ME Therapeutics Holdings Inc.

Condensed Interim Consolidated Financial Statements

For the six months ended

February 28, 2025

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements for ME Therapeutics Holdings Inc. (the "Company") have been prepared by management in accordance with IFRS Accounting Standards (IAS 34). These condensed interim consolidated financial statements are the responsibility of management and are unaudited and have not been reviewed by the Company's auditors with the disclosure requirements of National Instruments 51-102 released by the Canadian Securities Administrators.

The Company's Audit Committee and Board of Directors has reviewed and approved these condensed interim consolidated financial statements.

ME Therapeutics Holdings Inc.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

As at February 28, 2025 and August 31, 2024

	Note	**February 28, 2025 $**	August 31, 2024 $
Assets			
Current assets			
Cash		1,998,564	1,496,725
Sales tax receivable		24,415	16,579
Prepaid expenses		60,949	25,183
		2,083,928	1,538,487
Non-current assets			
Security deposit	4	10,891	-
Property and equipment	4	245,434	157
Intangible asset	5	1	1
Total assets		**2,340,254**	1,538,645
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		8,219	46,138
Due to related parties	7	38,879	16,780
Lease liability - current	4	55,738	-
		102,836	62,918
Non-current liabilities			
Lease liability	4	42,457	-
Total liabilities		**145,293**	62,918
Shareholders' equity			
Share capital	6	8,589,891	6,111,869
Reserves	6	2,641,911	3,899,359
Deficit		(9,036,841)	(8,535,501)
Total shareholders' equity		**2,194,961**	1,475,727
Total liabilities and shareholders' equity		**2,340,254**	1,538,645
Nature of operations and going concern	**1**		
Reverse acquisition	**3**		
Events after the reporting period	**12**		

Approved on behalf of the Board of Directors on April 11, 2025:

“Salim Dhanji” **Director** *“John Priatel”* **Director**

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

ME Therapeutics Holdings Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended February 28, 2025 and February 29, 2024

	Common shares #	Share capital $	Commitment to issue shares $	Share subscriptions received $	Reserves $	Deficit $	Total shareholders' equity $
September 1, 2023	23,561,161	4,523,869	31,917	-	3,208,468	(7,240,866)	523,388
Commitment to issue shares	-	-	7,333	-	-	-	7,333
Partial settlement of commitment	73,333	33,000	(33,000)	-	-	-	-
Share-based compensation	-	-	-	-	214,523	-	214,523
Share subscriptions received	-	-	-	1,105,000	-	-	1,105,000
Loss and comprehensive loss for the period	-	-	-	-	-	(486,604)	(486,604)
February 29, 2024	23,634,494	4,556,869	6,250	1,105,000	3,422,991	(7,727,470)	1,363,640
September 1, 2024	25,189,494	6,111,869	-	-	3,899,359	(8,535,501)	1,475,727
Exercise of warrants	4,400,000	1,050,000	-	-	-	-	1,050,000
Fair value reversal on exercise of warrants	-	1,428,022	-	-	(1,428,022)	-	-
Share-based compensation	-	-	-	-	170,574	-	170,574
Loss and comprehensive loss for the period	-	-	-	-	-	(501,340)	(501,340)
February 28, 2025	**29,589,494**	**8,589,891**	**-**	**-**	**2,641,911**	**(9,036,841)**	**2,194,961**

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

ME Therapeutics Holdings Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three and six months ended February 28, 2025 and February 29, 2024

		Three months ended		Six months ended	
		February 28, 2025	February 29, 2024	**February 28, 2025**	February 29, 2024
	Note	**$**	$	**$**	$
Operating expenses					
Consulting	7	58,656	-	105,351	-
Depreciation	4	20,478	11	31,001	20
Finance charges	4	3,793	-	6,578	-
General and administrative		21,724	23,329	57,474	42,874
Professional fees	7	26,486	33,477	46,061	105,666
Research costs		59,493	81,329	103,264	148,160
Share-based compensation	6,7	17,971	6,919	170,574	214,523
Loss from operating expenses		**(208,601)**	(145,065)	**(520,303)**	(511,243)
Interest income		8,622	1,574	18,963	5,220
Government assistance	11	-	-	-	19,419
Loss and comprehensive loss for the period		**(199,979)**	(143,491)	**(501,340)**	(486,604)
Loss per share					
Weighted average number of common shares outstanding					
- Basic #		**26,833,938**	23,588,560	**26,007,174**	23,574,861
- Diluted #		**26,833,938**	23,588,560	**26,007,174**	23,574,861
Basic loss per share $		**(0.01)**	(0.01)	**(0.02)**	(0.02)
Diluted loss per share $		**(0.01)**	(0.01)	**(0.02)**	(0.02)

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

ME Therapeutics Holdings Inc.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended February 28, 2025 and February 29, 2024

	Note	2025 $	2024 $
Operating activities			
Loss for the period		(501,340)	(486,604)
Adjustments for non-cash items:			
Depreciation		31,001	20
Finance charges		6,578	-
Share-based compensation		170,574	214,523
Commitment to issue shares - services		-	7,333
Working capital adjustments:			
Government assistance receivable		-	-
Sales tax receivable		(7,836)	(796)
Prepaid expenses		(35,766)	9,318
Accounts payable and accrued liabilities		(37,919)	(106,716)
Due to related parties		22,099	(1,757)
		(352,609)	(364,679)
Financing activities			
Proceeds from exercise of warrants		1,050,000	-
Share subscriptions received		-	1,105,000
Repayment of Government loans		-	(40,000)
Payment of lease liabilities	4	(21,783)	-
		1,028,217	1,065,000
Investing activities			
Payment of security deposit	4	(10,891)	-
Purchase of equipment	4	(162,878)	-
		(173,769)	-
Net change in cash		**501,839**	700,321
Cash, beginning of period		**1,496,725**	647,145
Cash, end of period		**1,998,564**	1,347,466
Supplemental cash flow information	9		

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

1. Nature of operations and going concern

Nature of operations

ME Therapeutics Holdings Inc. (the “Company” or “METX”) is a preclinical stage biotechnology company working on cancer fighting drugs in the field of Immuno Oncology. The Company was incorporated on November 9, 2021 under the laws of the Province of British Columbia. The Company’s head office is located at 177 Robson Street, Vancouver, British Columbia, Canada, V6B 0N3. Its records office is located at 2700 – 1133 Melville Street, Vancouver, British Columbia, Canada, V6E 4E5. On March 9, 2023, the Company changed its name from “Metx Research Corp.” to “ME Therapeutics Holdings Inc.” and changed its year end from September 30 to August 31.

On March 9, 2023, the Company completed the acquisition of all of the issued and outstanding securities in the capital of ME Therapeutics Inc. (“METI”), a private company incorporated on September 16, 2014 under the laws of the Province of British Columbia, in exchange for the issuance of an aggregate of 14,999,994 common shares in the capital of the Company to the shareholders of METI pursuant to the terms of an Securities Exchange Agreement (the “Agreement”) dated October 4, 2022 (and as amended on October 12, 2022, and March 7, 2023) between the Company and METI (collectively, the “Transaction”) (note 3).

The Transaction constituted a reverse acquisition (“RTO”) of the Company by METI.

Effective October 12, 2023, the Company’s securities commenced trading on the Canadian Securities Exchange, and in December 2023, the Company’s shares were listed on the Frankfurt Stock Exchange.

Going concern

These condensed interim consolidated financial statements (the “financial statements”) are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at February 28, 2025, the Company had a working capital surplus of $1,981,092 (August 31, 2024 – $1,475,569) and shareholders’ equity of $2,194,961 (August 31, 2024 – $1,475,727). However, the Company does not have revenues and has recurring operating losses from incorporation. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with equity financings, or loans from related parties. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its condensed interim consolidated statements of financial position.

2. Material accounting policy information

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended August 31, 2024, and do not include all the information required for full annual financial statements in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements.

These financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently by the Company.

All amounts on these financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Principles of consolidation

These financial statements include the accounts of the Company, and its wholly-owned subsidiary as follows:

Name	Jurisdiction	Relationship
ME Therapeutics Holdings Inc.	Canada	Legal parent company
ME Therapeutics Inc.	Canada	Legal subsidiary company

A subsidiary is an entity controlled by the Company and is included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed where necessary to align them with the policies adopted by the Company.

All intercompany balances are eliminated on consolidation.

The financial statements account for METX as a controlled entity requiring consolidation since the date of the RTO (notes 1 and 3), effective March 9, 2023 onwards, except for capital which has been retroactively adjusted to reflect the capital of the Company.

Material accounting policies

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited consolidated financial statements and are those the Company expects to adopt in its consolidated financial statements for the year ended August 31, 2025. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements.

New accounting policies

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2024. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these material accounting policies.

(Expressed in Canadian Dollars)

3. Reverse acquisition

As described in note 1, on March 9, 2023, the Company (METX) and METI completed a Transaction which constituted a reverse acquisition, with METI shareholders receiving 1.395 shares of METX for every share of METI held. This resulted in METI shareholders controlling approximately 64.4% of the issued and outstanding shares of the Company.

The Transaction resulted in the shareholders of METI obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision-making processes, and the resulting power to govern the financial and operating policies of the combined entities.

The Transaction constituted an RTO of METX by METI and had been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based Payments* and IFRS 3, *Business Combinations*. As METX did not qualify as a business according to the definition in IFRS 3, the RTO did not constitute a business combination; rather it was treated as an issuance of common shares by METI for the net assets of METX, with METI as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction as it does not constitute a business.

For accounting purposes, METI was treated as the accounting parent company (legal subsidiary) and METX as the accounting subsidiary (legal parent) in the financial statements. As METI was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation were included in the financial statements at their historical carrying values. METX's results of operations were included from March 9, 2023, except for capital which had been retroactively adjusted to reflect the capital of the Company.

On closing of the Transaction, METI's nominees comprised the entirety of the Board of the combined entity with the exception of one Director being appointed by METX. Further, METI's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") remain as CEO and CFO of the combined entity.

A summary of the net assets (liabilities) acquired versus the consideration paid was as follows:

	March 9, 2023
Net assets (liabilities) of ME Therapeutics Holdings Inc. acquired:	**$**
Cash	757,438
Accounts payable and accrued liabilities	(23,611)
Due to to related parties	(1,195)
Net assets acquired	**732,632**
Consideration paid on RTO:	**$**
Common shares (fair value of 8,304,445 common shares at $0.45 per share)	3,737,000
Fair value of retained warrants	2,562,600
Total consideration paid	**6,299,600**
Transaction expense	**5,566,968**

The Transaction was measured at the fair value of the shares that METI would have had to issue to the shareholders of METX, to give the shareholders of METX the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of METI acquiring METX. On March 1, 2023, prior to the completion of the RTO, METX had completed a unit offering whereby a total of 694,444 units were issued at a price of $0.45 per unit for gross proceeds of $312,500. Each unit was comprised of one common share and one half of one share purchase warrant, with each whole warrant being exercisable into an additional common share at an exercise price of $1.00 for a period of three years expiring on March 1, 2026. Additionally, 7,975,220 METX warrants were retained on completion of the RTO (the "Retained Warrants"), with a fair value of $2,562,600 (see note 6 for details).

(Expressed in Canadian Dollars)

4. Property and equipment

Property is comprised of a right-of-use ("ROU") asset, various equipment, office furniture, and leasehold improvements as follows:

- The lease of a lab and office space in Vancouver which commenced on October 1, 2024 and has a term of two years to September 30, 2026. The Company has determined that this space should be accounted for as a lease as defined under IFRS 16 *Leases* ("IFRS 16"). In analyzing the contract, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all the facts and circumstances surrounding the inception of the contract (but not future events that are not likely to occur). Lease liabilities have been calculated at initial recognition with a discount rate of 15%. In connection with the lease, the Company paid a refundable security deposit in the amount of $10,891.

- Computer equipment having a cost of $3,184 (August 31, 2024 - $829) and accumulated depreciation of $805 (August 31, 2024 - $672). Computer equipment is being depreciated at 20% per annum under the declining balance method.

- Laboratory equipment having a cost of $128,672 (August 31, 2024 - $nil) and accumulated depreciation of $3,217 (August 31, 2024 - $nil). Laboratory equipment is being depreciated at 20% per annum under the declining balance method.

- Office furniture having a cost of $6,479 (August 31, 2024 - $nil) and accumulated depreciation of $1,620 (August 31, 2024 - $nil). Office furniture was acquired in connection with the Company's leased space and is being depreciated over the term of the lease.

- Leasehold improvements having a cost of $25,372 (August 31, 2024 - $nil) and accumulated depreciation of $2,416 (August 31, 2024 - $nil). Leasehold improvements were incurred in connection with the Company's leased space and are being depreciated over the term of the lease.

A continuity of property and equipment for the year ended August 31, 2024 and the six months ended February 28, 2025 is as follows:

Cost	ROU asset $	Computer equipment $	Laboratory equipment $	Office furniture $	Leasehold improvements $	Total $
Balance, September 1, 2023	-	829	-	-	-	829
Additions	-	-	-	-	-	-
Balance, August 31, 2024	-	829	-	-	-	829
Additions	113,400	2,355	128,672	6,479	25,372	276,278
Balance, February 28, 2025	113,400	3,184	128,672	6,479	25,372	277,107
Depreciation						
Balance, September 1, 2023	-	633	-	-	-	633
Additions	-	39	-	-	-	39
Balance, August 31, 2024	-	672	-	-	-	672
Additions	23,615	133	3,217	1,620	2,416	31,001
Balance, February 28, 2025	23,615	805	3,217	1,620	2,416	31,673
Balance, August 31, 2024	-	157	-	-	-	157
Balance, February 28, 2025	**89,785**	**2,379**	**125,455**	**4,859**	**22,956**	**245,434**

(Expressed in Canadian Dollars)

4. **Property and equipment** (continued)

A continuity of the lease liability for the year ended August 31, 2024 and the six months ended February 28, 2025 is as follows:

	Lease liability $
September 1, 2023 and August 31, 2024	-
Additions	113,400
Lease payments	(21,783)
Lease interest (finance charges)	6,578
February 28, 2025	**98,195**
Current portion of lease liability	**55,738**
Non-current portion of lease liability	**42,457**

As at February 28, 2025, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liability over the remaining lease term is $104,906.

Short-term leases are leases with a lease term of twelve months or less. As at February 28, 2025, and August 31, 2024, the Company did not have any short-term leases. As at February 28, 2025, there were no extension options that were reasonably certain to be exercised included in the measurement of the lease liability, and there were no leases with residual value guarantees.

5. **Intangible asset**

As at February 28, 2025, and August 31, 2024, the Company has recognized a nominal amount of $1 in respect of capitalized intangible asset costs, representing the Company's work with respect to its novel antibody sequences.

The Company has expensed all patent application costs to date, in accordance with its stated material accounting policy.

6. **Share capital**

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares are fully paid. From incorporation to February 28, 2025, no preferred shares have been issued.

Escrowed shares

On completion of a public listing (note 1), 18,477,772 common shares were subject to escrow provisions and will have different (and in some cases multiple) escrow release schedules applied. These shares will be released from escrow as follows: (a) an aggregate of 2,727,778 shares will be released over a period of 36 months from the listing date with 10% being released on the listing date and 15% being released every 6 months thereafter (the "NP 46-201 Escrow"), (b) an aggregate of 750,000 will be released from escrow on the date that is 6 months from listing, (c) an aggregate of 2,474,565 shares will be released over 27 months from listing with 10% released on listing, 30% released 9 months from listing, 30% released 18 months from listing and the remaining shares released 27 months from listing (the "Target Voluntary Escrow"); and (d) an aggregate of 12,525,429 shares are subject to both NP 46-201 Escrow and the Target Voluntary Escrow and released over a period of 36 months from listing with 10% released on listing, 15% released 9 months from listing, 15% released 12 months from listing, 15% released 18 months from listing, 15% released 24 months from listing, 15% released 30 months from listing, and the remaining shares released 36 months from listing.

(Expressed in Canadian Dollars)

6. **Share capital** (continued)

Transactions for the issue of share capital during the six months ended February 28, 2025:

On January 13, 2025, 1,000,000 common shares were issued on the exercise of warrants for gross proceeds of $200,000 ($0.20 per share). In connection with this exercise, $336,622 was reclassified from reserves and credited to share capital.

On January 29, 2025, 3,400,000 common shares were issued on the exercise of warrants for gross proceeds of $850,000 ($0.25 per share). In connection with this exercise, $1,091,400 was reclassified from reserves and credited to share capital.

Transactions for the issue of share capital during the six months ended February 29, 2024:

On January 26, 2024, the Company issued 73,333 common shares pursuant to an accrued commitment to issue shares. The shares were recorded at a value of $33,000 ($0.45 per share).

Warrants

As an incentive to complete private placements the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

A summary of the status of the Company's warrants as at February 28, 2025 and August 31, 2024, and changes during the period/year then ended are as follows:

	Period ended February 28, 2025		Year ended August 31, 2024	
	Warrants #	Weighted Avg. Exercise price $	Warrants #	Weighted Avg. Exercise price $
Warrants outstanding, beginning of period/year	9,512,220	0.49	7,957,220	0.29
Exercised	(4,400,000)	0.24	-	-
Issued in connection with unit offering	-	-	1,555,000	1.50
Warrants outstanding, end of period/year	**5,112,220**	**0.70**	9,512,220	0.49

The Company measured the fair value of the Retained Warrants (note 3) using the Black-Scholes option pricing model using the following weighted average assumptions: expected life of the warrants – 2.0 years, expected stock price volatility – 120.00%, no dividend yield, and a risk-free interest rate yield of 3.00%. Using the above assumptions, the fair value of Retained Warrants was approximately $0.32 per warrant for a total of $2,562,600.

On August 18, 2023, the Company extended the expiration date of certain share purchase warrants as follows: 1,250,000 with an original expiration date of January 13, 2025 were extended to January 13, 2027, 800,000 with an original expiration date of January 26, 2025 were extended to January 26, 2027, and 500,000 with an original expiration date of October 21, 2025 were extended to October 21, 2027. All other terms of the warrants remained unchanged.

(Expressed in Canadian Dollars)

6. **Share capital** (continued)

Warrants (continued)

As at February 28, 2025, the Company has warrants outstanding and exercisable as follows:

Warrants outstanding #	Warrants exercisable #	Exercise price $	Weighted average remaining life (years)	Expiry date
660,000	660,000	0.40	0.64	October 21, 2025
347,220	347,220	1.00	1.00	March 1, 2026
1,555,000	1,555,000	1.50	1.02	March 6, 2026
1,250,000	1,250,000	0.20	1.87	January 13, 2027
800,000	800,000	0.25	1.91	January 26, 2027
500,000	500,000	0.40	2.64	October 21, 2027
5,112,220	**5,112,220**		**1.48**	

Stock options

The Company has an incentive stock option plan (the "Plan") which provides for the granting of options. Under the Plan the maximum number of stock options issued cannot exceed 15% of the Company's currently issued and outstanding common shares. Options granted under the Plan may have a maximum term of ten years. A participant, who is not a consultant conducting investor relations activities, who is granted an option that is exercisable at the market price at the date of grant, will have their options vest immediately, unless otherwise determined by the Board of Directors.

A participant who is a consultant conducting investor relations activities who is granted an option under the Plan will become vested with the right to exercise one-quarter of the option upon conclusion of every three months subsequent to the grant date. All options are to be settled by physical delivery of common shares.

A summary of the status of the Company's stock options as at February 28, 2025 and August 31, 2024, and changes during the period/year then ended is as follows:

	Period ended February 28, 2025		Year ended August 31, 2024	
	Options #	Weighted Avg. Exercise price $	Options #	Weighted Avg. Exercise price $
Options outstanding, beginning of period/year	2,796,670	0.72	2,546,670	0.45
Granted	-	-	250,000	3.51
Options outstanding, end of period/year	**2,796,670**	**0.72**	2,796,670	0.72

(Expressed in Canadian Dollars)

6. **Share capital** (continued)

Stock options (continued)

As at February 28, 2025, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Weighted average remaining life (years)	Expiry date
2,175,000	2,175,000	0.45	1.08	March 31, 2026
250,000	250,000	0.45	1.27	June 7, 2026
250,000	187,500	3.51	2.11	April 8, 2027
121,670	121,670	0.40	3.03	March 9, 2028
2,796,670	**2,734,170**		**1.28**	

On April 8, 2024, the Company granted 250,000 stock options to a consultant. The stock options are exercisable at $3.51 each until April 8, 2027, and vest as follows: (a) 25% on the date of grant, (b) 50% six months from the date of grant, and (c) 25% nine months from the date of grant.

The Company measured the fair value of the options granted using the Black-Scholes option pricing model on a graded basis. Share-based payment expense was calculated using the following weighted average assumptions: expected life of the options – 3.0 years, expected stock price volatility – 125.00%, no dividend yield, and a risk-free interest rate yield of 3.99%. Using the above assumptions, the fair value of options granted was approximately $2.59 per option for a total of $646,941.

On March 31, 2023, 2,175,000 stock options were granted to Directors, Officers, and a consultant. The stock options are exercisable at $0.45 each until March 31, 2026, and vest as follows: (a) 25% on the date of grant, (b) 50% six months from the date of grant, and (c) 25% nine months from the date of grant.

On June 7, 2023, the Company granted 250,000 stock options to a Director. The stock options are exercisable at $0.45 each until June 7, 2026, and vest as follows: (a) 25% on the date of grant, (b) 50% six months from the date of grant, and (c) 25% nine months from the date of grant.

The Company measured the fair value of the options granted using the Black-Scholes option pricing model on a graded basis. Share-based payment expense was calculated using the following weighted average assumptions: expected life of the options – 3.0 years, expected stock price volatility – 125.00%, no dividend yield, and a risk-free interest rate yield of 3.58%. Using the above assumptions, the fair value of options granted was approximately $0.33 per option for a total of $802,743.

The total share-based payment expense for the six months ended February 28, 2025, was $170,574 (2024 - $214,523), which is presented as an operating expense.

Convertible debentures

Between January 27, 2022 and February 10, 2022, METI closed a convertible debenture offering whereby gross proceeds of $140,000 was raised. Each debenture consisted of an interest-free, unsecured convertible debenture with a maturity of one year from the date of issuance. At the option of the holder, the debentures were convertible into common shares of the Company at an initial conversion price of $0.01, which was subsequently amended to $0.03 based on completion of the Agreement with METX (note 3). Pursuant to the Agreement, all of the debentures were automatically converted immediately prior to completion of the Transaction.

6. Share capital (continued)

Convertible debentures (continued)

As the debentures were convertible into common shares, the liability and equity components were presented separately on the consolidated statements of financial position. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 15% totaling $121,737. Using the residual method, the carrying amount of the conversion feature was the difference between the principal amount and the initial carrying value of the financial liability.

The equity component was recorded within equity on the consolidated statement of financial position totaling $18,263. The debentures, net of the equity component were accreted using the effective interest method over the term of the debentures, such that the carrying amount of the financial liability equaled the principal balance at maturity.

The Company recorded interest/accretion expense of $nil related to the convertible debentures during the six months ended February 28, 2025 (2024 - $nil).

Commitment to issue shares

During the year ended August 31, 2024, $33,000 was settled through the issuance of 73,333 common shares at a value of $0.45 per share, associated with professional services rendered prior to the Company obtaining a public listing in October 2023. Furthermore, during the year ended August 31, 2024, an additional commitment to issue common shares totaling $7,500 was settled in cash. The Company has no continuing obligations that would result in a commitment to issue common shares as at February 28, 2025 and August 31, 2024.

7. Related party transactions and balances

Key management personnel are the persons responsible for the planning, directing, and controlling the activities of the Company and includes both executive and non-executive Directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

During the six months ended February 28, 2025, the Company paid or accrued $60,000 in consulting fees to a company controlled by the Company's CEO (2024 - $nil).

During the six months ended February 28, 2025, the Company paid or accrued $31,050 in consulting fees to a company controlled by the Company's Chief Business Officer ("CBO") (2024 - $nil).

During the six months ended February 28, 2025, the Company paid or accrued $24,000 in professional fees to DBM CPA Inc. ("DBM"), a company in which the Company's CFO is a principal and exerts significant influence (2024 - $15,000).

During the year ended August 31, 2023, the Company granted a total of 1,925,000 stock options to Directors and Officers, having a fair value on issuance of $637,291.

As at February 28, 2025, $19,979 is owing to the Company's CEO (or a company controlled by the CEO) (August 31, 2024 - $12,580), $14,700 is owing to a company controlled by the CBO (August 31, 2024 - $nil), and $4,200 is owing to DBM (August 31, 2024 - $4,200).

(Expressed in Canadian Dollars)

8. Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The Company does not expect to enter into additional debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new units or common shares. The Company's capital structure as at February 28, 2025, is comprised of shareholders' equity of $2,194,961 (August 31, 2024 – $1,475,727).

The Company is not subject to any externally imposed capital requirements and there were no changes to the Company's approach to managing capital during the six months ended February 28, 2025.

9. Supplemental cash flow information

The Company incurred non-cash financing activities during the six months ended February 28, 2025 and February 29, 2024 as follows:

	February 28, 2025	February 29, 2024
	$	$
Non-cash financing activities:		
Common shares issued to partially settle commitment to issue shares	-	33,000
	-	33,000

The Company did not incur any non-cash investing activities during the six months ended February 28, 2025 and February 29, 2024.

During the six months ended February 28, 2025, and February 29, 2024, the Company did not pay any amounts pertaining to interest or income taxes.

10. Financial risk management and financial instruments

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

The carrying values of cash, security deposit, accounts payable and accrued liabilities, and due to related parties approximate their respective fair values due to the short-term nature of these instruments. The carrying value of lease liability approximates its fair value due to being discounted with a rate of interest that approximates market rates.

10. Financial risk management and financial instruments (continued)

Financial instruments - risk

The Company is exposed to varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure to the Company is the carrying amount of cash. All of the Company's cash is held with a major Canadian financial institution, and management believes the exposure to credit risk with respect to the financial institution is not significant. The Company has minimal receivables exposure as its refundable credits are due from the Canadian Government.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates on its cash balances held on deposit in the financial institution. Accordingly, management does not feel as though the Company's exposure to interest rate risk is significant.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at February 28, 2025, the Company has $1,998,564 of cash to settle current liabilities in the amount of $102,836. The Company will require additional funding to meet its ongoing obligations, as discussed in note 1.

11. Government assistance

<u>Scientific Research and Experimental Development ("SRED")</u>

SRED is a federal tax incentive program designed to encourage Canadian businesses of all sizes and in all sectors to conduct research and development in Canada.

During the six months ended February 28, 2025, the Company accrued $nil (2024 - $nil) in government assistance proceeds associated with the SRED program.

As at August 31, 2022, the Company had accrued $17,000 in government assistance proceeds associated with the SRED program. These funds were received during the year ended August 31, 2023.

<u>Canadian Emergency Business Account ("CEBA")</u>

During the year ended August 31, 2020, the Company qualified for a government-guaranteed line of credit (government loan) of $40,000 which was free of interest and to be repaid by January 18, 2024, at which time a 25% balance forgiveness ($10,000) would apply.

During the year ended August 31, 2021, the Company qualified for an additional government-guaranteed line of credit (government loan) of $20,000 which was free of interest and to be repaid by January 18, 2024, at which time a 50% balance forgiveness ($10,000) would apply.

During the year ended August 31, 2024, all amounts were repaid.

11. Government assistance (continued)

NRC Industrial Research Assistance Program (“NRC-IRAP”)

NRC-IRAP is a federal research assistance program designed to provide funding assistance to small and medium-sized businesses to conduct research and development in Canada.

During the year ended August 31, 2024, the Company received $46,782 in government assistance proceeds associated with the NRC-IRAP program.

12. Events after the reporting period

On March 3, 2025, the Company announced that it had engaged a legal firm to explore a secondary listing on the NASDAQ or New York Stock Exchange.