



**ENERGY PLUG TECHNOLOGIES CORP.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended September 30, 2024

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

## **MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORT**

The accompanying unaudited condensed consolidated interim financial report of Energy Plug Technologies Corp. (the "Company") has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report.

**ENERGY PLUG TECHNOLOGIES CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(EXPRESSED IN CANADIAN DOLLARS)

	Note	September 30, 2024	June 30, 2024
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 185,934	\$ 16,093
Sales tax recoverable		25,622	33,885
Prepaid expenses and deposits		108,750	15,807
Inventory	5	11,239	4,902
<b>Total assets</b>		<b>\$ 331,545</b>	<b>\$ 70,687</b>
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	6	\$ 483,018	\$ 265,615
Amounts due to related party	7	5,583	1,379
<b>Total liabilities</b>		<b>488,601</b>	<b>266,994</b>
<b>Equity (deficiency)</b>			
Share capital	8	6,988,477	6,383,952
Reserves	9	2,413,972	2,318,055
Deficit		(9,559,505)	(8,898,314)
<b>Total equity (deficiency)</b>		<b>(157,056)</b>	<b>(196,307)</b>
<b>Total liabilities and equity (deficiency)</b>		<b>\$ 331,545</b>	<b>\$ 70,687</b>

Nature of operations and going concern (Note 1)

The financial statements were authorized for issue by the board of directors on November 29, 2024 and were signed on its behalf by:

\_\_\_\_\_  
*“Broderick Gunning”* Director      \_\_\_\_\_  
*“Adam Morand”* Director

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

**ENERGY PLUG TECHNOLOGIES CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**THREE MONTHS ENDED SEPTEMBER 30**  
(Unaudited – Prepared by Management)  
(EXPRESSED IN CANADIAN DOLLARS)

	Note	2024	2023
<b>EXPENSES</b>			
Accounting and audit		\$ 15,352	\$ -
Consulting fees	7	121,916	67,032
Depreciation		-	2,733
Investor relations		37,112	6,250
Legal fees		63,469	8,447
Management and director fees	7	106,000	49,000
Marketing and promotion	7	89,440	108,276
Office and miscellaneous		18,713	6,220
Professional fees		97,160	-
Research and development	7	12,000	15,300
Share-based payments	7, 9	69,102	470,380
Transfer agent and regulatory filing fees		9,398	9,439
Travel		21,538	2,623
		(661,200)	(745,700)
<b>OTHER INCOME (EXPENSE)</b>			
Interest income		9	-
Loss on acquisition of assets	4	-	(1,852,177)
<b>Loss and comprehensive loss for the period</b>		\$ (661,191)	\$ (2,597,877)
<b>Basic and diluted loss per common share</b>	8	\$ (0.01)	\$ (0.05)

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

**ENERGY PLUG TECHNOLOGIES CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

	Note	Number of Shares	Share capital	Reserves	Deficit	Total equity (deficiency)
Balance, June 30, 2024		66,909,280	\$ 6,383,952	\$ 2,318,055	\$ (8,898,314)	\$ (196,307)
Private placements	8	13,620,000	681,000	-	-	681,000
Share issuance costs	8	-	(76,475)	26,815	-	(49,660)
Share-based payments	9	-	-	69,102	-	69,102
Loss for the period		-	-	-	(661,191)	(661,191)
Balance, September 30, 2024		80,529,280	\$ 6,988,477	\$ 2,413,972	\$ (9,559,505)	\$ (157,056)

	Note	Number of Shares	Share capital	Reserves	Deficit	Total equity
Balance, June 30, 2023		52,377,780	\$ 4,900,084	\$ 890,000	\$ (5,026,859)	\$ 763,225
Shares issued for asset acquisition	4, 8	8,000,000	960,000	-	-	960,000
Warrants issued for asset acquisition	4, 8	-	-	890,833	-	890,833
Exercise of warrants	4, 8	50,000	5,000	-	-	5,000
Share-based payments	9	-	-	470,380	-	470,380
Loss for the period		-	-	-	(2,597,877)	(2,597,877)
Balance, September 30, 2023		60,427,780	\$ 5,865,084	\$ 2,251,213	\$ (7,624,736)	\$ 491,561

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

**ENERGY PLUG TECHNOLOGIES CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED SEPTEMBER 30**  
(Unaudited – Prepared by Management)  
(EXPRESSED IN CANADIAN DOLLARS)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (661,191)	\$ (2,597,877)
Items not affecting cash:		
Depreciation	-	2,733
Loss on acquisition of assets	-	1,850,833
Share-based payments	69,102	470,380
Changes in non-cash working capital items:		
Sales tax recoverable	8,263	(8,160)
Prepaid expenses	(92,943)	(25,460)
Inventory	(6,337)	-
Accounts payables and accrued liabilities	217,403	(30,103)
Amounts due to related parties	4,204	(1,285)
Net cash used in operating activities	(461,499)	(338,939)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures on intangible	-	(5,962)
Net cash used in investing activities	-	(5,962)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	681,000	-
Share issuance costs	(49,660)	-
Proceeds from exercise of warrants	-	5,000
Net cash provided by financing activities	631,340	5,000
<b>Change in cash during the period</b>	<b>169,841</b>	<b>(339,901)</b>
<b>Cash, beginning of the period</b>	<b>16,093</b>	<b>711,179</b>
<b>Cash, end of the period</b>	<b>\$ 185,934</b>	<b>\$ 371,278</b>

**Supplemental cash flow information:**

During the three months ended September 30, 2024, the Company credited \$28,726 of the fair value of 961,600 agent's warrants issued in connection with private placement financings to reserves.

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

**ENERGY PLUG TECHNOLOGIES CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2024

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Energy Plug Technologies Corp. (the “Company”) was incorporated under the Business Corporations Act (*Ontario*) on September 13, 2010 and was continued under the laws of British Columbia on March 21, 2018. The Company’s head office and registered office is located at Suite 400, 1681 Chestnut Street, Vancouver BC, V6J 4M6, Canada. The Company is an energy technology development company focused on battery energy storage systems. The Company’s common shares are listed on the Canadian Securities Exchange (the “CSE”) under the symbol “PLUG”, on the OTCQB under the symbol “PLGGF”, and on the Frankfurt Stock Exchange under the symbol “6GQ”.

**Going concern of operations**

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will 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 business.

The Company has incurred losses since inception in the amount of \$9,559,505 and has not yet achieved profitable operations. The Company’s ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, shareholders and other investors and/or to commence profitable operations in the future. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

**2. BASIS OF PREPARATION****Statement of compliance**

These condensed unaudited interim consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended June 30, 2024, which have been prepared in accordance with IFRS as issued by the IASB.

**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**ENERGY PLUG TECHNOLOGIES CORP.**  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**2. BASIS OF PREPARATION (cont'd...)**

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Greentech Hydrogen Innovations Corp. (“Greentech”) and True North Battery Storage Corp. (“True North”). All inter-company transactions, balances, income and expenses are eliminated on consolidation.

The Company owns 4,900 Class A units in Malahat Battery Technologies Limited Partnership (“MBTLP”) and 49 Class A common shares of Malahat Battery Technologies Corp. (“MBTC”), the general partner of MBTLP, representing a 49% equity interest. The Company accounts for its investments in MBTLP and MBTC using the equity method.

**Functional and presentation currency**

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

**Significant estimates and assumptions**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

- i) The determination of the fair value of stock options and agent’s warrants using option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.
- ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

**Significant judgments**

The preparation of these consolidated financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in the Company’s financial statements include: (i) the assessment of the acquisition of True North as an asset acquisition and valuation of consideration; (ii) valuation of options granted as stock based compensation; (iii) the assessment of the Company’s ability to continue as a going concern, which involves judgment regarding future funding available for its operations and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.



**ENERGY PLUG TECHNOLOGIES CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

The accounting policies set out in the Company’s audited annual consolidated financial statements for the year ended June 30, 2024 were consistently applied to all the periods presented unless otherwise noted below.

**New amendments not yet effective**

Certain pronouncements were issued by the IASB but are not yet effective as at June 30, 2024. The Company intends to adopt these standards when they become effective but does not expect these amendments to have a material effect on the consolidated financial statements of the Company.

*IFRS 18 Presentation and Disclosure in Financial Statements* - IFRS 18 will replace IAS 1, Presentation of Financial Statements which aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from 1 January 2027. Companies are permitted to apply IFRS 18 before that date. The Company is not yet able to determine the impact to the consolidated financial statements from the adoption of this standard.

**4. ACQUISITION TRANSACTION**

On September 14, 2023, the Company completed an acquisition of all of the issued and outstanding securities of True North Battery Storage Corp. (“True North”), a non-related Canadian based company. In consideration for all outstanding securities of True North, the Company issued 8,000,000 common shares and 8,000,000 share purchase warrants of the Company to the existing shareholders of True North. Each common share purchase warrant entitles the holder to purchase one common share of the Company at \$0.10 for a period of 24 months from the date of issuance. The fair value of the common shares issued to the True North’s shareholders was determined to be \$960,000 based on the fair value of the consideration shares on the date of issuance. The fair value of the consideration warrants was determined to be \$890,833 using the Black Scholes Option Pricing Model based on the following assumptions: stock price volatility - 245.28%, risk-free interest rate - 4.69%, stock price of \$0.12, and an expected life of 2 years.

At the date of acquisition, The Company determined that True North did not constitute a business as defined under IFRS 3, Business Combinations, and the acquisition was accounted for as an asset acquisition. True North holds a Letter-of-Intent for Cooperation (“LOI”) with C-Life Technologies Inc., a Taiwan registered company in the business of battery energy storage systems, whereby the parties established a cooperation framework for a proposed lithium battery production enterprise in North America. The intangible assets identified in the transaction did not meet the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition

<b>Total consideration</b>	
8,000,000 common shares measured at a fair value of \$0.12 per share	\$ 960,000
8,000,000 share purchase warrants	890,833
	<b>\$ 1,850,833</b>
<b>Net identifiable liabilities assumed</b>	
Due to related party	\$ (1,344)
	<b>\$ 1,852,177</b>

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**5. INVENTORY**

As at September 30, 2024, the Company’s inventory consisted of finished goods including electric vehicle chargers, inverters, and lithium batteries. During the year ended June 30, 2024, the Company recognized an inventory write-down of \$141,177 for a portion of inventory to which the Company currently has no access.

**6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

	September 30, 2024	June 30, 2024
Trade payables	\$ 473,018	\$ 214,075
Accrued liabilities	10,000	51,540
	<b>\$ 483,018</b>	<b>\$ 265,615</b>

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to inventory purchases and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

**7. RELATED PARTY TRANSACTIONS**

Included in amounts due to related party are \$5,583 (2023 - \$1,379) in advances from a director of the Company. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Included in accounts payable are \$72,050 (2023 - \$29,000) in director and management fees owe to the Company’s directors and officers and are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the three month periods ended September 30 is as follows:

	2024	2023
Management and director fees	\$ 106,000	\$ 49,000
Consulting fees	33,500	11,767
Research and development	12,000	-
Share-based payments	61,972	227,350
<b>Total</b>	<b>\$ 213,472</b>	<b>\$ 288,117</b>

**ENERGY PLUG TECHNOLOGIES CORP.**  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED SEPTEMBER 30, 2024  
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**8. SHARE CAPITAL**

**Authorized share capital**

The Company has authorized an unlimited number of common shares with no par value.

**Issued share capital**

At September 30, 2024, the Company had 80,529,280 common shares outstanding (June 30, 2024 - 66,909,280).

**Share issuance**

During the three months ended September 30, 2024, the Company completed a non-brokered private placement of 13,620,000 common shares at a price of \$0.05 per share for gross proceeds of \$681,000. The Company paid a cash commission of \$48,080, issued 961,600 agent's warrants, and incurred filing fees of \$1,580 in connection with the private placement. The agent's warrants are exercisable into common shares of the Company at a price of \$0.125 per share for a period of 12 months. The agent's warrants were valued at \$26,815 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.30%, an expected life of 1 year, annualized volatility of 173% and a dividend rate of 0%).

During the year ended June 30, 2024, the Company:

- i) The Company issued 8,000,000 common shares of the Company with a fair value of \$960,000 pursuant to the True North acquisition transaction (Note 4).
- ii) The Company issued 3,631,500 common shares at \$0.10 per share from the exercise of warrants for gross proceeds of \$363,150.
- iii) The Company issued 2,900,000 common shares at \$0.075 per share from the exercise of warrants for gross proceeds of \$217,500.

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the three months ended September 30, 2024 was based on the loss attributable to common shareholders of \$661,191 (2023 - \$2,597,877) and a weighted average number of common shares outstanding of 72,784,715 (2023 - 53,773,976).

At September 30, 2024, 4,450,000 stock options (2023 - 400,000) and 10,411,600 warrants (2023 - 40,648,860) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

**ENERGY PLUG TECHNOLOGIES CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED SEPTEMBER 30, 2024

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

**9. SHARE-BASED PAYMENTS****Stock options**

The Company has a rolling stock option plan (the “Plan”) in place under which it is authorized to grant options to executive officers and directors, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 10% of the issued and outstanding common stock of the Company. Further, the Plan calls for the exercise price of each option to be equal to the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors at the time of grant.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, June 30, 2023	400,000	\$ 0.10
Granted	3,350,000	0.16
Cancelled	(1,045,000)	0.15
Balance, June 30, 2024	2,705,000	\$ 0.15
Granted	2,325,000	0.06
Forfeited	(580,000)	0.17
Balance, September 30, 2024	4,450,000	\$ 0.10
Exercisable at September 30, 2024	3,384,375	\$ 0.11
Weighted average fair value of options granted during the period	\$ 0.05	(2023 - \$0.16)

The fair value calculated for stock options granted during the three months ended September 30, 2024 was \$109,515 (2023 - \$470,380) using the Black-Scholes option pricing model. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2024	2023
Risk-free interest rate	3.52%	4.91%
Expected life of options	3 Years	2 Years
Annualized volatility	221.88%	246.31%
Dividend rate	Nil	Nil

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**9. SHARE-BASED PAYMENTS (cont'd...)**

As at September 30, 2024, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
75,000	\$ 0.150	December 6, 2024
250,000	\$ 0.075	February 3, 2025
1,600,000	\$ 0.170	September 19, 2025
200,000	\$ 0.055	December 5, 2025
1,675,000	\$ 0.055	July 10, 2027
650,000	\$ 0.060	September 10, 2027
4,450,000		

**Warrants**

Warrants are issued as private placement incentives and measured using the residual method. Agents' warrants are measured at fair value on the date of the grant as determined using the Black-Scholes Option Pricing Model.

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2023	40,648,860	\$ 0.09
Granted	9,450,000	0.10
Exercised	(6,531,500)	0.09
Expired	(34,117,360)	0.10
Balance, June 30, 2024	9,450,000	\$ 0.10
Granted	961,600	0.13
Balance, September 30, 2024	10,411,600	\$ 0.10

During the year ended June 30, 2024, the Company issued 1,450,000 share purchase warrants pursuant to a warrant exercise incentive program (the "Program"). Under the Program, the Company offered, to each holder of Eligible Warrants who exercises the Eligible Warrants on and before the expiry date of May 16, 2024, the issuance of one-half common share purchase warrant for each Eligible Warrant exercised (each, a half "Incentive Warrant"). Each whole Incentive Warrant entitles the Warrant Holder to purchase one common share of the Company for a period of 12 months from May 16, 2024, at a price of \$0.075 per Share. The Incentive Warrants were valued at \$56,782 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 4.19%, an expected life of 1 year, annualized volatility of 176.27% and a dividend rate of 0%). The fair value of the Incentive Warrant was recorded as a share issuance cost, with a corresponding credit to the equity reserve.

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**9. SHARE-BASED PAYMENTS (cont'd...)**

As at September 30, 2024, the following warrants were outstanding:

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Number of Warrants	Exercise Price	Expiry Date
1,450,000	\$ 0.075	May 16, 2025
377,600	\$ 0.125	August 14, 2025
584,000	\$ 0.125	August 26, 2025
8,000,000	\$ 0.100	September 14, 2025
10,411,600		

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**10. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue its business goals and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers the components of shareholders' equity as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue additional shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

**11. SEGMENTED INFORMATION**

**Operating segments**

The Company operates in a single reportable segment being the development of energy technology in one geographic region being Canada.

## 12. FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts payable and amounts due to related party carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

### **Financial risk management**

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, foreign currency exchange risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As of September 30, 2024, the Company has current assets of \$331,545 and current liabilities of \$488,601. The Company's financial liabilities include trade payables and accrued fees due to related parties which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. Liquidity risk is assessed as high.

#### *Foreign currency exchange risk*

Foreign currency exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company funds certain international purchases and operating expenses by using US dollars converted from its Canadian bank accounts. Management does not believe the Company is exposed to material foreign currency risk. The Company does not hedge its foreign exchange risk.

#### *Interest rate risk*

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

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**13. FAIR VALUE MEASUREMENTS**

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 hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.