Biosenta Inc.

Condensed Interim Consolidated Financial Statements
For the three months ended December 31, 2024 and 2023
(Expressed in Canadian dollars)
(Unaudited)

MANAGEMENT’S RESPONSIBILITY STATEMENT

The management of Biosenta Inc. (the "Company"), is responsible for preparing the condensed interim consolidated financial statements, the notes to the condensed interim consolidated financial statements and other financial information contained in these condensed interim consolidated financial statements (the “condensed interim consolidated financial statements”).

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). The condensed interim consolidated financial statements are considered by management to present fairly the Company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the condensed interim consolidated financial statements.

Am Gill, Chief Executive Officer
February 28, 2025

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements (unaudited) of Biosenta Inc. (the “Company”) have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company’s independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants (CPA) of Canada for a review of condensed interim financial statements by an entity’s auditors.

Biosenta Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	**December 31, 2024 $**	September 30, 2024 $
ASSETS			
Current			
Cash		**45,494**	8,529
Inventory	5	**38,000**	38,225
Prepaid expenses		**3,060**	7,656
Other receivables		**49,944**	46,493
		136,498	100,903
Non-current			
Intangible assets	6	**1**	1
Property and equipment	7	**37,867**	12,638
Total assets		**174,366**	113,542
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	**2,373,859**	2,183,175
Payable from restructuring proposal	9	**254,092**	254,092
Loans and promissory notes payable	10	**347,850**	96,713
		2,975,801	2,533,980
Non-current			
CEBA loan	13	**59,600**	59,994
Liability from termination of Joint Venture	11	**5,526,368**	5,395,104
Total liabilities		**8,561,769**	7,989,078
SHAREHOLDERS' DEFICIT			
Share capital	14	**15,076,751**	15,001,126
Warrant reserves	15	**608,039**	608,039
Equity reserves	16	**1,811,697**	1,811,697
Loss on settlement of liabilities		**(1,848,118)**	(1,848,118)
Deficit		**(24,035,772)**	(23,448,280)
Total shareholders' deficit		**(8,387,403)**	(7,875,536)
Total liabilities and shareholders' deficit		**174,366**	113,542

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 17)
Subsequent events (Note 20)

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

Approved by the Board of Directors

Signed "Am Gill" CEO and President　　　*Signed "Ed Korhonen"* Director

Biosenta Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	Note	**Three months ended December 31, 2024 $**	**Three months ended** December 31, 2023 $
Sales		**463**	173
Cost of sales		**191**	95
Gross profit		**272**	78
Administrative expenses			
Professional fees		**42,318**	127,117
Salaries, management and consulting fees, net of SR&ED		**116,148**	104,893
Share based compensation	14	**75,625**	—
Office and general		**7,382**	7,390
Insurance		**1,863**	1,877
Product development costs		**5,868**	1,124
Share transfer fees		**20,132**	5,215
Sales and marketing		**5,496**	5,094
Depreciation	7	**632**	—
Travel		**163**	476
Total expenses		**275,627**	**253,186**
Net loss from operations		**(275,355)**	(253,108)
Other (income) expenses			
Interest expense	11, 13	**173,351**	93,136
Exchange loss (gain)		**7,522**	(2,484)
Accretion expense	11	**131,264**	127,379
Total other expenses		**312,137**	218,031
Income tax expense (recovery)		**—**	—
Net loss and comprehensive loss		**(587,492)**	**(471,139)**
Loss per common share - basic and diluted		**(0.02)**	(0.02)
Weighted average number of common shares - basic and diluted		**32,454,822**	26,461,536

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

Biosenta Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

For the three months ended December 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

		Share Capital		Warrants	Equity	Loss on	Accumulated	
		Shares	Amount		reserve	settlement of liabilities	deficit	Total
	Notes	#	$	$	$	$	$	$
As at September 30, 2023		26,406,591	13,401,252	—	1,811,697	(1,848,118)	(21,220,602)	(7,855,771)
Shares issued during the period		1,250,000	334,732	165,268	—	—	—	500,000
Share issuance costs		—	(14,019)	—	—	—	—	(14,019)
Net loss for the period		—	—	—	—	—	(471,139)	(471,139)
As at December 31, 2023		**27,656,591**	**13,721,965**	**165,268**	**1,811,697**	**(1,848,118)**	**(21,691,741)**	**(7,840,929)**
As at September 30, 2024		**31,888,888**	**15,001,126**	**608,039**	**1,811,697**	**(1,848,118)**	**(23,448,280)**	**(7,875,536)**
Share based compensation	14	**937,500**	**75,625**	—	—	—	—	**75,625**
Net loss for the period		—	—	—	—	—	**(587,492)**	**(587,492)**
As at December 31, 2024		**32,826,388**	**15,076,751**	**608,039**	**1,811,697**	**(1,848,118)**	**(24,035,772)**	**(8,387,403)**

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

Biosenta Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Notes	**Three months ended December 31, 2024**	Three months ended December 31, 2023
		$	$
Operating activities			
Net loss and comprehensive loss for the period		**(587,492)**	(471,139)
Adjustments for items not affecting cash:			
Share based compensation		**75,625**	—
Accretion expenses		**131,264**	127,379
Accrued interest		**5,937**	—
Depreciation expense		**632**	—
Accrued interest on promissory note		**165,750**	—
Changes in working capital items:			
Inventory		**225**	120
Prepaid expenses		**4,596**	4,596
Other receivables		**(3,451)**	(16,394)
Accounts payable and accrued liabilities		**24,934**	7,669
Cash used in operating activities		**(181,980)**	(347,769)
Investing activity			
Purchase of property and equipment		**(25,861)**	—
Cash used in investing activity		**(25,861)**	—
Financing activities			
Proceeds from loans and promissory notes		**245,200**	516
Proceeds from issuance of shares		**—**	500,000
Share issuance costs		**—**	(14,019)
Cash provided by financing activities		**244,806**	486,497
Net increase in cash		**36,965**	138,728
Cash beginning of the year		**8,529**	5,883
Cash end of the period		**45,494**	144,611

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

1. Nature of Operations and Going Concern

Biosenta Inc. (the "Company" or "Biosenta") is a public company, incorporated and domiciled in Canada, whose shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "ZRO". The Company's registered address is 18 Wynford Drive, Suite 794, Toronto, Ontario, M3C 3S2. In 2011, the Company acquired the intellectual property rights to certain technology and processes relating to anti-microbial products with potential commercial and consumer applications. The Company is engaged in developing sales for *True* product lines and the development for commercial applications of its technology to produce an anti-microbial Tri-Filler product.

Going concern

During the period ended December 31, 2024, the Company reported net loss of $587,492 (December 31, 2023: $471,139) and a working capital deficit of $2,839,303 (December 31, 2023: $2,433,077).

The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which represents material uncertainties, cast significant doubt over the ability of the Company to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

The Company funded its operations for the period ended December 31, 2024, from existing cash and loans (See Note 10 and 14). The Company may not have sufficient cash reserves to fund its product development programs, administrative costs and other obligations for the coming fiscal year. Management is actively involved in developing and bringing their products to market, as well as seeking new debt and equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. Management believes the Company will continue as a going concern due to the Company's ability to obtain funding through the issuance of debt and equity instruments.

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company reported in Notes 2 and 3, in the Company's audited annual financial statements for the years ended September 30, 2024, and 2023. These condensed interim consolidated financial statements do not include all the information required for full annual financial statements.

The accounting policies noted above have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

The Board of Directors of the Company authorized these condensed interim consolidated financial statements for issuance on February 28, 2025.

2. Basis of Presentation (continued)

Basis of preparation and presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company, which is incorporated in Canada, and its wholly owned subsidiary, Biosenta U.S.A. Inc. which is incorporated in the United States. All inter-company balances and transactions are eliminated on consolidation. These condensed interim consolidated financial statements include all assets, liabilities, expenses, and cash flows of the Company and its subsidiary after eliminating inter-company balances and transactions. During the period ended December 31, 2024, Biosenta USA Inc has no activity.

3. Material Accounting Policies

Material accounting judgments, estimates and assumptions

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions about future events that affect the amounts reported in the unaudited condensed interim consolidated financial statements and related notes.

Although these estimates are based on management's best knowledge of the amount, event, or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) <u>Financial instruments</u>

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the consolidated statements of operations and comprehensive loss.

3. Material Accounting Policies (continued)

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost ("AC");
b) fair value through profit or loss ("FVTPL"); and
c) fair value through other comprehensive income ("FVTOCI").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in the consolidated statements of operations and comprehensive loss in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in the consolidated statements of operations and comprehensive loss in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI.

Impairment of financial instruments – Expected credit losses ("ECL")

For all financial assets recorded at amortized cost, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivables based on the Company's historical default rates over the expected life of the accounts receivable and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

ECL are calculated as the product of the probability of default, exposure at default and loss given default over the remaining expected life of the receivables. No ECL has been recorded by the Company as there are no accounts receivable.

3. Material Accounting Policies (continued)

Derecognition

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 recognized in the consolidated statements of operations and comprehensive loss.

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 transferred or liabilities assumed, is recognized in the consolidated statements of operations and comprehensive loss.

Impairment of non-financial assets

At each financial reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

(b) Share-based compensation

Share-based awards and payments

The Company grants stock options to directors, officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The grant date fair value of options is recognized as share-based payment expense, with a corresponding increase in equity, over the period that the individual becomes unconditionally entitled to the options.

The amount recognized as an expense is adjusted to reflect the number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of share options that do meet the related service and non-market performance conditions at the vesting date. Charges for options that are forfeited before vesting are reversed from share-based payment reserve. Upon the expiry of unexercised options or warrants, the amount expensed to the expiry date is transferred to retained earnings (deficit).

3. Material Accounting Policies (continued)

(c) Revenue recognition policy

IFRS 15 – Revenue from contracts with customers ("IFRS 15") specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

- Identifying the contract with a customer
- Identifying the performance obligations within the contract
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognizing revenue when/as performance obligation(s) are satisfied.

In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

In determining the appropriate time of sale, the Company takes into consideration a) the Company's right to payment for the goods or services; b) customers legal title; c) transfer of physical possession of the goods; and d) timing of acceptance of goods.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

(d) Related party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

(e) Joint Venture

Joint ventures advances comprise money received from one or more unaffiliated entities. The company invests these advances under terms requiring unanimous consent of all the parties (See Note 11).

The Company's interests in joint ventures are classified as obligation relating to investments in joint ventures and is accounted for using the equity method, with the Company's share of net losses and net liabilities separately disclosed in the statement of net loss and consolidated statement of financial position, in accordance with IFRS 11 'Joint Arrangements'.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

(Unaudited - Expressed in Canadian dollars)

4. Recent Accounting Pronouncements

The Standards, Amendments and Interpretations Issued but not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the period ending December 31, 2024 and, accordingly, have not been applied in preparing these condensed interim consolidated financial statements.

In August 2023, the IASB issued amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability.

The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The Company assessed the impact of the amendments and determined there to be no material impact on the consolidated financial statements.

5. Inventory

Inventory is comprised of the following:

Inventory

	As at December 31, 2024	As at September 30, 2024
	$	**$**
Raw materials and containers	**2,408**	2,408
Finished Goods	**35,592**	35,817
Closing balance	**38,000**	38,225

The cost of inventory expensed and included in cost of sales was $191 (December 31 2023: $95) during the three months ended December 31, 2024.

6. Intangible Assets

On June 7, 2011, the Company entered into an exclusive world-wide license agreement with Marcus Martin, a Director of the Company, with respect to certain intellectual property rights held by Mr. Martin relating to a process for the manufacture of anti-microbial filler product (the “MM License Agreement”). Effective October 3, 2011, the License Agreement was amended and restated to add Edward Pardiak, a former Director of the Company, as a co-licensor and was again amended and restated on April 10, 2012, to add 2320696 Ontario Inc. and 2262554 Ontario Inc., as co-licensors. Marcus Martin and Edward Pardiak, control 2320696 Ontario Inc. and 2262554 Ontario Inc., respectively through holding companies controlled by them.

6. Intangible Assets (continued)

The Company exercised its right to convert the interim license granted on June 7, 2011, as amended and restated, into an assignable, transferable, perpetual, world-wide exclusive license (the “License”). In connection with the exercise of the right to acquire the License, and in accordance with the terms of the MM License Agreement as amended, the Company issued fully paid and non-assessable Class A shares of the Company to the Licensors, valued at $1,606,500. The effective date for the issuance of the Class A shares and the acquisition of the License was April 10, 2012. The License was subject to royalties payable equal to 7% to 25%, based on gross margin, actually received by the Company on the sale of the licensed goods.

The shares were released in fiscal 2015. Under the terms of the license agreement, all patents, know-how and patent applications were assigned to the Company. All provisions of the License to which the Company is obligated to make payments to any of the licensors, including royalty payments, are void and the parties acknowledge that no further payments will be made in respect of the License.

If the Company had failed to obtain adequate funding to build the Parry Sound production facility by December 31, 2015, the patents could revert to the licensors, however as at September 30, 2015, management believes this requirement has been met as the plant was finished such that material was produced from the plant for testing by prospective customers.

As at September 30, 2017, the Company had written-off the value of the corresponding equipment and leasehold improvements associated with this agreement.

As at September 30, 2018, management, based on its assessment of the recoverability of the carrying value of the intangible assets associated with this agreement, decided to write-down the asset value to $1 from $1,606,500. The impairment loss arising as a result, was reported on the Statement of Operations and Comprehensive Income (loss) during the year ended September 30, 2018.

(Unaudited - Expressed in Canadian dollars)

7. Property and Equipment

	Furniture and equipment $	CWIP $	Total $
Cost			
As at September 30, 2024	**15,559**	**—**	**15,559**
Additions during the period	—	25,861	**25,861**
As at December 31, 2024	**15,559**	**25,861**	**41,420**
Depreciation			
As at September 30, 2024	**2,921**	**—**	**2,921**
Depreciation	**632**	**—**	**632**
As at December 31, 2024	**3,553**	—	**3,553**
Net book value			
As at September 30, 2024	**12,638**	**—**	**38,499**
As at December 31, 2024	**12,006**	**25,861**	**37,867**

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	As at December 31, 2024	As at September 30, 2024
	$	**$**
Trade payables	**1,320,060**	1,321,287
Payroll taxes payable	**88,491**	109,473
Interest on promissory note (Note 11)	**524,560**	358,810
Accrued liabilties and other	**440,748**	393,605
	2,373,859	2,183,175

(Unaudited - Expressed in Canadian dollars)

9. Payable from Restructuring Proposal

On June 13, 2016, the Company announced it had completed the Restructuring Proposal as approved by the Ontario Court. The financial impact of the Restructuring Proposal transaction is reflected in the accompanying consolidated financial statements, and is summarized as follows:

i. The settlement of $3.8 million of debt was completed through the issuance of 6,607,762 common shares (pre-consolidation 99,116,431) of the Company. The fair market value of the common shares which was based on the quoted market price of the Company’s shares at the December 7, 2015 meeting, including costs for issuing the shares, was $991,164.

ii. The difference between the book value of the debt and the fair market value of the common shares issued was included in the Gain on Debt Settlement from Restructuring Proposal in fiscal 2016;

iii. The settlement of approximately $725,000 of debt was completed through the cash settlement option of the Restructuring Proposal. The cash option only paid a portion of the debt outstanding at the time of the settling of the debt, and in return the vendor had to forgive 50% of the balance, which was included in the Gain on Debt Settlement from Restructuring Proposal for fiscal 2016. The outstanding payables for these vendors was reflected on the consolidated statements of financial position – Payable from Restructuring Proposal. This debt is only payable by the Company upon there being sufficient cash flow over an undefined period of time. The balance of this payable as of December 31, 2024, is $254,092 (September 20, 2024 - $254,092). There have been no payments made on this balance since inception; and

iv. Other debt that was not supported by an eligible claim or claims without merit were approved by the Court to be written down to nil. Since the settlement amount is nil, the full amount of such debt was included in Gain on Debt Settlement from Restructuring Proposal for fiscal 2016.

10. Loans and Promissory Notes payable

Loans consist of the following:

	As at December 31, 2024	As at September 30, 2024
	$	$
Loans	**62,477**	292,223
Addition during the period	**245,200**	179,638
Interest accrued during the period	**5,246**	6,129
Settled during the period	**—**	(415,513)
Closing balance	**312,923**	62,477

Loans of $312,923 to the Company from related parties are unsecured, with interest ranging from 0 - 10% with no fixed terms of repayment.

During the period none of the loans and interest were settled.

(Unaudited - Expressed in Canadian dollars)

10. Loans and Promissory Notes payable (continued)

Promissory Notes Payable

Thes promissory notes are unsecured, carry interest at the rate of Prime rate plus 5% and are fully due and repayable on demand. The interest accrued on promissory notes during the period is $691 (December 31, 2023: $768) respectively.

The following table summarizes the promissory notes outstanding as at December 31, 2024:

	As at December 31, 2024	As at September 30, 2024
	$	**$**
Opening balance	**34,236**	31,214
Interest accrued during the period	**691**	3,022
Closing balance	**34,927**	34,236

11. Liability from Termination of Joint Venture

On July 17, 2023, the Company completed the transaction to terminate the joint venture agreement with 19443391 Ontario Inc. (“194”) pursuant to a termination of joint venture agreement dated June 23, 2023 and all indebtedness owing to 194 and related persons from the Company was extinguished. The Company issued a non-transferable promissory note (“Note”) in the principal amount of $6,500,000 as consideration. Interest on the Note will accrue at a rate of prime plus 3% per annum and will be payable quarterly subject to a 120-day interest holiday. The promissory note, at the time of issue, was fair valued at $5,131,408 using present value technique, by discounting the contractual cash flows using market interest rate of companies with similar credit risk. The effective interest applied to determine the discounted cash flows of the promissory note was 19.07%.

The effective interest will be accreted to the promissory note as well as charged to the consolidated statement of operations and comprehensive loss over the period from date of issuance of the promissory note to its the maturity on December 31, 2025. The reconciliation of the Promissory note is as follows:

	As at December 31, 2024	**As at September 30, 2024**
	$	**$**
Opening balance	**5,395,104**	5,235,448
Interest accretion	**131,264**	519,656
Settled during the period	—	(360,000)
Closing balance	**5,526,368**	5,395,104

During the three months ended December 31, 2024, interest expense on promissory note was $131,264 (December 31, 2023: $127,379), recorded in the statements of loss and comprehensive loss.

(Unaudited - Expressed in Canadian dollars)

12. Related Party Transactions and Balances

The Company had the following related party transactions for the period ended December 31, 2024, and 2023. These transactions were in the normal course of operations and are measured at the exchange amount, which are the amounts agreed to by the related parties.

Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel is as follows:

	For the three months ended December 31, 2024	For the three months ended December 31, 2023
	$	**$**
Short-term compensation	**72,981**	74,038
Total	**72,981**	74,038

Short-term compensation includes salaries, bonuses, allowances, employment benefits, and directors' fees. As at December 31, 2024 the Company owes $Nil (September, 2024: $Nil) to a related party.

13. CEBA loan

In 2020, the Company availed the RBC Canada Business Account revolving credit line, to a maximum of $60,000 under the Canada Emergency Business Account (CEBA) program funded by the Government of Canada. The loan is unsecured and any unpaid balance is converted to a two-year term loan carrying interest at the rate of 5% payable monthly. The full amount of the loan (including principal and interest) is due and payable on December 31, 2026.

During the three months ended December 31, 2024, the Company incurred interest of $489 (2023: $Nil) on CEBA loan.

14. Share Capital

Authorized:

The Company is authorized to issue an unlimited number of:

Class A shares, voting and participating.

Class B shares, voting, redeemable at any time at the option of the Company for an amount equal to the fair value of the consideration received at issuance.

Class C preferred shares issuable in series with the following to be fixed with each series: number of shares, designation, rights, privileges, restrictions and conditions including dividend rate and calculation method and payment dates, the redemption, purchase and/or conversion prices, terms of redemption, purchase and/or conversion, any sinking fund or other provisions, may be convertible into Class A shares and voting unless otherwise determined.

(Unaudited - Expressed in Canadian dollars)

14. Share Capital (continued)

Issued and outstanding: Class A Shares

	Number of shares	Amount
Balance, September 30, 2024	31,888,888	$ 15,001,126
Share based compensation	937,500	75,625
Balance, December 31, 2024	32,826,388	$ 15,076,751

In October 2024, the Company issued 625,000 common shares valued at market price at the time of issuance as stock-based compensation for services rendered to the Company.

In December 2024, the Company issued 312,500 common shares valued at market price at the time of issuance as stock-based compensation for services rendered to the Company.

15. Warrant Reserves

The following table shows the schedule of warrants as at December 31, 2024:

	No. of warrants	**Amount**
	#	**$**
Balance at September 30, 2024	2,356,147	612,673
Balance at December 31, 2024	2,356,147	612,673

The following table summarizes the warrants outstanding as at December 31, 2024:

Expiration Date	**Warrants outstanding**	**Weighted average exercise price**	**Remaining contractual life**
June 27, 2025	625,000	$0.80	0.49
August 21, 2025	981,147	$0.80	0.64
October 26, 2025	750,000	$0.80	0.82
Total	**2,356,147**		

Refer Note 14.

(Unaudited - Expressed in Canadian dollars)

16. Equity Reserves

The Company has a stock option plan (the "Plan"), under which the Company may grant options to directors, officers, employees, and third-party service providers. Under the terms of the Plan that was approved by the shareholders on May 24, 2012, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third-party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of 5 years and vest over periods of up to three years from the date of issue.

During the period ended December 31, 2024, no stock options were granted under the Plan. The following is a schedule of outstanding options:

	December 31, 2024		September 30, 2024	
	No. of options	**Weighted average exercise price**	No. of options	Weighted average exercise price
	#	**$**	**#**	$
Opening balance	1,367,000	0.68	1,367,000	0.68
Closing balance	**1,367,000**	**0.68**	1,367,000	0.68

The following table summarizes the stock options outstanding as at December 31, 2024:

Expiration Date	**Stock options outstanding**	**Weighted average exercise price**	**Stock options exercisable**	**Remaining contractual life**
February 2026	350,000	$1.06	350,000	1.16
May 2026	1,017,000	$0.55	1,017,000	1.33
Total	**1,367,000**	$0.68	**1,367,000**	1.54

17. Commitments and Contingencies

Commitments

The Company has a rent agreement in Canada with Barracuda Wellsite Management on a monthly rental of $1,500 per month. This rental agreement is based on a month-to-month basis.

The Company has also entered into a Revenue sharing agreement with the University of Calgary through its innovation transfer and business incubation center UTI Limited Partnership (ULP). Pursuant to the Research agreement, the Company will own Research Results arising from the Project and in consideration for the University assigning its rights in the Research Results to the Company, the Company will pay ULP:

- Revenue sharing payments equal to one and one-half percent (1.5%) of Net Sales; plus
- Revenue sharing payments equal to ten percent (10%) of Licensing Revenue.

17. Commitments and Contingencies (continued)

On January 8, 2024 the Company entered into an agreement with Oak Hill Financial Inc. to provide business and capital markets advisory services to the Company including investor relations activities. The agreement is for a period of three months and will be renewed for an additional one month and compensation totals $10,000 plus applicable taxes on the effective date and every month the agreement is in effect.

Other Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As at December 31, 2024, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

18. Financial Risk Factors

The Company’s financial instruments mainly comprise of cash and other receivables, accounts payable and accrued liabilities, payable from restructuring proposal, loans and joint venture advances.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data with unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the condensed interim consolidated financial statements are categorized within the fair value hierarchy.

This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

(Unaudited - Expressed in Canadian dollars)

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

18. Financial Risk Factors (Continued)

Fair Value (Continued)

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values			Fair values
Financial assets	**FVTPL**	**FVTOCI**	**Total**	**Total**
December 31, 2024	**$**	**$**	**$**	**$**
Cash	**45,494**	**—**	**45,494**	**45,494**
Other receivables	**49,944**	**—**	**49,944**	**49,944**
	95,438	**—**	**95,438**	**95,438**
September 30, 2024	$	$	$	$
Cash	8,529	—	8,529	8,529
Other receivables	46,493	—	46,493	46,493
	55,022	—	55,022	55,022

	Carrying values			Fair values
Financial liabilities	**FVTPL**	**Amortised cost**	**Total**	**Total**
December 31, 2024	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**—**	**2,373,859**	**2,373,859**	**2,373,859**
Payable from restructuring proposal	**—**	**254,092**	**254,092**	**254,092**
Promissory notes payable	**—**	**5,526,368**	**5,526,368**	**5,526,368**
Loans and promissory notes payable	**—**	**347,850**	**347,850**	**347,850**
CEBA loan	**—**	**59,600**	**59,600**	**59,600**
	—	**8,561,769**	**8,561,769**	**8,561,769**
September 30, 2024	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	—	2,183,175	2,183,175	2,183,175
Payable from restructuring proposal	—	254,092	254,092	254,092
Loans	—	96,713	96,713	96,713
Promissory notes payable	—	5,395,104	5,395,104	5,395,104
CEBA loan	—	59,994	59,994	59,994
	—	7,989,078	7,989,078	7,989,078

There were no transfers between levels in the hierarchy. For financial assets and liabilities not measured at fair value, their carrying value approximates fair value due to their short-term nature and market terms.

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the members that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

18. Financial Risk Factors (Continued)

Fair Value (Continued)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

There have been no changes to the Company's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, policies and processes in the management of its financial instruments from that of prior reporting period.

Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and other receivables. To address its credit risk arising from cash, the Company ensures to keep these balances with financial institutions of high repute. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Company is not significantly exposed to its other receivables. As at December 31, 2024 and September 30, 2024 the maximum amount exposed to credit risks was $Nil.

Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its 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 manages liquidity risk through obtaining financing from its members, third parties and joint venture. As at December 31, 2024, all accounts payable and accrued liabilities are due within a year.

Market risk - Interest rate risk

The Company's current policy is to invest excess cash in investment-grade, short-term deposit certificates issued by its banking institutions. Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in market interest rates. As at December 31, 2024, all of the Company's financial instruments are either non-interest bearing or bear interest at fixed rates.

19. Capital Management

Capital is defined as share capital and equity reserve. The Company's objectives when managing capital are to maintain an appropriate balance between holding a sufficient amount of capital to support its operations as a going concern, and providing shareholders with a prudent amount of leverage, as and when required, to enhance returns. There have been no changes since the prior year.

19. Capital Management (continued)

The intellectual property in which the Company has acquired through a license agreement is currently in the development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions.

The Company is not subject to any regulatory or contractual capital obligations of material consequence.

20. Subsequent Events

The Company has evaluated subsequent events through February 28, 2025 which is the date the condensed interim consolidated financial statements were issued, and has determined there were no events to report.