CANNABIX TECHNOLOGIES INC.

Interim Financial Statements

(Unaudited)

January 31, 2025

(Expressed in Canadian dollars)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the nine months ended January 31, 2025.

CANNABIX TECHNOLOGIES INC.
Statements of financial position
(Expressed in Canadian dollars)

	January 31, 2025 $	April 30, 2024 $
Assets		
Current assets		
Cash and cash equivalents	2,801,999	4,214,791
Short-term investments	47,810	47,810
Amounts receivable	38,369	47,579
Prepaid expenses and deposits	52,385	56,077
Total current assets	2,940,563	4,366,257
Non-current assets		
Equipment (Note 3)	174,047	184,013
Right-of-use asset (Note 4)	46,645	149,060
Total non-current assets	220,692	333,073
Total assets	3,161,255	4,699,330
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	67,130	93,440
Current portion of lease liability (Note 5)	49,997	141,880
Total current liabilities	117,127	235,320
Non-current liabilities		
Lease liability (Note 5)	–	12,702
Total liabilities	117,127	248,022
Shareholders’ equity		
Share capital (Note 8)	33,996,637	33,266,637
Share-based payment reserve (Note 9)	8,632,443	8,632,443
Deficit	(39,584,952)	(37,447,772)
Total shareholders’ equity	3,044,128	4,451,308
Total liabilities and shareholders’ equity	3,161,255	4,699,330

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on March 17, 2024:

/s/ Ravinder Mlait
Ravinder Mlait, Director

/s/ Bryan Loree
Bryan Loree, Director

(The accompanying notes are an integral part of these financial statements)

CANNABIX TECHNOLOGIES INC.
Statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Three months ended January 31, 2025 $	Three months ended January 31, 2024 $	Nine months ended January 31, 2025 $	Nine months ended January 31, 2024 $
Revenue	–	–	–	–
Operating expenses				
Research & Development	276,365	302,256	1,572,301	927,530
Consulting fees (Note 7)	87,502	106,496	262,199	318,588
Advertising & promotion	1,881	1,881	52,719	8,641
Insurance	4,369	2,576	13,118	10,597
Office and miscellaneous	6,371	10,288	28,785	40,809
Professional fees	12,425	34,756	72,257	63,362
Rent	600	2,526	6,544	5,383
Transfer agent & filing fees	9,150	(11,247)	57,729	58,956
Travel	8,808	2,008	11,281	21,475
Stock-based compensation (Note 9)	–	–	–	521,225
Depreciation (Notes 3 & 4)	43,384	37,775	129,923	112,312
Total operating expenses	450,855	489,315	2,206,856	2,088,878
Net loss before other income	(450,855)	(489,315)	(2,206,856)	(2,088,878)
Other income				
Interest income	17,892	42,524	80,312	143,863
Interest expense	(2,410)	–	(10,636)	–
Net loss and comprehensive loss	(435,373)	(446,791)	(2,137,180)	(1,945,015)
Loss per share, basic and diluted	–	–	(0.02)	(0.02)
Weighted average shares outstanding	115,144,104	114,144,104	115,060,771	114,144,104

(The accompanying notes are an integral part of these financial statements)

CANNABIX TECHNOLOGIES INC.

Statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment		Total shareholders'	
	Number of Shares	Amount $	reserve $	Deficit $	equity $	
Balance, April 30, 2023	114,144,104	33,266,637	7,763,969	(34,321,165)	6,709,441	
Fair value of stock options granted vested	–	–	521,225	–	521,225	
Net loss for the period	–	–	–	(1,945,015)	(1,945,015)	
Balance, January 31, 2024	114,144,104	33,266,637	8,285,194	(36,266,180)	5,285,651	
Fair value of stock options granted	–	–	347,249	–	347,249	
Net loss for the period	–	–	–	(1,181,592)	(1,181,592)	
Balance, April 30, 2024	114,144,104	33,266,637	8,632,443	(37,447,772)	4,451,308	
Shares issued pursuant to strategic partnership agreement (Note 6)	1,000,000	730,000	–	– –	730,000	–
Net loss for the period	–	–	–	(2,137,180)	(2,137,180)	
Balance, January 31, 2025	115,144,104	33,996,637	8,632,443	(39,584,952)	3,044,128	

(The accompanying notes are an integral part of these financial statements)

CANNABIX TECHNOLOGIES INC.
Statements of cash flows
(Expressed in Canadian dollars)

	Three months ended January 31, 2025 $	Three months ended January 31, 2024 $	Nine months ended January 31, 2025 $	Nine months ended January 31, 2024 $
Operating activities				
Net loss	(435,373)	(446,791)	(2,137,180)	(1,945,015)
Item not involving cash:				
Share-based compensation	–	–	–	521,225
Interest expense	2,410	–	10,636	–
Shares issued pursuant to partnership agreement	–	–	730,000	–
Depreciation	43,384	37,775	129,923	112,312
Changes in non-cash operating working capital:				
Amounts receivable	(18,882)	(20,045)	9,210	9,192
Accounts payable and accrued liabilities	(65,893)	(55,123)	(26,310)	(42,011)
Prepaid expenses and deposits	1,772	5,580	3,692	13,602
Net cash used in operating activities	(472,582)	(478,604)	(1,280,029)	(1,330,695)
Investing activities				
Equipment acquisition costs	–	–	(17,542)	(29,149)
Net cash used in investing activities	–	–	(17,542)	(29,149)
Financing activities				
Lease payments	(38,519)	(31,872)	(115,221)	(88,136)
Net cash provided by financing activities	(38,519)	(31,872)	(115,221)	(88,136)
Change in cash	(511,101)	(510,476)	(1,412,792)	(1,447,980)
Cash, beginning of period	3,313,100	5,532,433	4,214,791	6,469,937
Cash, end of period	2,801,999	5,021,957	2,801,999	5,021,957
Cash and cash equivalents is comprised of:				
Cash held in bank	2,301,999	4,521,957	2,301,999	4,521,957
Cashable Guaranteed Investment Certificates	500,000	500,000	500,000	500,000
Total cash and cash equivalents	2,801,999	5,021,957	2,801,999	5,021,957

(The accompanying notes are an integral part of these financial statements)

1. Nature of Operations and Continuance of Business

Cannabix Technologies Inc. (the “Company”) is a public company listed on the Canadian Securities Exchange (“CSE”) and trades under the symbol 'BLO'. The Company was incorporated on April 5, 2011 under the BC Business Corporations Act as West Point Resources Inc. and on August 12, 2014 the name of the Company was changed. The Company’s corporate office is located at 501 – 3292 Production Way, Burnaby, BC.

The Company’s primary business is the development of its marijuana and alcohol breathalyzer technologies through research and development activities.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2025, the Company has no source of revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $39,584,952. These factors form a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Material Accounting Policy Information

(a) Statement of Compliance and Basis of Presentation

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value as explained in Note 2(g). The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

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

Significant areas requiring the use of estimates include the useful life and recoverability of equipment, assessment of incremental borrowing rate related to the recognition of lease liability, fair value of share-based payments, and unrecognized deferred income tax assets.

2. Material Accounting Policy Information (continued)

(b) Use of Estimates and Judgments (continued)

Deferred Income Taxes

The determination of income tax expense and the composition of deferred income tax assets and liabilities involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred income tax assets and liabilities, and interpretations of tax laws. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these interpretations, judgments, and estimates may materially affect the final amount of deferred income tax provisions, deferred income tax assets and liabilities, and results of operations.

Share-based Compensation

Fair values are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

Useful Lives of Depreciable Assets

The useful lives of depreciable assets have been determined based on management's estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence and wear and damage of assets.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations during the period in which they are incurred.

Depreciation of property and equipment is provided using the straight-line method at the following rates approximating their estimated useful lives:

Equipment	10 years, straight line

(e) Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there are indicators of impairment for its non-financial assets. If indicators exist, the Company determines if the recoverable amount of the asset or CGU is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used geographical proximity, geological similarities, analysis of shared infrastructure, commodity type, assessment of exposure to market risks and materiality to define its CGUs.

2. Material Accounting Policy Information (continued)

(e) Impairment of Non-Financial Assets(continued)

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in the statement of operations. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in the statement of operations. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

(f) Research and Development Costs

Research costs are charged to operations as incurred. Research costs consist primarily of consulting expenses and parts related to the design, testing, and manufacture of the Cannabix marijuana breathalyzer. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to or has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in the statement of operations as incurred.

(g) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. Material Accounting Policy Information (continued)

(g) Financial Instruments (continued)

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

2. Material Accounting Policy Information (continued)

(g) Financial Instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issuance costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(h) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the periods. Foreign exchange gains and losses are included in the statement of operations.

(i) Provisions

Provisions for legal claims and obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on

2. Material Accounting Policy Information (continued)

(j) Income Taxes (continued)

tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(k) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards 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 awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(l) Leases

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 over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to the statement of operations on a straight-line basis over the lease term.

(Expressed in Canadian dollars)

2. Material Accounting Policy Information (continued)

(m) Short-term Investments

Short-term investments consist of highly liquid short-term interest bearing securities with maturities at the date of purchase of greater than three months, but less than one year, and of other marketable securities.

(n) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at January 31, 2025, the Company had 9,505,000 (2024 – 9,700,000) potentially dilutive shares outstanding.

(o) Reclassifications

Certain of the prior year figures have been reclassified to conform to the current year’s presentation.

(p) Accounting Standards Issued But Not Yet Effective

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

3. Equipment

	Equipment $
Cost:	
Balance, April 30, 2023	336,528
Additions	29,149
Balance, January 31, 2024 & April 30, 2024	365,677
Additions	17,542
Balance, January 31, 2025	383,219
Accumulated depreciation:	
Balance, April 30, 2023	146,832
Additions	26,025
Balance, January 31, 2024	172,857
Additions	8,807
Balance, April 30, 2024	181,664
Additions	27,508
Balance, January 31, 2025	209,172
Carrying amounts:	
As at April 30, 2023	189,696
As at January 31, 2024	192,820
As at April 30, 2024	184,013
As at January 31, 2025	174,047

(Expressed in Canadian dollars)

4. Right-of Use Asset

Right-of-use asset is comprised of the following:

	Premises $
Cost:	
Balance, April 30, 2023 & January 31, 2024	219,981
Additions	143,126
Balance, April 30, 2024 & January 31, 2025	363,107
Accumulated depreciation:	
Balance, April 30, 2023	95,644
Additions	86,286
Balance, January 31, 2024	181,930
Additions	32,117
Balance, April 30, 2024	214,047
Additions	102,415
Balance, January 31, 2025	316,462
Carrying amounts:	
As at April 30, 2023	124,337
As at January 31, 2024	38,051
As at April 30, 2024	149,060
As at January 31, 2025	46,645

5. Lease Liability

On May 2, 2022, Company entered into a premises lease which gives the Company the right to use an underlying asset starting on June 1, 2022 for a 2 year term. On February 8, 2024, the Company entered into an agreement to extend the lease until May 31, 2025. The Company's obligation to make lease payments arising from the modified lease is calculated by discounting the fixed lease payments over the remaining lease term at the Company's incremental borrowing rate. The incremental borrowing rate used in the calculation was 13%.

	2025 $	2024 $
Balance, beginning of period	141,880	132,541
Additions	12,702	–
Principal payments	(115,221)	(106,014)
Interest payments	10,636	17,879
Balance, end of period	49,997	44,406
Less: current portion	49,997	44,406
Non-current portion	–	–

6. Strategic Partnership and Development Agreement

On May 15, 2024, the Company entered into a strategic partnership and development agreement (the "Agreement") with Omega Laboratories Inc of Ohio, USA ("Omega"). Pursuant to the Agreement, the Company and Omega have agreed to, among other things, complete research and development, refine and expand the use of the Company's technology to meet existing and emerging needs of Omega's clients, contemplate manufacturing and distribution and introduce the delta9 THC breath testing technology to customers in North America. As consideration for the completion of specific milestones by Omega and to align the interests of both parties, Omega will receive: (i) 1,000,000 common shares of the Company, which will be issued by the Company to Omega in conjunction with the execution of the Agreement; and (ii) an aggregate of 11,000,000 special warrants of the Company that will vest and automatically convert into common shares upon the occurrence of specific milestones. On May 23, 2024, 1,000,000 common shares were issued to Omega with a fair value of $730,000.

7. Related Party Transactions

(a) During the period ended January 31, 2025, the Company incurred consulting fees of $42,000 (2024 - $42,000) to the Chief Executive Officer of the Company.

(b) During the period ended January 31, 2025, the Company incurred consulting fees of $37,500 (2024 - $37,500) to the Chief Financial Officer of the Company.

(c) During the period ended January 31, 2025, the Company incurred research and development costs of $37,500 (2024 - $37,500) to a director of the Company.

8. Share Capital

Authorized: Unlimited number of common shares without par value

Share issuances for the nine-month period ended January 31, 2025:

On May 23, 2024, The Company issued 1,000,000 common shares pursuant to the Omega strategic partnership and development agreement. The fair value of the common shares have a deemed value of $0.73 per share.

The Company did not issue any shares during the nine-month period ended January 31, 2024.

As at January 31, 2025 and January 31, 2024, there were no share purchase warrants outstanding.

9. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 15% of the issued and outstanding common shares. The aggregate number of options granted to any one optionee in a one year period is limited to 5% of the issued shares of the corporation. The exercise price of each option is set by the Board of Directors at the time of grant. Options vest immediately when granted and can have a maximum term of ten years.

(Expressed in Canadian dollars)

9. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Outstanding, April 30, 2023	7,025,000	0.60
Granted	2,675,000	0.37
Outstanding, January 31, 2024	9,700,000	0.54
Granted	2,700,000	0.25
Expired	(1,500,000)	0.59
Outstanding, April 30, 2024	10,900,000	0.46
Cancelled	(1,395,000)	0.80
Outstanding, January 31, 2025	9,505,000	0.41

Additional information regarding stock options outstanding as at January 31, 2025, is as follows:

	Outstanding			Exercisable	
Exercise price $	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
0.25	2,700,000	3.7	0.25	2,700,000	0.25
0.35	1,925,000	2.9	0.35	1,925,000	0.35
0.45	575,000	0.9	0.45	575,000	0.45
0.50	1,125,000	0.3	0.50	1,125,000	0.50
0.55	3,180,000	1.9	0.55	3,180,000	0.55
	9,505,000	2.3	0.41	9,505,000	0.41

The fair value for stock options granted or vested have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	2025	2024
Risk-free interest rate	–	4.93%
Expected life (in years)	–	5
Expected volatility	–	90%

During the nine-month period ended January 31, 2025, the Company granted nil (2024 – 2,675,000) stock options. The total fair value of stock options recognized, including stock options granted and vested, during the nine-month period ended January 31, 2025 was $nil (2024 - $521,225), which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of the stock options granted during the nine-month period ended January 31, 2025 was $nil (2024 - $0.20) per option. There were no stock options exercised during the quarters ended January 31, 2025 and January 31, 2024.

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, and equity comprised of issued share capital, share subscriptions receivable, and contributed surplus.

10. Capital Management (continued)

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2024.

11. Financial Instruments and Risks

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, and lease liability, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. Foreign exchange risk arises from purchase transactions. As at January 31, 2025 and 2024, the Company is not exposed to significant currency risk as it did not have material assets or liabilities held in currencies other than its functional currency.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(Expressed in Canadian dollars)

11. Financial Instruments and Risks (continued)

The following amounts are the contractual maturities of financial liabilities as at January 31, 2025 and 2024:

2025	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	67,130	67,130	–
Lease liability	49,997	49,997	–
	117,127	117,127	

2024	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	62,617	62,617	–
Lease liability	44,406	44,406	–
	107,023	107,023	

12. Subsequent Events

Subsequent to January 31, 2025, the Company granted 2,725,000 stock options exercisable at $0.54 per share expiring in five years and 650,000 stock options exercisable at $0.54 per share expiring in two years.