease liability (Note 10)	(258,004)	(250,514)
Interest paid on lease liability (Note 10)	<u>(15,945)</u>	<u>(22,404)</u>
	<u>(273,949)</u>	<u>(342,918)</u>
Decrease in cash	(334,272)	(97,849)
Cash, beginning of year	<u>134,384</u>	<u>232,233</u>
(Bank indebtedness) cash, end of year	<u>\$ (199,888)</u>	<u>\$ 134,384</u>
(Bank indebtedness) cash is composed of:		
Cash	\$ 35,863	\$ 134,384
Bank indebtedness	<u>(235,751)</u>	<u>-</u>
	<u>\$ (199,888)</u>	<u>\$ 134,384</u>

Supplemental Cash Flow Information (Note 15)

See accompanying notes to the consolidated financial statements

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

1. Reporting Entity and Going Concern

Reporting Entity

Reco International Group Inc. (the “Company”) was incorporated under the Alberta Business Corporations Act on October 12, 1999 and is in the business of commercial and residential construction and millwork operating in British Columbia. The Company is traded on the TSX Venture Exchange under the symbol RGI.

The head office and principal address of the Company is #145, 11920 Forge Place, Richmond, British Columbia, V7A 4V9.

Going Concern

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of operations. There are material uncertainties that may cast significant doubt on the validity of this assumption. During the year ended September 30, 2025, the Company incurred a net loss of \$1,422,325 (2024 - \$439,379) and generated \$7,507 (2024 - \$300,063) in cash from operating activities. As at September 30, 2025, the Company had a working capital deficiency of \$2,923,815 (2024 - \$1,487,661) and an accumulated deficit of \$5,381,329 (2024 - \$3,959,004). The Company’s ability to continue as a going concern is dependent on continued support from related parties and generating a profit from operations.

These consolidated financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the statement of financial position classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. Basis of Presentation

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 Board of Directors approved these financial statements for issuance on January 20, 2026.

b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis.

c) Functional Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s and its subsidiaries’ functional currency.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

2. **Basis of Presentation** (Continued)

d) Use of Management Critical Judgment, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could 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.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were:

Accounts Receivable

The valuation of accounts receivable is based on management's best estimate of the lifetime expected credit loss related to these accounts.

Equipment and Right-of-Use Asset

The amounts recorded for depreciation is based on management's best estimate of the useful lives of the assets.

Income Taxes

The amounts recorded for deferred income taxes is based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on the probability of the Company being able to utilize the tax assets.

Going Concern

The assessment of the Company's ability to continue as a going concern through achieving profitable operations, continued financial support from related parties or accessing additional funding involves judgment based on historical experience and expectation of future events.

Revenue

The progress towards the complete satisfaction of the performance obligation on a project is the basis that management uses to determine the recognition of revenue. The revenue recognized is based on the costs incurred on the project in relation to management's estimate of the total costs expected for the project. However, due to unforeseen changes in the nature or cost of the work to be completed, contract profit can differ significantly from earlier estimates.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

2. **Basis of Presentation** (Continued)

d) Use of Management Critical Judgment, Estimates and Assumptions (Continued)

Lease Liability

The incremental borrowing rate is based on estimates made by management taking into consideration economic environment, terms, and underlying risk inherent to the asset. The carrying balance of the right of use asset, lease obligation and interest expense may vary due to changes in market conditions.

Share-based Compensation

The fair value of stock options granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the stock options, the expected volatility of the Company's shares, the expected life of the stock options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical volatility of its common shares. The expected life of the stock options is based on historical experience and estimates of the holder's behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of stock options that will be forfeited, and the rate is adjusted to reflect the actual number of stock options that vest.

3. **Summary of Material Accounting Policies**

The following is a summary of the material accounting policies used in the preparation of these consolidated financial statements:

Principles of Consolidation

The consolidated financial statements consist of Reco International Group Inc. and its wholly owned subsidiaries, Reco Decoration Group Inc. and Z & Z Holdings Ltd. All intercompany balances and transactions have been eliminated on consolidation.

Revenue Recognition

The Company considers its contracts to contain one performance obligation which is satisfied over time. Revenue related to construction and material supply projects is recognized by measuring the progress towards the complete satisfaction of the performance obligation using contract costs incurred for work performed relative to the estimated total contract costs. Contract costs include all direct materials, subcontractors' costs and direct labour costs. The Company is acting as the principal in all their arrangements with subcontractors. When consideration is received from customers in advance of the completion of a construction or material supply project or the determined stage of completion of a project, the amounts are recorded as contract liabilities. When costs incurred exceed consideration received, the amounts are recorded as contract assets. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

3. **Summary of Material Accounting Policies (Continued)**

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Useful lives, residual values and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Depreciation is calculated on the declining balance basis at the following annual rates commencing on the date the equipment is available for use:

Equipment	20%
Office furniture	20%
Computer equipment	30%
Vehicles	20 - 30%

Income Taxes

Income tax expense consists of current and deferred income taxes. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss Per Share

Loss per share has been calculated using the weighted average number of common shares outstanding during the period. The Company assumes that common shares are issued for the exercise of options and that the assumed proceeds from the exercise of "in-the-money options" are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies (Continued)

Financial Instruments

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

The Company's financial instruments are measured initially at fair value and thereafter based on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. At initial recognition financial instruments are classified in the following categories depending on the nature and purpose for which the instruments were acquired:

(i) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term are classified as FVTPL. For items classified as FVTPL, the Company initially recognizes such financial assets or liabilities on the consolidated statement of financial position at fair value and recognizes subsequent changes in the consolidated statements of operations. Transaction costs incurred are expensed in the consolidated statements of operations. The Company does not have any financial assets or liabilities designated as FVTPL.

(ii) Financial Assets at Fair Value through Other Comprehensive Income ("FVTOCI")

Equity investments that are held for trading are classified as FVTPL. For other equity investments, on the day of acquisition the Company can make an irrevocable election to designate them as FVTOCI. Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company does not currently hold any assets or liabilities designated as FVTOCI.

(iii) Financial Assets at Amortized Cost

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including cash, accounts receivable and deposits. The Company initially recognizes the carrying amount of such assets on the consolidated statement of financial position at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

(iv) Other Financial Liabilities at Amortized Cost

This category is for financial liabilities that are not classified as FVTPL and includes bank indebtedness, accounts payable and accrued liabilities, amounts payable to related parties and lease liability. These financial liabilities are recorded at amortized cost on the consolidated statement of financial position.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies (Continued)

Financial Instruments (Continued)

Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost as follows:

The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognized is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. A significant increase in credit risk is defined by the Company as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Derecognition

(i) Financial Assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

(ii) Financial Liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

3. Summary of Material Accounting Policies (Continued)

Impairment of Non-financial Assets

Non-financial assets comprising of contract assets, equipment and right-of-use asset, are assessed whenever events or changes in circumstances suggest their carrying value may not be recoverable and at the end of each reporting period. Management considers assets to be impaired if the carrying value exceeds the estimated recoverable amount. The recoverable amount is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money. If impairment is determined to exist, the loss is measured based on the amounts by which the assets carrying values exceed their fair values.

Impairment losses may be reversed, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

Lease and Lease Modification

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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 at cost, which comprises 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

3. Summary of Material Accounting Policies (Continued)

Lease and Lease Modification (Continued)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. 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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Share-based Compensation

The Company uses the Black-Scholes option-pricing model to fair value options granted during the year to directors, officers, and employees. The estimated fair value of options on the date of grant is recognized as compensation expense over the vesting period. The number of expected forfeitures is estimated at the grant date and adjustments for actual forfeitures are made as they occur.

Cash and Cash Equivalents

The Company considers cash equivalents to be all cash, bank indebtedness and highly liquid investments with a term shorter than 90 days as the time of purchase.

New Accounting Pronouncements

The following IFRS Accounting Standards have been recently issued by the IASB and the Company is currently evaluating the potential impacts on the consolidated financial statements of such pronouncements. Pronouncements that are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements have been excluded.

IFRS 18 Presentation and disclosure in the financial statements (replacement of IAS 1)

This new standard maintains many of the current requirements for the presentation of financial statements and adds new requirements concerning the statement of profit or loss, management-defined performance measures, and the principles of aggregation and disaggregation of information.

The new requirements concerning the statement of profit or loss include requiring entities to classify income and expenses included in the statement of profit or loss in one of five categories (operating, investing, financing, income taxes, discontinued operations), and prescribing that subtotals for operating profit or loss and profit or loss before financing and income taxes are presented. The new requirements concerning management-defined performance measures involve explanation of the purpose, calculation of and reconciliation to the most closely related performance measure prescribed in an IFRS accounting standard. Management-defined performance measures are defined as a subtotal of income and expenses used in public communications by entities outside of the financial statements that are not a measure specifically required to be presented or disclosed by an IFRS accounting standard. The amendment is effective for annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

4. Accounts Receivable

Accounts receivable is comprised of the following items:

	<u>2025</u>	<u>2024</u>
Trade accounts receivable	\$ 628,810	\$ 1,022,333
Allowance for doubtful accounts	<u>(152,546)</u>	<u>(156,854)</u>
	476,264	865,479
Sales taxes receivable	<u>3,253</u>	<u>17,631</u>
	<u>\$ 479,517</u>	<u>\$ 883,110</u>

During the year ended September 30, 2025, the Company recorded a recovery of bad debt expense of \$4,309 (2024 – bad debt expense of \$116,548).

5. Related Party Balances and Related Party Transactions

- a) During the year ended September 30, 2025, the Company advanced \$43,260 (2024 - \$52,201) to companies that have common management and directors with the Company. The advances consisted of unsecured advances that bear no interest and have no specific terms of repayment. During the year ended September 30, 2025, the Company recorded a corresponding allowance for impairment on the amounts advanced, due to the uncertainty of repayment (Note 17).
- b) As at September 30, 2025, amounts payable to related parties includes:
- i) \$1,031,128 for advances from and management fees owed to a company controlled by the Chief Executive Officer (“CEO”) and director of the Company (2024 - \$715,528). Amounts are unsecured, bear no interest and have no specific terms of repayment;
 - ii) \$7,035 for consulting fees owed to the Interim Chief Financial Officer (“CFO”) (2024 - \$9,583); and
 - iii) \$33,900 and \$374 for consulting fees owed to a company controlled by a close family member of a director of the Company and a close family member of a director of the Company, respectively (2024 - \$33,900 and \$374, respectively).
- c) During the year ended September 30, 2025 and 2024, key management includes senior executives and directors of the Company. The compensation expense of key management and their close family members are as follows:

	<u>2025</u>	<u>2024</u>
Consulting fees	\$ 16,606	\$ 17,858
Management fees	286,600	258,700
Share-based compensation	<u>-</u>	<u>20,440</u>
	<u>\$ 303,206</u>	<u>\$ 296,998</u>

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

6. Equipment

	Cost						Balance at September 30, 2025
	Balance at September 30, 2023		Additions	Disposals	Balance at September 30, 2024		
Equipment	\$ 575,118	\$ -	\$ -	\$ 575,118	\$ 1,831	\$ -	\$ 576,949
Office furniture	87,214	-	-	87,214	-	-	87,214
Computer equipment	76,595	2,793	-	79,388	-	-	79,388
Vehicles	170,973	-	-	170,973	-	-	170,973
	<u>\$ 909,900</u>	<u>\$ 2,793</u>	<u>\$ -</u>	<u>\$ 912,693</u>	<u>\$ 1,831</u>	<u>\$ -</u>	<u>\$ 914,524</u>

	Accumulated Depreciation						Balance at September 30, 2025
	Balance at September 30, 2023		Additions	Disposals	Balance at September 30, 2024		
Equipment	\$ 523,942	\$ 10,235	\$ -	\$ 534,177	\$ 8,695	\$ -	\$ 542,872
Office furniture	84,761	491	-	85,252	393	-	85,645
Computer equipment	72,077	2,110	-	74,187	2,260	-	76,447
Vehicles	164,271	1,679	-	165,950	1,297	-	167,247
	<u>\$ 845,051</u>	<u>\$ 14,515</u>	<u>\$ -</u>	<u>\$ 859,566</u>	<u>\$ 12,645</u>	<u>\$ -</u>	<u>\$ 872,211</u>

	Net Book Value	
	Balance at September 30, 2025	Balance at September 30, 2024
	Equipment	\$ 34,077
Office furniture	1,569	1,962
Computer equipment	2,941	5,201
Vehicles	<u>3,726</u>	<u>5,023</u>
	<u>\$ 42,313</u>	<u>\$ 53,127</u>

7. Bank Indebtedness

Up to March 31, 2025, the Company had an available line of credit of \$100,000 bearing interest at prime plus 3.5%, secured by a general security agreement and which was due on demand.

Effective March 31, 2025, the Company renewed the available line of credit of \$100,000. Upon renewal, the line of credit bore interest at prime plus 4.0%, was due on demand, and was secured by a general security agreement and an unconditional personal guarantee by the CEO and director of the Company.

Effective June 4, 2025, the Company amended the line of credit to increase the credit limit to \$250,000. The amended line of credit bears interest at prime plus 3.5%, is due on demand and is secured by a general security agreement and an unconditional personal guarantee by the CEO and director of the Company.

As at September 30, 2025, the Company has drawn \$235,751 (2024 - \$Nil) on the line of credit.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following items:

	<u>2025</u>	<u>2024</u>
Trade payables	\$ 1,121,494	\$ 878,918
Accrued liabilities	201,901	104,802
Sales taxes payable	<u>11,002</u>	<u>27,067</u>
	<u>\$ 1,334,397</u>	<u>\$ 1,010,787</u>

9. Contract Liabilities and Major Customers

Revenues from two (2) customers of the Company (2024 – three (3) customers) represented \$1,744,403 or 62% of the Company's total revenues (2024 – \$3,036,263 or 77%).

As at September 30, 2025, the Company has six (6) construction contracts (2024 – four (4) construction contracts) in progress and the following is financial information for the contracts in progress:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 564,541	\$ 165,640
Add – amounts billed during the year	1,956,762	2,930,126
Deduct – amounts recognized in revenue	<u>(1,868,970)</u>	<u>(2,531,125)</u>
Balance, end of year	<u>\$ 652,333</u>	<u>\$ 564,541</u>

The construction contracts in progress are expected to be completed within the next twelve (12) months.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

10. Lease Liability and Right-of-Use Asset

Effective June 1, 2022, the Company extended its office premises lease for an additional three (3) years. The office premises lease expired on May 31, 2025. The associated lease liability and right-of-use asset were calculated using an incremental borrowing rate of 6.7%.

On May 2, 2025, the Company entered into a lease for a new office premise. The lease has a term of two (2) years and expires on May 14, 2027. The associated lease liability and right-of-use asset have been calculated using an incremental borrowing rate of 8.45%

The right-of-use asset and lease liability are summarized below:

	<u>2025</u>	<u>2024</u>
Right-of-use Asset		
Balance, start of year	\$ 159,922	\$ 399,805
Addition	339,757	-
Less – depreciation	<u>(230,705)</u>	<u>(239,883)</u>
Balance, end of year	<u>\$ 268,974</u>	<u>\$ 159,922</u>
Lease Liability		
Balance, start of year	\$ 193,282	\$ 443,796
Addition	339,757	-
Less - lease payments	(273,949)	(272,918)
Add - finance costs	<u>15,945</u>	<u>22,404</u>
Balance, end of year	<u>\$ 275,035</u>	<u>\$ 193,282</u>
Less - current portion	<u>(167,887)</u>	<u>(193,282)</u>
	<u>\$ 107,148</u>	<u>\$ -</u>

Lease commitments for the years ended September 30 – undiscounted cash flow:

2026	\$ 184,796
2027	110,187
Future finance costs	<u>(19,948)</u>
	<u>\$ 275,035</u>

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

11. Share Capital

Authorized:

- Unlimited common voting shares
- Unlimited redeemable, retractable, non-voting preferred shares

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares and determine the designation, rights and privileges attached to each series of shares.

Issued and outstanding:

	<u>Number of Common Shares</u>	<u>Amount</u>
Balance, September 30, 2023, 2024 and 2025	<u>49,635,635</u>	<u>\$ 2,272,335</u>

Share-Based Compensation Plan

Under the Company's Share-based Compensation Plan, options to purchase common shares of the Company may be granted to directors, officers, key employees and consultants of the Company. These options entitle the holder to purchase one common share at a subscription price that shall not be less than that which may be acceptable to any stock exchange on which the Company's shares are traded. Options expire between two and five years after being issued or ninety days after an employee ceases employment with the Company. The Board of Directors has the discretion to extend the expiration period on cessation of employment. The terms and vesting period of each option is at the discretion of the Board of Directors.

The maximum number of common shares authorized for issuance by the Board of Directors under the plan is limited to 20% of the total issued and outstanding common shares of the Company.

The activity related to stock options is as follows:

	<u>Number of Options</u>	<u>Exercise Price</u>
Balance, September 30, 2023	8,000,000	\$ 0.05
Options expired	<u>(2,700,000)</u>	<u>0.05</u>
Balance, September 30, 2024 and 2025	<u>5,300,000</u>	<u>\$ 0.05</u>

The following table summarizes information on stock options outstanding and exercisable at September 30, 2025:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Expiry date</u>
\$ 0.05	5,300,000	5,300,000	July 3, 2027

As at September 30, 2025, the weighted average life remaining of the total number of outstanding and exercisable stock options was 1.76 years.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

11. **Share Capital** (Continued)

Share-Based Compensation Plan (Continued)

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the stock options. During the year ended September 30, 2024, the Company recorded \$25,194 in share-based compensation expense for the portion vested. The following assumptions were used to estimate the fair value of the stock options granted:

Annualized volatility	101.06%
Risk-free interest rate	3.04%
Expected life of	5 years
Dividend rate	0.00%
Fair value per stock option	\$0.038
Share price	\$0.05

12. **Finance Costs**

The components of finance costs are as follows:

	<u>2025</u>	<u>2024</u>
Interest expense	\$ 5,154	\$ 2,982
Interest on lease liability	<u>15,945</u>	<u>22,404</u>
	<u>\$ 21,099</u>	<u>\$ 25,386</u>

13. **Loss Per Share**

The basic loss per share is based on the weighted average number of common shares outstanding as at September 30, 2025 of 49,635,635 (2024 – 49,635,635). The diluted loss per share is calculated using the weighted average number of common shares of 49,635,635 (2024 – 49,635,635) and does not include the stock options which were anti-dilutive.

14. **Non-Cash Working Capital Balances**

The net change in non-cash working capital balances consists of:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 407,902	\$ (712,665)
Prepaid expenses	(770)	9,625
Accounts payable and accrued liabilities	323,610	344,053
Amounts payable to related parties	313,052	228,783
Contract assets	-	11,141
Contract liabilities	<u>87,792</u>	<u>387,760</u>
	<u>\$ 1,131,586</u>	<u>\$ 268,697</u>

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

15. Supplemental Cash Flow Information

	<u>2025</u>	<u>2024</u>
Interest paid	<u>\$ 5,154</u>	<u>\$ 2,982</u>

16. Income Taxes

The income tax provision reported differs from the amount computed by applying the combined Canadian federal and provincial rate to income (loss) before income taxes. The reasons for the difference and the related tax effects are as follows:

	<u>2025</u>	<u>2024</u>
Loss before income taxes	<u>\$ (1,422,325)</u>	<u>\$ (439,379)</u>
Expected rate	<u>26.80%</u>	<u>26.02%</u>
Expected tax recovery	<u>(381,151)</u>	<u>(114,317)</u>
Tax effect of adjustments:		
Expenses not deductible for tax	<u>6,977</u>	13,403
Adjust tax pools to actual	-	569
Other	<u>(1,411)</u>	<u>(1,512)</u>
Net effect of deferred tax asset not recognized	<u>375,585</u>	<u>101,857</u>
	<u>\$ -</u>	<u>\$ -</u>

The consolidated financial statements do not reflect potential tax reductions available through the application of losses carried forward against future years' earnings otherwise subject to income taxes. These losses amounting to \$4,233,377 may be carried forward and expire as follows:

2028	\$ 16,253
2032	95,615
2033	88,307
2034	73,743
2035	93,710
2036	60,686
2037	88,999
2039	17,030
2040	232,113
2041	533,315
2042	565,154
2043	469,786
2044	502,601
2045	<u>1,396,065</u>
	<u>\$ 4,233,377</u>

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

16. **Income Taxes** (Continued)

The Company has not recognized deferred tax assets for which it is not probable that realization will occur. Significant components of the Company's deferred tax assets are as follows:

	<u>2025</u>	<u>2024</u>
Deferred Tax Assets		
Deficiency of tax value over book value of assets	\$ (53,517)	\$ (27,487)
Credit loss provision	50,934	45,094
Capital losses	32,197	32,294
Lease payment obligation	74,259	52,186
Loss carry forwards	<u>1,095,355</u>	<u>721,556</u>
	1,199,228	823,643
Unrecognized deferred tax asset	<u>(1,199,228)</u>	<u>(823,643)</u>
Net deferred income tax asset	<u>\$ -</u>	<u>\$ -</u>

17. **Financial Instruments**

The Company's financial instruments consist of cash, accounts receivable, deposits, bank indebtedness, accounts payable and accrued liabilities, amounts payable to related parties and lease liability.

Financial risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is susceptible to interest rate cash flow risk on its bank indebtedness that bears interest at a variable rate.

As at September 30, 2025, the Company had bank indebtedness of \$235,751 (2024 - \$Nil). A reasonably possible change of 1% in market interest rates would, all else being equal, increase or decrease net loss and comprehensive loss for the year ended September 30, 2025 by approximately \$2,400 (2024 - \$Nil).

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

17. **Financial Instruments** (Continued)

Financial risk management (Continued)

Credit risk

The Company's exposure to credit risk relates to cash and accounts receivable and arises from the possibility that the third party does not satisfy its contractual obligations. The carrying amounts of financial assets represent the maximum credit exposure.

- a) The credit risk for cash is mitigated with the Company holding cash with major financial institutions.
- b) The Company minimizes its exposure to credit risk on accounts receivable through a program of credit evaluation of customers or obtaining deposits on projects. The Company performs continuous evaluation of its accounts receivable and records an expected credit loss based on recoverability of receivable balances from each customer taking into account historic collection of past due accounts. As at September 30, 2025, the Company has \$211,976 (2024 - \$348,046) of accounts receivable that are past due (over 90 days). A recovery of expected credit losses of \$4,309 was recorded for accounts receivable during the year ended September 30, 2025 (2024 - expected credit loss of \$116,548). As at September 30, 2025, approximately 97% (2024 - 100%) of trade accounts receivable are from three (3) customers (2024 - four (4) customers). Trade accounts receivable aging details are as follows:

	<u>2025</u>	<u>2024</u>
Current	\$ 339,940	\$ 199,813
31 - 90 days	76,894	474,474
Over 90 days	<u>211,976</u>	<u>348,046</u>
	<u>628,810</u>	<u>1,022,333</u>
Allowance for doubtful accounts	<u>(152,546)</u>	<u>(156,854)</u>
	<u>\$ 476,264</u>	<u>\$ 865,479</u>

- c) The Company recognized an allowance for impairment on amounts due from related parties (Note 5) of \$43,260 during the year ended September 30, 2025 (2024 - \$52,201). As at September 30, 2025, the cumulative allowance for impairment on amounts due from related parties is \$382,419 (2024 - \$339,159).

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk through the management of its working capital and cash flows. As at September 30, 2025, the Company's cash totalled \$35,863 (2024 - \$134,384), accounts receivable totalled \$479,517 (2024 - \$883,110) and the Company had a working capital deficiency of \$2,923,815 (2024 - \$1,487,661). The Company's bank indebtedness of \$235,751 (2024 - \$Nil) is due on demand (Note 7). Accounts payable and accrued liabilities of \$1,334,397 (2024 - \$1,010,787) have a contractual maturity in the next 12 months and the amounts payable to related parties of \$1,072,437 (2024 - \$759,385) is composed of \$41,309 (2024 - \$43,857) which has a contractual maturity in the next 12 months and \$1,031,128 (2024 - \$715,528) due on demand with no formal terms of repayment. The contractual maturity of the Company's lease liability is disclosed in Note 10.

RECO INTERNATIONAL GROUP INC.
Notes to the Consolidated Financial Statements
September 30, 2025 and 2024
(Expressed in Canadian Dollars)

17. Financial Instruments (Continued)

Financial risk management (Continued)

Fair value

The fair value of cash, accounts receivables, deposits, bank indebtedness, accounts payable and accrued liabilities and amounts payable to related parties approximate their carrying amounts due to the short-term nature of the financial instruments. The fair value of the lease liability approximates its carrying amount since its terms approximate market terms.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at September 30, 2025 and 2024, the Company does not have any financial instruments measured at fair value.

18. Contingency

In the normal course of operations, the Company will become subject to a variety of legal and other claims against the Company. Management and the Company's legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Company will not be material.

As of September 30, 2025 and 2024, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to contingencies.

19. Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include sustaining continuing operations. The Company includes shareholders' deficiency of \$2,685,832 (2024 – \$1,263,507) and certain amounts payable to related parties of \$1,031,128 (2024 - \$715,528) in the definition of capital.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

Historically, funding for the Company's plan was primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. The Company is not subject to externally imposed capital requirements.