Hybrid Power Solutions Inc.

Consolidated Financial Statements
For the years ended May 31, 2024 and 2023

(Expressed in Canadian dollars)

To the Shareholders of Hybrid Power Solutions Inc.:

Opinion

We have audited the consolidated financial statements of Hybrid Power Solutions Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2024 and May 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2024 and May 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and had negative cash flows from operations during the year ended May 31, 2024 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

MNP LLP
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Convertible Debentures and Derivative Liabilities

Key Audit Matter Description

During the year, the Company issued convertible debentures. On issuance of the debentures, the Company separated the convertible debt into two components, being the host debt and the conversion feature. The conversion feature was identified as an embedded derivative, and as such, was required to be measured at fair value on initial recognition, and revalued at each date of conversion into common shares. Management exercised a high degree of judgment to evaluate the significant assumptions used in determining these fair values.

We considered this to be a key audit matter due to complexity involved in performing procedures to test the key assumptions in determining the fair value of the embedded derivative, which involved significant auditor judgment.

Please refer to Note 13 in the consolidated financial statements for further details.

Audit Response

We responded to this matter by performing audit procedures in relation to the convertible debenture and the conversion feature. Our audit work in relation to this included, but was not restricted to, the following:

- We verified the key terms of the arrangement through inspection of the signed agreement with the holder;
- We assessed the accounting for convertible debentures and component parts in accordance with IFRS® Accounting Standards;
- We obtained and reviewed the documented valuation methodologies and key inputs used by management in determining fair value;
- With the assistance of a internal valuation specialists, we evaluated the reasonability of the fair values determined by management at initial recognition, at each conversion date and at year end;
- We recalculated the continuity schedules, including the computation of the value assigned on the conversion to common shares, and compared to management's calculations; and
- We assessed the appropriateness of the disclosures relating to the convertible debentures and the related conversion feature in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Daniel McIntyre.

MNP LLP

Burlington, Ontario	Chartered Professional Accountants
October 28, 2024	Licensed Public Accountants

Hybrid Power Solutions Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Notes		**May 31, 2024**		May 31, 2023
ASSETS					
Current assets					
Cash		**$**	**342,071**	$	2,888
Accounts and other receivable	5		**623,312**		494,662
Prepaid expenses and deposits	6		**323,526**		149,144
Inventory	7		**1,772,465**		1,424,202
Total current assets			**3,061,374**		2,070,896
Contract costs	14		**32,482**		22,419
Prepaid expenses and deposits	6		**31,394**		40,339
Property and equipment	8		**433,819**		524,731
Right of use assets	9		**88,728**		133,092
Total assets		**$**	**3,647,797**	$	2,791,477
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	10,19	**$**	**1,703,025**	$	1,896,609
Line of credit	11		**77,705**		62,688
Return and warranty liability	14		**49,395**		32,678
Contract liabilities	14		**108,557**		111,150
Loans payable	12,19		**517,722**		504,872
Lease liability	9		**51,745**		45,419
Convertible debentures	13		**145,145**		1,867,418
Total current liabilities			**2,653,294**		4,520,834
Lease liability	9		**53,852**		105,597
Loans payable	12,19		**429,878**		251,634
Contract liabilities	14		**91,928**		54,745
Total liabilities			**3,228,952**		4,932,810
Shareholders' equity (deficiency)					
Share capital	18	**$**	**8,229,142**	$	1,541,012
Share-based payment reserve	18		**2,762,274**		242,167
Convertible debt – conversion option	13		**-**		135,619
Deficit			**(10,572,571)**		(4,060,131)
Total shareholders' equity (deficiency)			**418,845**		(2,141,333)
Total liabilities and shareholders' equity (deficiency)		**$**	**3,647,797**	$	2,791,477

Nature of operations and going concern (Note 1)

Hybrid Power Solutions Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes		**Year ended May 31, 2024**		Year ended May 31, 2023
Revenue	14	**$**	**2,437,507**	$	3,301,202
Cost of sales	7, 15		**2,030,367**		2,190,910
Gross profit			**407,140**		1,110,292
Expenses					
Advertising		**$**	**1,408,225**	$	256,970
General and administrative	16		**487,017**		635,203
Salaries and benefits	19		**1,391,464**		1,282,222
Professional fees			**1,167,291**		1,361,880
Research and development			**28,752**		130,849
Share-based compensation	18,19		**2,023,437**		193,544
Total operating expenses			**(6,506,186)**		(3,860,668)
Interest and accretion	9,12,13		**(456,265)**		(351,248)
Foreign exchange			**(15,044)**		(35,258)
Government assistance	17		**100,752**		87,641
Loss on revaluation of derivative liability	13		**82,727**		-
Other income	20		**39,890**		138,925
Net loss before income taxes		**$**	**(6,512,440)**	$	(2,910,316)
Recovery of deferred income taxes	21		**-**		56,118
Net loss and comprehensive loss for the year			**(6,512,440)**		(2,854,198)
Weighted average number of shares – Basic and diluted			**52,140,000**		28,036,074
Loss per share – Basic and diluted		**$**	**(0.12)**	$	(0.10)

Hybrid Power Solutions Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Note	Number of common shares	Share Capital Amount	Share-based payment reserve	Convertible debt-Conversion option	Deficit	Total shareholders' equity (deficiency)
Balance, May 31, 2022		26,778,523	$ 114,273	$ -	$ -	$ (1,205,933)	$ (1,091,660)
Issuance of shares, private placement	18	5,100,000	1,530,000	-	-	-	1,530,000
Share issuance costs	18	-	(141,013)	20,933	-	-	(120,080)
Shares issued for services	18	221,477	37,752	-	-	-	37,752
Issuance of convertible debt, net of cash issuance costs	13	-	-	-	135,619	-	135,619
Convertible debt issuance costs – warrants	13	-	-	27,690	-	-	27,690
Share-based compensation	18	-	-	193,544	-	-	193,544
Net loss for the year		-	-	-	-	(2,854,198)	(2,854,198)
Balance, May 31, 2023		32,100,000	$ 1,541,012	**$** 242,167	**$** 135,619	**$** (4,060,131)	**$** (2,141,333)
Issuance of units pursuant to IPO	18	12,279,500	4,095,742	816,058	-	-	4,911,800
Issuance of units pursuant to $0.30 financing	18	1,806,000	451,500	90,300	-	-	541,800
Share issuance costs - cash	18	-	(902,711)	-	-	-	(902,711)
Share issuance costs – non-cash	18	-	(228,915)	228,915	-	-	-
Conversion of convertible debt	13	25,921,665	2,633,911	-	(135,619)	-	2,498,292
Settlement of RSUs	18	1,837,500	638,603	(638,603)	-	-	-
Share-based compensation	18	-	-	2,023,437	-	-	2,023,437
Net loss for the year		-	-	-	-	(6,512,440)	(6,512,440)
Balance, May 31, 2024		**73,944,665**	**$ 8,229,142**	**$ 2,762,274**	**$ -**	**$ (10,572,571)**	**$ 418,845**

The accompanying notes form an integral part of these consolidated financial statements

Hybrid Power Solutions Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes		Year ended May 31 2024		Year ended May 31, 2023
Operating activities					
Net loss for the year		$	**(6,512,440)**	$	(2,854,198)
Items not affecting cash:					
Accrued interest and accretion			**302,192**		340,654
Deferred income tax recovery	21		**-**		(56,118)
Depreciation			**72,940**		71,473
Bad debt expense	16		**117,744**		46,050
Gain on debt			**-**		(16,320)
Gain on sale of property and equipment			**-**		(16,567)
Shares issued for services	18		**-**		37,752
Share-based compensation	18		**2,023,437**		193,544
Loss on revaluation of derivative liability	13		**82,727**		-
Non-cash working capital items:					
Accounts receivable			**(246,394)**		(355,690)
Prepaid expenses			**(165,437)**		(35,916)
Inventory			**(348,263)**		(861,554)
Contract costs			**(10,063)**		(20,169)
Accounts payable and accrued liabilities			**56,143**		999,152
Contract liabilities			**34,590**		(472,130)
Return and warranty liability			**16,717**		14,498
Net cash used in operating activities			**(4,576,107)**		(2,985,539)
Investing activities					
Purchase of property and equipment	8		**(5,411)**		(377,602)
Government assistance	8		**70,966**		-
Sale of property and equipment			**-**		42,000
Net cash provided by (used in) investing activities			**65,555**		(335,602)
Financing activities					
Net proceeds from convertible debentures	13		**494,546**		1,732,753
Proceeds from issuance of shares	18		**5,303,600**		1,530,001
Share issuance costs			**(902,711)**		(120,081)
Line of credit			**15,017**		(18,972)
Proceeds from loans payable			**194,875**		585,991
Repayments of loans payable	12		**(197,116)**		(436,568)
Lease payments	9		**(58,476)**		(56,728)
Net cash provided by financing activities			**4,849,735**		3,216,396
Increase (decrease) in cash			**339,183**		(104,745)
Cash, beginning of year			**2,888**		107,633
Cash, end of year		$	**342,071**	$	2,888
Supplemental cashflow disclosure					
Interest paid		$	**148,616**	$	46,974
Taxes paid		$	**-**	$	-
Agent's warrants issued		$	**228,915**	$	48,623

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Hybrid Power Solutions Inc. (the "Company") was incorporated on December 7, 2015, under the Business Corporations Act of Ontario, and continued into British Columbia under the Business Corporations Act of British Columbia on June 13, 2022. Its head office is located at 208-333 Terminal Avenue, Vancouver, British Columbia, V6A 4C1, and its manufacturing facility is in Toronto, Ontario. HPS Solar Inc., a wholly owned subsidiary of the Company, was incorporated under the laws of Ontario on March 17, 2022.

The Company designs and manufactures patent pending portable battery systems and customized energy solutions for a variety of industrial markets, including the mining, railway, public transit, and construction sectors. During the year ended May 31, 2023, the Company, through its wholly owned subsidiary, HPS Solar Inc., introduced a franchise network of solar power installers that operate under the Company's trademark and offer the sale and installation of the Company's products.

On November 29, 2023, the Company's common shares became listed on the Canadian Securities Exchange ("CSE") under the symbol HPSS. On December 1, 2023 the Company closed its initial public offering ("IPO") and began trading on the CSE on December 4, 2023. The Company's common shares are also listed on the Over-the-Counter Quotation Board ("OTCQB") exchange under the symbol HPSIF and Frankfurt Stock Exchange ("FSE") under the symbol E092.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes 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 in the normal course of operations.

The Company has not generated positive cash flows from operations and relies on financing for its activities. During the year ended May 31, 2024, the Company incurred a net loss of $6,512,440 (2023 - $2,854,198) and as of May 31, 2024, had an accumulated deficit of $10,572,571 (2023 - $4,060,131). The Company's ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives, and/or generating profitability and positive cash flows. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation
These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, they have been prepared using the accrual basis of accounting, except for the cash flow information.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its subsidiary. Subsidiaries are those entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to variable returns from its activities. Details of the Company's subsidiary are follows:

SUBSIDIARIES	OWNERSHIP PERCENTAGE	JURISDICTION OF INCORPORATION
HPS Solar Inc.	100%	Ontario, Canada

Inter-company balances and transactions are eliminated on consolidation.

The financial statements were approved and authorized for issuance on October 28, 2024, by the Board of Directors.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS 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 reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both the current and future periods.

Judgments

The following are the judgments that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Going concern
The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

2. BASIS OF PRESENTATION (continued)

Research and development expenditures
Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at May 31, 2024 and 2023.

Income taxes
Income tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These differences could materially impact net income (loss).

Estimates

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Provision for expected credit losses ("ECL")
For trade receivables, the Company applies a simplified approach to calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date, by applying a loss rate to each aging bucket. In estimating the ECL, management takes into account historical experience, current collection trends, age of receivables and when warranted and available, the financial condition of specific counterparties.

Inventory
Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined with reference to the estimated selling price. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions.

Property and equipment – useful lives
The Company estimates the useful lives and selects methods used to allocate depreciation amounts of property and equipment on a systematic basis. Technical obsolescence of the tangible assets could significantly impact estimated residual useful lives and in turn, carrying values being over or understated.

Impairment of Long-Lived Assets
The Company reviews the carrying amounts of its non-financial assets, including property and equipment and right-of-use assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The Company considered various factors including, but not limited to, the condition of its long-lived assets, economic factors that may impact the value of the long-lived assets and any indications of obsolescence.

2. BASIS OF PRESENTATION (continued)

Estimates (continued)

Return and warranty liability
Revenue is recorded net of the return provision. The Company provides a 30-month or 5-year warranty on its products. An allowance is made for warranty claims based on estimated amount of returns.

Leases - Estimating the incremental borrowing rate
In situations where the Company cannot readily determine the interest rate implicit in leases where it is the lessee, the Company uses its Incremental Borrowing Rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of comparable value to the right-of-use asset in a similar economic environment. IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value of share-based payments, warrants, and derivative financial instruments

Management uses the Black-Scholes option-pricing model to calculate the fair value of share-based payments, warrants and any identified derivative liabilities, including the conversion feature and any embedded warrants that do not meet the "fixed for fixed" criteria. Management considers factors that knowledgeable, willing market participants would consider when selecting the appropriate valuation model to apply. Use of this method requires assumptions and estimates about the share price on the measurement date, expected life of the instruments, expected dividends, the risk-free rate (based on government bonds), the expected volatility of the Company's share price (based on weighted average historical volatility of comparable companies adjusted for changes expected due to publicly available information) and the probabilities of certain events occurring. In making these assumptions and estimates, management relies on historical market data. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of these instruments. The fair value reported may not represent the transaction value if these options/warrants/derivatives were exercised/exchanged at any point in time.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied and consistently presented in these consolidated financial statements, unless otherwise indicated.

a) Revenue recognition

Revenue consists of product sale revenue, franchise revenue, and consulting and other revenue. Revenue is recognized at the point in which the performance obligation under the terms of a contract with the customer have been satisfied and control has transferred. In the case of product sale revenue, the Company's performance obligation is typically defined as the accepted order with the customer which requires the Company to deliver the requested products at agreed upon prices at the time and location of the customer's choice. The Company satisfies its performance obligation and transfers control to the customer upon customer's receipt of the product. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized. Franchise revenues include initial franchise fees earned on execution of a franchise agreement, royalty fees and advertising revenue are earned based on a percentage of the franchisee's gross sales each month. All franchise revenues are recognized as revenue as earned. In the case of initial franchise fees, revenue is deferred and recognized over the period of the franchise agreement. The revenue recorded is presented net of sales and other taxes the Company collects on behalf of governmental authorities. Amounts received from customers in advance of revenue recognition are recorded as contract liabilities. The Company's customer contracts do not contain a significant financing component. Incremental costs of obtaining a contract are recognized as an asset if they are expected to be recovered from the customer. As a practical expedient, incremental costs of obtaining a contract can be expensed if the amortization period would be one year or less. Costs to fulfil a contract are recognized as an asset only if they relate directly to a contract, generate or enhance resources to be used to satisfy performance obligations in future, and are expected to be recovered.

b) Inventories and cost of sales

Inventory consists primarily of raw materials and finished goods. Inventory is valued at the lower of cost and net realizable value with cost based upon the First In First Out ("FIFO") method of inventory costing. The net realizable value of finished goods is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The cost of finished goods inventory is based on landed cost, which includes all costs incurred to bring inventory to the Company's warehouse including product costs, inbound freight and duty. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

c) Financial instruments

Financial assets

<u>Initial recognition and measurement</u>
The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. Financial assets are initially recognized at fair value plus transaction costs directly attributable to the asset, except for transaction costs for financial assets measured at fair value through profit or loss which are expensed as incurred.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c) Financial instruments (continued)

Financial assets (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgment.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss.

ii) Financial assets measured at fair value through other comprehensive income ("FVTOCI")

Financial assets measured at fair value through other comprehensive income are measured at fair value with changes in fair value included in other comprehensive income.

iii) Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Impairment
In relation to the impairment of financial assets, IFRS requires an ECL model. The ECL model requires the Company to account for ECLs and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Derecognition
A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Compound financial instruments

The Company's convertible debentures are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements. The conversion feature of the convertible debentures is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as an equity instrument under IAS 32, Financial Instruments: Presentation. One of the criteria is that the conversion option exchanges a fixed number of shares for a fixed amount of cash ("fixed for fixed").

If the conversion feature meets the fixed for fixed criterion, the conversion option will be classified as an equity instrument. Therefore, when the initial carrying amount of the convertible debentures is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument, which is determined using a market rate for an equivalent non-convertible debenture. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criterion, the conversion option will be recorded as a derivative financial liability, which must be separately accounted for at fair value on initial recognition. Subsequent to initial recognition, the derivative financial liability is remeasured at fair value at the end of each reporting period with changes in fair value recognized in profit or loss for each reporting period, while the debt component, initially recorded net of any transaction costs, is accreted to the face value of the debt using the effective interest method.
Transaction costs are allocated to the debt and equity components or derivative liability components in proportion to the allocation of the proceeds on initial recognition, net of any related income tax benefit for the amount allocated to the equity component.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data, comprehensive income or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c) Financial instruments (continued)

Fair value hierarchy (continued)

The Company's financial instruments are accounted for as follows:

Financial Assets	
Cash	FVTPL
Accounts receivable and other receivable	Amortized cost
Financial Liabilities	
Accounts payable and accrued liabilities	Amortized cost
Line of credit	Amortized cost
Loans payable	Amortized cost
Convertible debt	Amortized cost
Derivative liability	FVTPL

d) Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted loss per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if potentially dilutive instruments were converted or exercised. If these computations prove to be antidilutive, diluted loss per share is the same as basic loss per share.

Anti-dilutive securities include the convertible debentures, restricted share units, stock options, performance warrants and warrants (Notes 13 and 18).

e) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

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 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, in the countries where the Company operates and generates taxable income.

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 profit or loss. 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Deferred tax

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred 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 tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exist to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f) Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. This includes the purchase price, any other costs directly attributable to bringing the assets to a working condition for intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Where an item of equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of equipment and depreciated accordingly. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized through profit or loss.

Property and equipment is depreciated over its estimated useful life. Costs for normal repairs and maintenance that do not extend economic life or improve service potential are expensed as incurred. Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the estimated remaining useful life. The Company commences recording depreciation when the assets are in a working condition ready for use using the straight-line method at the following rates:

Class	Useful Life
Computer equipment	3 years
Equipment	3 years
Leased right of use assets	Lease term
Vehicles	15 years

g) Impairment of long-lived assets

The carrying amount of the Company's non-financial assets (which include property and equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g) Impairment of long-lived assets (continued)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

h) Leases

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

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying as set. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The 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 incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

h) Leases (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statements of loss and comprehensive loss in the period in which they are incurred.

The ROU assets are presented within "Right-of-use asset" and the lease liabilities are presented in "Lease liability" on the consolidated statements of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a remaining lease term of 12 months or less and leases of low-value assets.

i) Foreign exchange

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which has been determined to be the Canadian dollar for both the Company and its subsidiary.

Foreign currency transaction and balances

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. The resulting foreign exchange gains or losses are recorded in profit or loss.

j) Government assistance

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions of the grant. Such grants are accounted for as income on a systemic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign exchange rate risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has cash as of May 31, 2024, in the amount of $342,071 (2023 - $2,888), in order to meet short-term liabilities of $2,676,266 (2023 - $4,520,834). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities.

The amounts disclosed in the table are the contractual undiscounted payments as at May 31, 2024 and 2023:

As at May 31, 2024	Less than one year	One to two years	Two to three years	More than three years	Total
Accounts payable and accrued liabilities	$ 1,703,025	$ -	$ -	$ -	$ 1,703,025
Line of credit	77,705	-	-	-	77,705
Convertible debentures	145,145	-	-	-	145,145
Lease contract liabilities	51,745	53,852	-	-	105,597
Loans payable	548,103	288,619	98,675	110,302	1,045,699
	$ 2,525,723	$ 342,471	$ 98,675	$ 110,302	$ 3,077,171

As at May 31, 2023	Less than one year	One to two years	Two to three years	More than three years	Total
Accounts payable and accrued liabilities	$ 1,896,609	$ -	$ -	$ -	$ 1,896,609
Line of credit	62,688	-	-	-	62,688
Convertible debentures	1,867,418	-	-	-	1,867,418
Lease contract liabilities	58,477	116,558	-	-	175,035
Loans payable	530,601	177,365	106,248	6,302	820,516
	$ 4,415,793	$ 293,923	$ 106,248	$ 6,302	$ 4,822,266

The convertible debentures included in the table above are convertible into common shares of the Company at a price of $0.32 per common share. Subsequent to May 31, 2024 the conversion price was amended to $0.14 per common share (Note 13).

Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, and accounts receivable. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers. During the year ended May 31, 2024, the Company incurred $117,744 in bad debt expense (2023 - $46,050).

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

The following table provides disclosures about credit risk exposure and ECLs on individual trade, royalty and franchise fee receivables:

As at May 31, 2024	Aging Bucket					
	Current	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91+ days	Total
Gross carrying amount	$ 78,936	$ 264,980	$ 18,339	$ 75,242	$ 193,609	$ 631,106
ECL allowance	(2,789)	(21,198)	(2,006)	(12,609)	(164,782)	(203,384)
Net	$ 76,147	$ 243,782	$ 16,333	$ 62,633	$28,827	$ 427,722
ECL rate	3%	8%	11%	17%	85%	32%

As at May 31, 2023	Aging Bucket					
	Current	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91+ days	Total
Gross carrying amount	$ 36,444	$ 13,328	$ 11,591	$ 11,661	$ 202,057	$ 275,081
ECL allowance	(1,728)	(1,264)	(1,648)	(2,211)	(47,890)	(54,741)
Net	$ 34,716	$ 12,064	$ 9,943	$ 9,450	$ 154,167	$ 220,340
ECL rate	5%	10%	14%	19%	24%	20%

The continuity of ECLs is summarized in the table below:

For the year ended	May 31, 2024	May 31, 2023
Balance, beginning	$ 54,741	$ 47,044
Additions to ECL allowance recognized	148,643	7,697
Ending ECLs	**$ 203,384**	$ 54,741

Foreign exchange rate risk

Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. A portion of the Company's transactions occur in US dollars; therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its US dollars denominated trade receivables, accounts payable and accrued liabilities. A change of 1% in the U.S./CDN exchange rate will have an immaterial impact on the net loss.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

The balances held in USD are summarized below:

As at	May 31, 2024	May 31, 2023
	$	$
Cash	22,550	63
Accounts receivable	150,193	32,907
Accounts payable and accrued liabilities	(89,344)	(81,076)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their loans payable, line of credit and convertible debentures. The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The Company considers its capital structure to consist of shareholders' deficiency, line of credit, loans payable, and convertible debentures. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. 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 May 31, 2023.

5. ACCOUNTS AND OTHER RECEIVABLE

	May 31, 2024	May 31, 2023
Accounts receivable	$ 386,128	$ 181,987
Royalty and franchise fees receivable	41,594	22,432
Sales taxes recoverable	195,590	290,243
	$ 623,312	$ 494,662

(Expressed in Canadian Dollars)

6. PREPAID EXPENSES AND DEPOSITS

	May 31, 2024	May 31, 2023
Deferred share issuance costs	$ -	$ 104,463
Marketing	89,085	5,825
Technology	25,692	34,636
Inventory prepayments	207,040	20,306
Insurance	1,621	-
Filing fees	16,040	-
Services	-	8,045
Security deposit	14,647	14,647
Other deposits	795	1,561
	$ 354,920	**$ 189,483**
Current portion	323,526	149,144
Long-term portion	31,394	40,339

7. INVENTORY

	May 31, 2024	May 31, 2023
Finished goods	$ 600,841	$ 291,861
Raw materials	1,171,624	1,132,341
	$ 1,772,465	$ 1,424,202

During the year ended May 31, 2024, the cost of inventories recognized as an expense totalled $1,879,290 (2023 - $2,190,910).

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

Cost	Computer equipment	Equipment	Vehicles	Building Under Construction	Warehouse and Storage Facility	Total
Balance, May 31, 2022	**$ 4,307**	**$ 53,091**	**$ -**	**$ 66,329**	**$ -**	**$ 123,727**
Additions	3,133	45,434	141,759	268,403	-	458,729
Disposition	-	(29,434)	-	-	-	(29,434)
Balance, May 31, 2023	**$ 7,440**	**$ 69,091**	**$ 141,759**	**$ 334,732**	**$ -**	**$ 553,022**
Additions	2,648	-	35,708	-	6,500	44,856
Government grants	-	-	-	(107,192)	-	(107,192)
Balance, May 31, 2024	**$ 10,088**	**$ 69,091**	**$ 177,467**	**$ 227,540**	**$ 6,500**	**$ 490,686**
Accumulated Depreciation						
Balance, May 31, 2022	**$ 1,382**	**$ 3,801**	**$ -**	**$ -**	**$ -**	**$ 5,183**
Depreciation	2,009	18,736	6,364	-	-	27,109
Disposition	-	(4,001)	-	-	-	(4,001)
Balance, May 31, 2023	**$ 3,391**	**$ 18,536**	**$ 6,364**	**$ -**	**$ -**	**$ 28,291**
Depreciation	2,192	15,296	11,038	-	50	28,576
Balance, May 31, 2024	**$ 5,583**	**$ 33,832**	**$ 17,402**	**$ -**	**$ 50**	**$ 56,867**
Carrying Amounts						
As of May 31, 2023	$ 4,049	$ 50,555	$ 135,395	$ 334,732	**$ -**	$ 524,731
As of May 31, 2024	**$ 4,505**	**$ 35,259**	**$ 160,065**	**$ 227,540**	**$ 6,450**	**$ 433,819**

Included in property and equipment is equipment under lease with a net book value of $26,557 (2023 - $35,410), the contractual lease payments on this lease are included in note 7.

During the year ended May 31, 2024, the Company received $70,966 in government grants from the Northern Ontario Heritage Fund Corporation (“NOHFC”) INVEST North Program for reimbursement of eligible costs incurred on its building under construction. The Company also received low interest term loans from NOHFC totalling $90,320 (Note 12), where the discount on initial recognition of $36,226 (Note 12) was recognized as a government grant against the cost of building under construction.

(Expressed in Canadian Dollars)

9. LEASES

During the year ended May 31, 2022, the Company entered into a lease agreement for manufacturing and office space for a term of five years. Upon the commencement of the lease, the Company recognized a right-of-use asset of $221,820 and a lease liability of $221,820 using an incremental borrowing rate of 10%.

The below table shows the continuity of the right-of-use asset:

Right of use asset		
Cost:		
Balance, May 31, 2023 and 2022	$	279,039
Disposals		(57,219)
Balance as at May 31, 2024	**$**	**221,820**
Accumulated depreciation:		
Balance as at May 31, 2022	$	101,583
Depreciation		44,364
Balance as at May 31, 2023	$	145,947
Disposals		(57,219)
Depreciation		44,364
Balance as at May 31, 2024	$	**133,092**
Net carrying value:		
At May 31, 2023	$	133,092
At May 31, 2024	**$**	**88,728**

The continuity of the Company's lease obligation is below:

Lease liabilities		
Balance, May 31, 2022		190,473
Interest		17,270
Payments		(56,727)
Balance, May 31, 2023	$	151,016
Interest		13,057
Payments		(58,476)
Balance, May 31, 2024	**$**	**105,597**
Current portion		51,745
Non-current portion	**$**	**53,852**

At May 31, 2024, the Company is committed to minimum lease payments as follows:

Maturity analysis		
Less than one year	$	59,976
One to five years		56,582
Total undiscounted lease liabilities	$	116,558
Unamortized interest		(10,961)
Total lease liabilities – discounted	**$**	**105,597**

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payables and accrued liabilities consists of the following:

	May 31, 2024	May 31, 2023
Accounts payable	**$ 1,275,023**	$ 1,551,185
Accrued liabilities and other	**266,587**	174,567
Credit cards payable	**152,571**	165,188
Sales taxes payable	**8,844**	5,669
	$ 1,703,025	$ 1,896,609

11. LINE OF CREDIT

The Company has an operating line of credit with Meridian Credit Union of up to $100,000. The line of credit bears interest of prime plus 2.75% computed daily and compounded monthly. The line of credit is secured by a general security agreement and by guarantees and postponement of claims by the Company's Chief Executive Officer ("CEO"). As of May 31, 2024, the line of credit balance is $77,705 (2023 - $62,688).

(Expressed in Canadian Dollars)

12. LOANS PAYABLE

A continuity of the Company's loans payable is set out below:

	BDC Loans	CEBA Loans*	Driven Financial	Shareholder Loans	Scotiabank Auto loans	American Express loan	Meridian OneCap Loan	Treewalk Promissory Note	Grenke Deposit	NOHFC term loan	2023 Ford Maverick Loan	Total
	(a, b, c, d)	(e)	(f, g)	(h)	(i, j)	(k)	(l)	(m)	(n)	(o)	(p)	
Balance, May 31, 2022	**$ 242,332**	**$ 37,822**	**$ 38,863**	**$ 270,094**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 589,111**
Addition	50,000	-	-	290,390	159,308	150,000	30,439	-	-	-	-	680,137
Interest	19,013	-	1,425	-	2,828	5,308	1,129	-	-	-	-	29,703
Accretion	2,411	2,178	-	-	-	-	-	-	-	-	-	4,589
Gain on debt	(16,320)	-	-	-	-	-	-	-	-	-	-	(16,320)
Repayments	(143,699)	-	(40,288)	(160,007)	(25,078)	(155,308)	(6,334)	-	-	-	-	(530,714)
Balance, May 31, 2023	**$ 153,737**	**$ 40,000**	**$ -**	**$ 400,477**	**$ 137,058**	**$ -**	**$ 25,234**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 756,506**
Addition	-	-	-	4,554	-	-	-	100,000	100,000	90,320	39,445	334,319
Interest	14,351	-	-	37,948	3,759	-	1,240	11,371	-	-	1,115	69,784
Accretion	4,306	-	-	-	-	-	-	-	9,297	6,730	-	20,333
Government assistance	-	-	-	-	-	-	-	-	-	(36,226)	-	(36,226)
Repayments	(44,524)	(40,000)	-	(29,345)	(39,151)	-	(6,910)	-	(31,304)	-	(5,882)	(197,116)
Balance, May 31, 2024	**$ 127,870**	**$ -**	**$ -**	**$ 413,634**	**$ 101,666**	**$ -**	**$ 19,564**	**$ 111,371**	**$ 77,993**	**$ 60,824**	**$ 34,678**	**$ 947,600**
Current portion	**$ 29,622**	**$ -**	**$ -**	**$ 413,634**	**$ 36,578**	**$ -**	**$ 5,988**	**$ -**	**$ 23,104**	**$ 1,383**	**$ 7,413**	**$ 517,722**
Non-current portion	**$ 98,248**	**$ -**	**$ -**	**$ -**	**$ 65,088**	**$ -**	**$ 13,576**	**$ 111,371**	**$ 54,889**	**$ 59,441**	**$ 27,265**	**$ 429,878**

**Canada Emergency Business Account*

12. LOANS PAYABLE (continued)

(a) On April 7, 2020, the Company entered into a loan facility for up to $135,000 with the Business Development Bank of Canada ("BDC"). The loan facility had an interest rate equal to BDC's floating base rate, minus 1.75% and a maturity date of March 31, 2023. The loan was personally guaranteed by the CEO of the Company. During the year ended May 31, 2023, the Company fully repaid all interest and principal on the loan of $108,386.

(b) On April 19, 2021, the Company entered into a loan facility for up to $70,000 with the BDC. The loan facility has an interest rate equal to BDC's floating base rate, plus 3.71% and a maturity date of March 1, 2028. The loan is personally guaranteed by the CEO of the Company. During the year ended May 31, 2024, the Company repaid $18,280 (2023 - $18,694) of the loan and incurred interest of $6,613 (2023 - $7,104). As at May 31, 2024, the loan balance is $44,722 (2023 - $56,389).

(c) On March 19, 2022, the Company entered into a loan facility for up to $70,000 with the BDC. The loan facility has an interest rate equal to BDC's floating base rate, plus 4.57% and a maturity date of August 18, 2028. The loan is personally guaranteed by the CEO of the Company. During the year ended May 31, 2024, the Company repaid $19,405 (2023 - $16,969) of the loan and incurred interest of $7,738 (2023 - $8,245). As at May 31, 2024, the loan balance is $49,583 (2023 - $61,250).

(d) On October 19, 2022, the Company entered into a loan facility for up to $50,000 with the BDC. The loan facility does not bear interest and matures on September 17, 2028. The loan is personally guaranteed by the CEO of the Company. The loan was fair valued at $33,680 using a discount rate of 12.00%, which was determined to be a market rate. The difference between the face value of the loan and the fair value of the loan of $16,320 was recognized as other income during the year ended May 31, 2023. During the year ended May 31, 2024, the Company repaid $6,840 (2023 - $Nil) of the loan and recognized accretion expense on the loan facility of $4,306 (2023 - $2,418). As at May 31, 2024, the loan balance is $33,564 (2023 - $36,098).

(e) On April 20, 2020, the Company was approved and received a $40,000 loan under the Canada Emergency Business Account ("CEBA") program. The loan was non-interest bearing and eligible for $10,000 forgiveness as it was repaid before January 18, 2024. The Company recognized the $10,000 forgivable portion as government grant income during the year ended May 31, 2020. As the loan was issued at below market rates, the initial fair value of the loan was determined to be $23,196, which was determined using an estimated effective interest rate of 10%. The difference between the face value of the loan and the fair value of the loan of $6,804 was recognized as government grant income on initial recognition.

On August 1, 2021, the Company received an additional $20,000 under the CEBA program. The additional loan was non-interest-bearing and eligible for $10,000 forgiveness as it was repaid before January 18, 2024. The Company recognized the $10,000 forgivable portion as government grant income during the year ended May 31, 2022. As the loan was issued at below market rates, the initial fair value of the loan was determined to be $8,282, which was determined using an estimated effective interest rate of 10%. The difference between the face value of the loan and the fair value of the loan of $11,718 was recognized as government grant income on initial recognition.

During the year ended May 31, 2024, the Company recorded accretion expense of $Nil (2023 - $2,169) on the loans. During the year ended May 31, 2024, the Company repaid the loans in full. As at May 31, 2024, the carrying value of the loans was $Nil (2023 - $40,000).

12. LOANS PAYABLE (continued)

(f) On September 9, 2021, the Company entered into a loan agreement for $150,000 with the Driven Financial. Under the terms of the agreement, the Company is required to make weekly blended payments of $4,308, the loan had an effective interest rate of 10.91% and the cost of borrowing is a fixed amount of interest for the entire term. During the year ended May 31, 2023, the Company fully repaid the loan principal and accrued interest.

(g) On November 18, 2021, the Company entered into another loan agreement for $81,000 with the Driven Financial. Under the terms of the agreement the Company is required to make weekly blended payments of $4,536, the loan had an effective interest rate of 7.24% and the cost of borrowing is a fixed amount of interest for the entire term. During the year ended May 31, 2023, the Company fully repaid the loan principal and accrued interest.

(h) From time to time, the Company receives loans from the CEO and another significant shareholder of the Company. The loans are non-interest-bearing, unsecured and due on demand. During the year ended May 31, 2024, the Company received shareholders' loans of $4,554 (2023 - $290,390) and repaid $29,345 (2023 - $160,007). As of May 31, 2024, the shareholders' loans totaled $413,635 (2023 – $400,477) (Note 17).

The shareholders' loan includes mortgage proceeds personally received by the CEO and transferred to the Company. The proceeds were for the construction of the Company's building under construction. The mortgage is between the lender and the shareholder, and the Company is the guarantor for the mortgage. The total proceeds from the mortgage were $300,000, of which $294,507 was transferred to the Company after legal proceeds of $5,493 were paid upon closing. The loan is interest bearing at 9.45% per annum and repayable by December 15, 2026.

(i) On October 17, 2022, the Company entered into an auto loan agreement for $93,788 with Scotiabank. The loan bears interest at 4.60% per annum and matures on October 17, 2026. The loan is secured against the vehicle purchased. During the year ended May 31, 2024, the Company repaid $25,715 (2023 - $15,000) of the loan and accrued $3,264 in interest (2023 - $2,373). As of May 31, 2024, the loan balance is $58,709 (2023 - $81,161).

(j) On August 26, 2022, the Company entered into an auto loan agreement for $65,520 with Scotiabank. The loan bears interest of 0.99% annually and matures on August 26, 2027. The loan is secured against the vehicle purchased. During the year ended May 31, 2024, the Company repaid $13,437 (2023 - $10,077) of the loan and accrued $495 in interest (2023 - $455). As of May 31, 2024, the loan balance is $42,956 (2023 - $55,898).

(k) On November 21, 2022, the Company entered into a loan agreement for $150,000 with American Express. The loan bears interest of 13.5% annually and a maturity date of May 22, 2023. The loan was personally guaranteed by the CEO of the Company. During the year ended May 31, 2023, the Company fully repaid the loan principal and accrued interest.

(l) On September 15, 2022, the Company entered into a loan agreement for $30,439 with Meridian OneCap to purchase equipment. The loan bears interest of 5.474% annually and matures on September 27, 2027. The loan is secured by the equipment purchased. During the year ended May 31, 2024, the Company repaid $6,910 (2023 - $6,334) of the loan and accrued interest of $1,240 (2023 - $1,129). As of May 31, 2024, the loan balance is $19,564 (2023 - $25,234).

12. LOANS PAYABLE (continued)

(m) On August 28, 2023, the Company entered into a payment agreement with Treewalk Consulting Inc. ("Treewalk"), a corporation controlled by the Company's Chief Financial Officer ("CFO"). The agreement specifies payment terms for $688,137 in outstanding accounts payable owed to Treewalk as follows:

a. $38,137 in accounts payable is due immediately;

b. $100,000 in accounts payable will be converted to an unsecured promissory note with the principal balance of $100,000, bearing interest at 15% per annum and due on the earlier of: (a) August 28, 2025; and (b) the completion of an equity financing(s) by the Company (occurring after the completion of the IPO) for minimum gross proceeds of $3,000,000;

c. On closing of the IPO, the Company will pay Treewalk $400,000 (paid);

d. The Company will facilitate a $150,000 investment by Treewalk concurrent with and on the same terms as the IPO offering (375,000 units issued on December 1, 2023 at $0.40 per unit, Note 16).

As a result of the Company entering into the payment agreement, $100,000 in accounts payable was reclassified as a promissory note to loans payable with a fair value of $100,000 on initial recognition. During the year ended May 31, 2024, the Company repaid $Nil on the promissory note (2023 - $Nil) and accrued $11,371 (2023 - $Nil) in interest. As at May 31, 2024 the promissory note balance was $111,371 (2023 - $Nil).

(n) On June 22, 2023, the Company entered into an agreement with GC Leasing Ontario Inc. ("Grenke"), whereby Grenke would purchase certain equipment from the Company with a value of $100,000. Grenke provided the full $100,000 as deposit until the equipment was delivered. Subsequent to receiving the deposit, the sale was not completed, nor the equipment delivered, and it was agreed that the Company would repay the deposit amount through 48 blended principal and interest payments of $2,545, paid quarterly. The effective interest rate on the deposit amount is 11.42%. During the year ended May 31, 2024, the Company repaid $31,304 (2023 - $Nil) against the deposit and accrued interest of $9,297 (2023 - $Nil).

(o) On May 15, 2023, the Company entered into a loan and conditional contribution agreement with North Ontario Heritage Fund Corporation ("NOHFC"), the agreement closed in June 2023. Under the agreement, a loan and conditional contribution of up to $450,000 is intended to provide government assistance towards the construction of the Company's building under construction (Note 6). Funds under the agreement are advanced once the Company has incurred eligible expenses and only after approval is received by NOHFC, subsequent to their review of supporting documentation.

Funds advanced under the agreement are allocated between a loan and conditional contribution as follows:

(i) 44% of funds advanced are considered a conditional contribution;

(ii) the remaining 56% of funds advanced are considered a term loan bearing 5.95% interest per annum and maturing on the 7th anniversary subsequent to the commencement date of 48 blended principal and interest payments. The commencement date of the 48 blended principal and interest payments is the earlier of: (a) March 31, 2025, and (b) the date in which the loan is fully drawn.

12. LOANS PAYABLE (continued)

During the year ended May 31, 2024, $70,966 (2023 - $Nil) was advanced under the agreement as a contribution and credited as a government grant against the cost of the Company's building under construction (Note 6). An additional $90,320 was advanced related to the term loan portion. On initial recognition, the low interest term loan portions were determined to have a fair value of $61,906 with the discount amount of $36,226 being recognized as a government grant and also credited against the cost of the Company's building under construction (Note 6). The term loan is amortized using an effective interest rate of approximately 15%. During the year ended May 31, 2024, the Company accrued accretion of $6,730 (2023 - $Nil) against the term loan. As at May 31, 2024, the outstanding term loan was $60,824 (2023 - $Nil).

(p) On September 26, 2023, the Company entered into an auto loan agreement for $39,445 with Ford Credit Canada Company. The loan bears interest of 4.49% annually and matures on September 26, 2028. The loan is secured against the vehicle purchased. During the year ended May 31, 2024, the Company repaid $5,882 (2023 - $Nil) of the loan and accrued $1,115 in interest (2023 $Nil). As of May 31, 2024, the loan balance is $34,678 (2023 - $Nil).

13. CONVERTIBLE DEBTENTURES

$328,500 Convertible Debenture Financing

On July 27, 2022, the Company closed a financing of non-transferable unsecured convertible debentures of $328,500. The debentures bear no interest and are payable two years from the closing date. If the Company fails to file a preliminary long form prospectus in connection with a going public transaction one-year from the closing date, the debentures will accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company files the preliminary prospectus, but does not complete an IPO for minimum gross proceeds of $5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the preliminary prospectus then:

- the maturity date will automatically be extended to five years from the closing date and
- the debentures will bear interest at the prime rate, subject to the Company's prepayment right

If both events occur then the debentures will accrue interest for the first two years at a penalty rate of 10% per annum until the earlier of the conversion date and the date all of the principal amount has been repaid, subject to the prepayment. The preliminary long-form prospectus was filed on April 14, 2023; therefore, no interest was accrued on the debenture.

If the Company completes a going public transaction, the principal amount will automatically be converted into common shares of the Company at a price of $0.02 per share on either the date the shares are listed on a recognized stock exchange in Canada or United States or a date that is within 10 business days (before or after) the listing date, subject to any applicable stock exchange acceptance and securities law.

Upon initial recognition, the convertible debentures were presented as a liability and the embedded conversion feature has been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) on initial recognition in the amount of $291,216 was measured using a discount rate of 12%, which was determined to be a market rate for similar unsecured debt without the conversion feature. The residual amount of $37,284 was allocated to equity (conversion feature). Debt issuance costs of $12,578 was prorated and allocated to convertible debenture and equity in the amount of $11,230 and $1,348 respectively. The convertible debenture was amortized at an effective interest rate of 15.13%. During year ended May 31, 2024, the Company recognized $10,652 (2023 - $37,861) in accretion expense.

13. CONVERTIBLE DEBTENTURES (continued)

Prior to closing of the Company's IPO, on November 30, 2023, the full principal balance of the July 27, 2022 unsecured convertible debentures was converted into 16,425,000 common shares of the Company (Note 16).

$1,170,000 and $458,500 Convertible Debenture Financings

$1,170,000 Convertible Debenture Financing

On August 3, 2022, the Company closed a brokered private placement of $1,170,000 non-transferable unsecured convertible debentures of the Company. The debentures were non interest bearing and payable to the agent on behalf of the subscribers two years from the closing date. If the Company fails to file a preliminary long form prospectus in connection with a going public transaction one-year from the closing date, the debentures will accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company files the Preliminary Prospectus, but does not complete an initial public offering for minimum gross proceeds of $5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the Preliminary Prospectus then:

- the maturity date will automatically be extended to five years from the Closing Date and
- the debentures will bear interest at the prime rate, subject to the Company's prepayment right

The preliminary long-form prospectus was filed on April 14, 2023; therefore, no interest will accrue on the debenture.

On November 9, 2023, a waiver and extension was granted to the Company on the convertible debentures so that the original 180 day deadline for IPO completion (October 14, 2023) was extended to January 13, 2024.

In consideration for the Agent's services, the Company paid the agent:

- A cash commission equal to 4.0% of the gross proceeds; and
- Compensation warrants equal to 4.0% of the principal amount of debentures issued. The warrants will be exercisable into common shares of the Company at a price of $0.20 per share for a period of 24 months from the closing date

Pursuant to the August 3, 2022, engagement letter, the agent will also act as sole and exclusive agent for the Company's IPO of a minimum of 12,500,000 units at a price of $0.40 per unit and a maximum if up to 15,000,000 units for gross proceeds of a minimum of $5,000,000 and a maximum of up to $6,000,000. As consideration the Agent will receive consideration of:

- Cash commission of 8.0% of the gross proceeds received by the Company from the sale of units (including those issued pursuant to the exercise of the Over-Allotment Option and excluding any units sold to President's list subscribers), provided that the IPO cash commission shall be reduced to 4.0% of the gross proceeds received by the Company from the sale of units to President's List Subscribers

13. CONVERTIBLE DEBTENTURES (continued)

- Compensation warrants equal to 8.0% of the principal amount of units issued pursuant to the IPO (including those issued pursuant to the exercise of the over-allotment option and excluding any units sold to President's list subscribers) provided that the number of IPO Agent's Warrants shall be reduced to 4.0% of the Principal Amount of Units sold to President's List subscribers. The warrants will be exercisable into Units of the Company at a price of $0.40 per unit for a period of 24 months from the closing date of the IPO (Note 18).

- A work fee in the amount of $45,000 (plus GST) for providing corporate finance services in connection with the offering and the IPO offering payable to the Agent from the proceeds of the IPO Offering on closing of the IPO

The Agent has the option to purchase or sell up to an additional 15% units, on the same terms and conditions as the IPO, which will be exercisable by giving written notice to the Company at any time up to 48 hours prior to closing. The Company is entitled to designate to the Presidents List certain subscribers to be included in the Brokered Offering and certain subscribers to be included in the IPO Offering for up to 250,000 Units.

$458,500 Convertible Debenture Financing

On August 18, 2022, the Company approved an additional non-brokered private placement of non-transferrable unsecured convertible debentures for gross proceeds of up to $458,500. The Debentures were non interest bearing and re-payable two years from the closing date of the offering or 180 days from the date the Company receives a receipt for the preliminary prospectus.

If the Company failed to file a preliminary long form prospectus in connection with its going public transaction one-year from the closing date, the debentures would accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company filed a Preliminary Prospectus, but did not complete an initial public offering for minimum gross proceeds of $5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the Preliminary Prospectus then:

- the maturity date will automatically be extended to five years from the Closing Date and
- the debentures will bear interest at the prime rate, subject to the Company's Prepayment right

If both events did not occur then the debentures would accrue interest for the first two years at a penalty rate of 10% per annum until the earlier of the conversion date and the date all of the principal amount has been repaid, subject to the Prepayment. If the Company completed a going public transaction, the principal amount will automatically be converted into units of the Company at a price of $0.20 per unit on either the date the Shares are listed on a recognized stock exchange in Canada or United States or a date that is within 10 business days (before or after) the listing date, subject to any applicable stock exchange acceptance and securities law.

Upon initial recognition, the $1,170,000 and $458,500 convertible debenture financings were presented as a liabilities and the embedded conversion features have been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) on initial recognition of $1,454,018 was measured using a discount rate of 12%, which was determined to be a market rate for similar unsecured debt without the conversion feature. The residual amount of $174,482 was allocated to equity (conversion feature). The issuance costs of $174,359 was prorated and allocated to convertible debenture and equity in the amount of $155,678 and $18,681 respectively. The issuance costs included the value of

13. CONVERTIBLE DEBTENTURES (continued)

213,000 agents' warrants of $27,690, which was determined using the Black-Scholes pricing model with the following inputs and assumptions: Stock price - $.20; Exercise price - $.20; Dividend yield - $Nil; Expected volatility – 124.91%; Risk free interest rate 3.37% and expected life of 2 years.

The convertible debentures were amortized at an effective interest rate of 22.86%. During the year ended May 31, 2024, the Company recognized $78,930 in accretion expense (2023 - $251,231).

Each debenture unit will be comprised of one common share of the Company and one-half of one transferable common share purchase warrant. Each debenture warrant is exercisable into one common share at $0.60 per debenture warrant share for a period of two years from the conversion date, subject to acceleration, such that if the daily volume weighted average trading price of the Shares exceeds $0.80 on each of those 15 consecutive days, then the Warrants will expire in 30 days following notice.

The debenture units issuable upon conversion (including all underlying securities) will be subject to voluntary resale restrictions as follows:

- 10% of the debenture units (including all underlying securities) released on the listing date;
- 40% of the debenture units (including all underlying securities) released six months after the listing date; and
- 50% of the debenture units (including all underlying securities) released twelve months after the listing date;

Shares issuable upon conversion will be subject to voluntary resale restrictions as follows:

- 25% of the Shares released on the listing date;
- 25% of the Shares released four months after the listing date;
- 25% of the Shares released eight months after the listing date; and
- 25% of the Shares released twelve months after the listing date;

Prior to closing of the Company's IPO, on November 30, 2023, the full principal balance of the August 3, 2022 unsecured convertible debentures was converted into 8,142,500 common shares and 4,071,250 warrants of the Company (Note 18).

$535,000 Convertible Debenture Financing

On August 16, 2023, the Company issued 535 secured convertible debentures to an arm's length party, for an aggregate purchase price of $535,000 in order to provide funds for the Company's operations prior to the close of the Company's initial public offering. The convertible debentures have the following terms:

- each convertible debenture will consist of $1,111.11 principal amount for an aggregate original principal amount of $594,444;
- the Principal Amount will not bear interest (except that the Principal Amount will bear interest at an additional rate of 25% per annum if an event of default occurs (as defined in the certificate representing the convertible debentures;
- the convertible debentures will mature 12 months from the date of issuance on August 16, 2024;
- subsequent to the year ended May 31, 2024, the maturity date of the debt was extended to November 16, 2024;
- Each convertible debenture is convertible at the option of the lender, in whole or in part, at any time while any principal or interest amounts remains outstanding, into common shares of the Company at a price of $0.32;

(Expressed in Canadian Dollars)

13. CONVERTIBLE DEBTENTURES (continued)

- In the event the Company issues common shares or other instruments convertible into common shares at a price lower than $0.32, the conversion price will be adjusted down to that price

Upon initial recognition, the convertible debentures were presented as a liability and the embedded conversion feature has been presented as a derivative liability requiring bifurcation, due to the potential variability in the conversion price. On initial recognition, the derivative liability was valued first, and the residual value was assigned to the host debt component. The fair value of the derivative liability at issuance was estimated to be $128,183 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: $0.22, risk-free rate of 5.08%, expected life of 1 year, volatility factor of 107% and dividend yield of Nil. The residual amount of $406,817 was allocated to the host debt component. The debt issuance costs of $53,200 were prorated and allocated to the convertible debenture and expensed to professional fees in the amount of $40,454 and $12,746 respectively.

The convertible debenture is amortized using the effective interest rate method. During the year ended May 31, 2024, the Company recognized $109,163 (2023 - $Nil) in accretion expense related to the August 16, 2023 debenture.

During the year ended May 31, 2024, the $433,333 of the principal balance of the August 16, 2023 convertible debenture was converted into 1,354,165 common shares of the Company (Note 18).

The continuity of the derivative liability is summarized in the table below:

		Derivative liability
Balance, May 31, 2023	$	-
Issued		128,183
Conversion		(210,910)
Loss on revaluation		82,727
Balance, May 31, 2024	$	-

14. REVENUE

Disaggregation of revenue from contracts with customers

The Company generates revenue from selling portable battery systems and customized energy solutions and its newly formed franchise business. The following table presents a disaggregation of revenue by source:

		May 31, 2024		May 31, 2023
Royalty revenue	$	**31,432**	$	15,533
Advertising revenue		**26,193**		12,944
Franchise fee revenue		**31,137**		7,336
Other revenue		**10,064**		1,249
Franchise revenue		**98,826**		37,062
Product and installation sales		**2,335,771**		3,262,130
Consulting and other revenue		**2,910**		2,010
Total	**$**	**2,437,507**	**$**	3,301,202

Revenue is generated in three geographical markets, being Canada, United States and Netherlands.

(Expressed in Canadian Dollars)

14. REVENUE (continued)

The following table presents a disaggregation of revenue by geographic markets:

		May 31, 2024		May 31, 2023
Canada	$	**1,499,218**	$	2,669,478
United States		**890,168**		645,724
Netherlands		**48,121**		-
Total	**$**	**2,437,507**	**$**	3,315,202

The Company provides either a 6-month commercial or a 12-month standard warranty and a 30-day return period for products shipped. The Company also offers a 30-month warranty on its Batt Pack Energy, Batt Pack Pro, Jupiter and Spark products for component parts. As at May 31, 2024, the Company has recorded a provision of $49,395 (2023 - $32,678) in expected replacement parts and direct labour on future warranty claims and expected returns.

Contract assets and liabilities

As at May 31, 2024 and May 31, 2023 the Company had the following contract assets:

		May 31, 2024		May 31, 2023
Contract assets - Contract costs*	**$**	**32,482**	**$**	22,419

*The Company incurs various costs to obtain contracts, in the form of sales commissions payable upon securing new franchisees and sign-up bonuses payable upon the receipt of payment of the initial franchise fee.

The continuity of contract liabilities is summarized in the table below:

		Year ended May 31, 2024		Year-ended May 31, 2023
Balance, beginning	**$**	**165,895**	**$**	638,025
Additions to contract liabilities		1,334,539		130,789
Revenue earned during the year		(1,299,949)		(602,919)
Balance, ending	**$**	**200,485**	**$**	165,895
Current portion		108,557		111,150
Non-current portion	$	91,928	**$**	54,745

The current portion of contract liabilities consist mainly of consideration received from customers for orders received and paid for but not yet delivered. Non-current portion of contract liabilities consists of franchise fees received in advance, which will be recognized in revenue over the period of the contract. The amounts deferred include the unrecognized portion of the initial franchise fee related to access to franchise right.

(Expressed in Canadian Dollars)

15. COST OF SALES

Cost of sales for the year ended May 31, 2024 and 2023 is summarized in the table below.

		May 31, 2024		May 31, 2023
Parts, materials, overhead and direct labour	$	**1,879,290**	$	2,039,178
Shipping		**151,077**		151,732
Total	$	**2,030,367**	$	2,190,910

16. GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of general and administrative expenses for the years ended May 31 2024 and 2023:

		May 31, 2024		May 31, 2023
Automotive	$	**19,122**	$	17,581
Bad debts		**117,744**		46,050
Bank and transaction charges		**59,302**		83,595
Brokerage fees		**5,405**		29,947
Delivery		**12,451**		58,393
Depreciation		**29,176**		71,473
Dues and subscriptions		**19,049**		10,109
Consulting		**-**		102,887
Education and training		**2,832**		5,141
Filing fees		**31,056**		-
Insurance		**23,103**		26,565
Meal and entertainment		**13,078**		17,684
Office		**56,243**		66,009
Rent		**19,720**		34,989
Repairs and maintenance		**5,280**		5,179
Shareholder communications		**2,220**		-
Telephone and internet		**8,990**		33,086
Utilities		**2,943**		3,864
Travel		**59,303**		22,651
Total	$	**487,017**	$	635,203

(Expressed in Canadian Dollars)

17. GOVERNMENT ASSISTANCE

The following is a breakdown of government assistance for the years ended May 31, 2024 and 2023:

	May 31, 2024	May 31, 2023
Canada Digital Adoption Program Grant	$ **-**	$ 15,000
CanExport SME's Program ("CanExport")	**-**	35,000
Canada-Ontario Job Grant ("COJG")	**-**	4,200
Colleges and Institutes Canada Career Launcher ("Career Launcher")	**-**	25,000
National research council Industrial Research Assistance Program ("NRC IRAP")	**58,620**	8,441
Norther Ontario Heritage Fund Corporation ("NOHFC") People and Talent Program	**14,809**	-
Northumberland Community Futures Development Corporation Grant ("NCFDC")	**10,000**	-
Other	**17,323**	-
Total	$ **100,752**	$ 87,641

During the years ended May 31, 2024, the Company recognized $Nil (2023 - $15,000) in Canada Digital Adoption Grant Program as government assistance. The Canada Digital Adoption Grant Program provides up to $15,000 for for-profit companies or sole proprietorships to boost their business technology through hiring a digital advisor.

During the years ended May 31, 2024, the Company recognized $Nil (2023 - $35,000), received from CanExport as government assistance. CanExport's Small and Medium-sized Enterprise's Program is designed to provide direct financial assistance to small and medium-sized enterprises seeking to develop new export opportunities and markets, especially in high-growth emerging markets. The Company applied for the grant to support expansion into the Southwestern US by identifying potential representatives or agents and meeting potential clients.

During the years ended May 31, 2024, the Company recognized $Nil (2023 - $4,200) in COJG as government assistance. The COJG supports eligible training costs up to a maximum per trainee.

During the years ended May 31, 2024, the Company recognized $Nil (2023 - $25,000) received from the Career Launcher Program. The Program connects employers with skilled students and grads by providing up to $35,000 towards an intern's salary and training expenses, in the form of a wage subsidy, the Company is eligible for $25,000.

During the years ended May 31, 2024, the Company recognized $58,620 (2023 - $8,441) in NRC IRAP as government assistance. The NRC IRAP provides advice, connections, and funding to help Canadian small and medium-sized businesses increase their innovation capacity and take ideas to market.

17. GOVERNMENT ASSISTANCE (continued)

During the year ended May 31, 2024, the Company recognized $14,809 (2023 - $Nil), received from NOHFC as government assistance. NOHFC's People and Talent Workforce Development Program is designed to provide financial assistance to organizations in order to strengthen and develop Northern Ontario's workforce through business partnerships by offering internships. During the year ended May 31, 2024, the Company received $14,809 from NOHFC for eligible wages paid to an intern.

On November 14, 2022, the Company and Northumberland Community Futures Development Corporation ("NCFDC") entered into a contribution agreement where NCFDC will contribute up to $100,000 to the Company covering 50% of eligible costs incurred in the development and testing of a new line of portable power packs that will be able to charge using grid, solar panels, or a vehicle alternator. During the year ended May 31, 2024, the Company received $10,000 in contributions from NCFDC (2023 - $90,000).

18. SHARE CAPITAL AND RESERVES

Authorized capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued share capital

As of May 31, 2024, the Company had 73,944,665 (2023 – 32,100,000) shares outstanding.

During the year ended May 31, 2024:

On November 30, 2023, the Company issued 16,425,000 common shares upon the conversion of the July 27, 2022 Convertible Debentures (Note 13). As a result of the full conversion of the July 27, 2022 Convertible Debentures, the Company reclassified $364,436 from its convertible debenture liability and conversion option to share capital.

On November 30, 2023, the Company issued 8,142,500 units upon the conversion of the August 3, 2022 Convertible Debentures, for a total of 8,142,500 common shares and 4,071,250 common share purchase warrants. Each warrant is exercisable at a price of $0.60 until November 29, 2025. As a result of the full conversion of the August 3, 2022 Convertible Debentures, the Company reclassified $1,728,182 from its convertible debenture liability and conversion option to share capital.

On December 1, 2023, the Company completed its IPO through the issuance of 12,279,500 Units at a price of $0.40 per unit pursuant to the Company's amended and restated prospectus dated August 28, 2023, as further amended on September 13, 2023 and October 18, 2023. Gross proceeds before deducting agent fees and estimated offering expenses were $4,911,800. The Company's Agent was paid cash commissions of $392,944 representing 8% of the gross proceeds, a corporate finance fee of $45,000 and non-cash commission in the form of 982,360 Agent's Warrants on closing of the IPO. Each Agent's Warrant is exercisable into one Unit of the Company at a price of $0.40 per unit. The fair value of the Agent's Warrants was determined to be $224,344 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: $0.40, risk-free rate of 4.07%, expected life of 2 years, volatility factor of 107.54% and dividend yield of Nil. The Company incurred an additional $437,340 in cash share issuance costs related to the IPO.

18. SHARE CAPITAL AND RESERVES (continued)

Each Unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.60 per common share until December 1, 2025 subject to acceleration if the daily volume weighted average trading price of the Company's common shares on the CSE exceeds $0.80 for 15 days consecutively. The Company applied the residual method in determining the value attributable to the warrants. As the value of the shares exceeded the conversion price, $nil was allocated to the warrant reserve.

Treewalk participated in the IPO through the issuance of 375,000 Units to settle $150,000 in outstanding accounts payable (Note 12 (m)).

On December 17, 2023, the Company issued 1,837,500 common shares on the vesting of 1,837,500 RSUs. As a result, the Company reclassified $638,603 in RSU reserves to share capital.

During the year ended May 31, 2024, the Company issued 1,354,165 common shares upon the conversion of the August 16, 2023 Convertible Debentures (Note 13). As a result of the conversion of the August 16, 2023 Convertible Debentures, the Company reclassified $383,179 from its convertible debenture liability and conversion option to share capital.

On May 29, 2024, the Company closed the first tranche of a non-brokered prospectus offering. The Company issued 1,806,000 units (the "Units") of the Company at a price of $0.30 per Unit for gross proceeds of $541,800. Each Unit is comprised of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.32 per common share until May 29, 2026. The fair value of the Warrants was determined to be $90,300 using the residual value method with a share price on date of issuance of $0.25.

In connection with the closing of the first tranche of the non-brokered prospectus offering, the Company paid finders' fees of $27,427 and issued an aggregate of 91,420 finder's warrants. Each finder's warrant is exercisable for a period of two years from the date of issuance at an exercise price of $0.32 per share. The fair value of the compensation options was determined to be $4,571 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: $0.25, risk-free rate of 4.31%, expected life of 2 years, volatility factor of 123.59% and dividend yield of Nil.

During the year ended May 31, 2023:

On July 25, 2022, the Company issued 221,447 shares to an employee as payment of commissions totalling $37,752.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL AND RESERVES (continued)

On February 9, 2023, the Company closed a non-brokered private placement. The Company issued 1,012,667 common shares of the Company at a price of $0.30 per share for gross proceeds of $303,800. In connection with the private placement, the Company paid finders' fees of $31,380 and issued an aggregate of 37,840 warrants. Each finders' warrant is exercisable for a period of two years from the date of issuance at an exercise price of $0.30 per share. The fair value of the compensation options was determined to be $6,267 using the Black-Scholes Option Pricing Model using the following assumptions: risk-free rate of 3.98%, expected life of 2 years, volatility factor of 103.05% and dividend yield of Nil. In connection with the closing of the private placement, the Company incurred an additional $29,207 share issuance costs.

On March 24, 2023, the Company closed a brokered private placement. The Company issued 1,999,664 common shares of the Company at a price of $0.30 per share for gross proceeds of $599,899. The Company also closed a non-brokered private placement, where the Company issued 2,087,669 common shares of the Company at a price of $0.30 per share for gross proceeds of $626,301. In connection with the private placement, the Company paid finders' fees of $36,810 and issued an aggregate of 89,166 warrants. Each finders' warrant is exercisable for a period of two years from the date of issuance at an exercise price of $0.30 per share. The fair value of the compensation options was determined to be $14,666 using the Black-Scholes Option Pricing Model using the following assumptions: risk-free rate of 3.42%, expected life of 2 years, volatility factor of 102.74% and dividend yield of Nil. In connection with the closing of the private placement, the Company incurred an additional $22,683 share issuance costs.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	**Weighted Average Exercise Price**
Balance, May 31, 2022	**-**	**$ -**
Granted	12,348,006	0.01
Balance, May 31, 2023	**12,348,006**	**$ 0.01**
Granted	13,090,780	0.54
Balance, May 31, 2024	**25,438,786**	**$ 0.54**

(Expressed in Canadian Dollars)

18. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

As at May 31, 2024, the following warrants were outstanding and exercisable:

Outstanding Number of Warrants	Exercisable Number of Warrants	Exercise Price	Expiry Date
213,000	213,000	$0.20	August 19, 2024
8,000	8,000	$0.20	August 19, 2024
37,840	37,840	$0.30	February 9, 2025
89,166	89,166	$0.30	March 24, 2025
4,071,250	4,071,250	$0.60	November 29, 2025
982,360	982,360	$0.40	December 1, 2025
6,139,750	6,139,750	$0.60	December 1, 2025
1,806,000	1,806,000	$0.32	May 29, 2026
91,420	91,420	$0.32	May 29, 2026
9,000,000	-	$0.000001	Determined based on
3,000,000	-	$0.000001	milestone achievement
25,438,786	**13,438,786**		

The Company granted 213,000 agent's warrants during year ended May 31, 2023, pursuant to the issuance of convertible debentures (Note 11). A value of $27,690 was assigned to the warrants using the Black-Scholes option pricing model with the following inputs: Stock price - $.20; Exercise price - $.20; Dividend yield - $Nil; Expected volatility – 124.91%; Risk free interest rate 3.37% and expected life of 2 years.

During the year-ended May 31, 2023, the Company issued 9,000,000 performance warrants (the "Management Performance Warrants") as an incentive to key management personnel. The Management Performance Warrants are exercisable for one common share of the Company, at an exercise price of $0.000001 per share upon completion of the following three milestone events:

- 3,000,000 management performance warrants will vest upon the Company, on a consolidated basis, successfully generating $5,000,000 in revenue within twelve (12) months after the listing date;
- 3,000,000 management performance warrants will vest upon the Company, on a consolidated basis, successfully generating $10,000,000 in revenue within twenty-four (24) months after the listing date;
- 3,000,000 management performance warrants will vest upon the Company, on a consolidated basis, successfully generating 30,000,000 in revenue within thirty-six (36) months after the listing date;

Upon vesting, the Management Performance Warrants will be exercisable for one (1) year from the occurrence of each exercise event. A fair value of $2,700,000 was assigned to the management performance warrants based on the price of the Company's most recent financing at time of grant of $0.30/share. During the year ended May 31, 2024, the Company recognized $488,764 (2023 - $193,544) in share-based compensation related to the management performance warrants with a corresponding credit to reserves.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

On April 3, 2023, the Company issued 3,000,000 performance warrants (the "Personnel Performance Warrants") as an incentive to personnel. The Personnel Performance Warrants are exercisable for one Common Share at an exercise price of $0.000001 upon the Company completing equity and/or debt financings for minimum gross proceeds of $5,000,000 within two (2) years of the listing date.

Upon vesting, the Performance Warrants will be exercisable for one (1) year. A value of $900,000 was assigned to the performance warrants based on the price of the Company's most recent financing of $0.30/share. During the year ended May 31, 2024, the Company recognized $488,764 (2023 - $Nil) in share-based compensation related to the personnel performance warrants.

On November 29, 2023, the Company issued 4,071,250 warrants upon the conversion of the August 3, 2022 convertible debentures. Each warrant is exercisable at a price of $0.60 until November 29, 2025.

The Company granted 982,360 agents' warrants during the year ended May 31, 2024, pursuant to the IPO. A value of $224,344 was assigned to the warrants using the Black-Scholes option pricing model with the following inputs: Stock price - $0.40; Exercise price - $0.40; Dividend yield - $Nil; Expected volatility – 107.54%; Risk free interest rate 4.07% and expected life of 2 years.

As of May 31, 2024, the weighted average remaining contractual life of outstanding warrants, excluding Management Performance Warrants and Personnel Performance Warrants is 1.54 years (2023 – 1.43).

Stock Options

On November 29, 2023, the Company granted 4,758,838 stock options to officers, employees and consultants, at a price of $0.40 per share, exercisable for a period of five years. The stock options vest over periods starting on the initial grant date up to November 29, 2025.

On March 22, 2024, 40,000 stock options were cancelled with an exercise price of $0.40.

During the year ended May 31, 2024, the Company recognized share-based compensation totalling $726,583 (2023 - $Nil) in relation to the grant of its stock options with a corresponding credit to reserves.

The weighted average grant date fair value of the stock options granted during the year ended May 31, 2024, was $0.28 (2023 - $Nil) per option. Option pricing models require the use of highly subjective estimates and assumptions including expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of stock options was estimated on the measurement date using the Black-Scholes Option Pricing Model.

The assumptions used to calculate the fair value were as follows:

	May 31, 2024	May 31, 2023
Risk free rate of interest	3.60%	Nil
Expected life of options	5 years	Nil
Exercise price of options	$0.40	Nil
Expected annualized volatility	126%	Nil
Expected dividend rate	Nil	Nil

(Expressed in Canadian Dollars)

18. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

The Company has limited trading history, and therefore expected annualized volatility was determined through the use of comparable companies that are publicly listed.

A summary of the changes in the Company's stock options during the year ended May 31, 2024 are as follows:

	Number of options	Weighted average exercise price
Outstanding, May 31, 2023	-	-
Granted	4,758,838	0.40
Cancelled	(40,000)	0.40
Outstanding, May 31, 2024	4,718,838	$ 0.40

As at May 31, 2024, the following options were outstanding:

Options outstanding	Options exercisable	Exercise price	Expiry date	Remaining contractual life (years)
4,718,838	1,297,210	$0.40	November 29, 2028	4.50

Restricted Share Units ("RSUs")

On November 29, 2023, the Company granted 3,000,000 RSUs to consultants of the Company, which vested immediately.

On November 29, 2023, the Company granted a further 875,000 RSUs to directors and a consultant of the Company. 10% of the RSUs vested immediately and 15% will vest every six months after November 29, 2023.

On November 29, 2023, the Company granted a further 50,000 RSUs to a director of the Company. The RSUs will vest over 24 months subsequent to November 29, 2023, with 25% vesting every 6 months.

The fair value of each RSU was determined to be $0.33 through estimating the value of one common share issued on closing of the Company's IPO unit offering at $0.40 per unit.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL AND RESERVES (continued)

On December 21, 2023, the Company granted a further 100,000 RSUs to a consultant of the Company. The RSUs vested immediately. The fair value of each RSU was determined to be $0.59, based on the market value of the shares on the grant date.

On March 18, 2024, the Company granted 35,000 RSUs to employees of the Company. The RSUs vested on March 30, 2024. The fair value of each RSU was determined to be $0.42, based on the market value of the shares on the grant date.

On April 26, 2024, 1,400,000 RSUs previously granted and settled were cancelled. In replacement, 1,378,940 RSUs were granted with 50,000 RSUs vesting immediately on grant, and 50,000 RSUs vesting each year on November 29 until November 29, 2033 when the remaining 878,940 RSUs will vest.

At the discretion of the Board of Directors, RSUs may be settled in equity, cash or a combination of both. The fair value of RSUs, which are settled in equity, are recognized as a share-based payment with a corresponding increase in reserves, over the vesting period.

During the year ended May 31, 2024, the Company recognized share-based compensation of $808,090 (2023 – $Nil) relating to the vesting of the RSUs with a corresponding credit to reserves. On December 17, 2023, 1,837,500 of the vested RSUs were settled for 1,837,500 common shares and the related reserves of $638,603 were reclassified to share capital.

As at May 31, 2024, the Company had 2,201,440 RSUs outstanding and 178,750 RSUs which had fully vested but have yet to be settled (2023 – Nil).

A summary of the changes in the Company's RSUs during the year ended May 31, 2024 are as follows:

	Number of Restricted Share Units
Balance, May 31, 2023	-
Granted	4,038,940
Settled in common shares	(1,837,500)
Balance, May 31, 2024	2,201,440

A summary of share-based compensation recognized during the years ended May 31, 2024 and 2023 is as follows:

		May 31, 2024		May 31, 2023
Performance warrants	$	**488,764**	$	193,544
Stock options		**726,583**		-
RSUs		**808,090**		-
	$	**2,023,437**	$	193,544

19. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

(Expressed in Canadian Dollars)

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Remuneration attributed to key management personnel for the year ended May 31, 2024 and 2023 are summarized as follows:

		May 31, 2024		May 31, 2023
Salaries and benefits	$	**102,237**	$	50,810
Share-based compensation		**1,220,850**		193,544
Total	$	**1,323,087**	$	244,354

As of May 31, 2024, loans payable (Note 10) included:

a) $84,171 (2023 - $87,545) due from the CEO of the Company. The loan is non-interest-bearing, unsecured and due on demand.
b) $293,573 (2023 - $283,789) due to the CEO of the Company in relation to mortgage proceeds personally received by the CEO and transferred to the Company. The loan is interest bearing at 9.45% per annum and repayable by December 15, 2026;
c) $111,371 (2023 - $Nil) owing under a promissory note due to a corporation controlled by the Company's CFO. The promissory note bears interest at 15% per annum, is unsecured and is due on the earlier of: (a) August 28, 2025, and (b) the date that the Company completes an equity financing(s) (occurring after the completion of the IPO) for a minimum gross proceeds of $3,000,000;
d) $204,233 (2023 - $204,233) due to a shareholder of the Company. The loan is non-interest-bearing, unsecured and due on demand.

As of May 31, 2024, accounts payable included $400,417 (2023 - $672,336) owing to a company controlled by the CFO. The Company incurred a total of $419,051 (2023 - $739,407) from the company controlled by the CFO for accounting, financial reporting, audit support services and accrued late fees for the year ended May 31, 2024. In addition, the company controlled by the CFO has provided CFO services, transaction advisory services and consulting services related to the Company's IPO transaction during this period. The fees were included in professional fees.

20. OTHER INCOME

Other income for the year ended May 31, 2024 and 2023 is summarized in the table below.

		May 31, 2024		May 31, 2023
Interest income		**24,644**		-
Other		**15,246**		43,516
Total	$	**39,890**	$	43,516

(Expressed in Canadian Dollars)

21. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to income (loss) from operations before income taxes, shown as follows:

		May 31, 2024		May 31, 2023
Loss before taxes for the year	$	(6,512,440)	$	(2,910,346)
Canadian federal and provincial income tax rates		26.50%		26.50%
Expected income tax expense (recovery) based on the above rates	$	(1,725,797)	$	(771,234)
Permanent differences		515,947		52,431
Effect of deductible temporary differences not recognized		1,193,208		662,685
True-up of prior year taxes		16,641		-
Income tax expense (recovery)	$	-	$	(56,118)

For the period ended May 31, 2024, the Company recognized a total income tax recovery of nil (2023 - $56,118). The income tax recovery consists of the following:

		May 31, 2024		May 31, 2023
Current tax expense (recovery)	$	-	$	-
Deferred tax expense (recovery)		-		(56,118)
Income tax expense (recovery)	$	-	$	(56,118)

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have not been recognized for accounting purposes:

(Expressed in Canadian Dollars)

21. INCOME TAXES (continued)

		May 31, 2024		May 31, 2023
Deferred tax asset	**$**	**28,000**	$	68,000
Deferred tax liability		**(28,000)**		(68,000)
Net deferred tax asset (liability)	**$**	**-**	$	-

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which have not been recognized during the year are as follows:

		May 31, 2023		Recognized in profit and loss		**May 31, 2024**
Deferred tax asset						
Non-capital losses	$	33,000	$	(33,000)	**$**	
Lease liability		35,000		(7,000)		**28,000**
	$	68,000	$	(40,000)	**$**	**28,000**
Deferred tax liability						
Loans payable	$	(9,000)	$	9,000	**$**	**-**
Right of use asset		(35,000)		11,000		**(24,000)**
Convertible debt		(24,000)		20,000		**(4,000)**
		(68,000)		40,000		**(28,000)**
Net deferred tax liability	$	-	$	-	**$**	**-**

Gross temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

		May 31, 2024		May 31, 2023
Non-capital losses	**$**	**7,684,240**	$	3,084,759
Property and equipment		**110,651**		46,039
Accounts receivable		**101,817**		54,741
Loans payable		**42,656**		-
Return and warranty liability		**76,545**		32,678
Lease liability		**901**		17,925
Share issuance costs		**1,074,161**		168,397
Total	**$**	**9,090,971**	$	3,404,539

As at May 31, 2024, the Company had non capital losses of approximately $7,684,420 (2023 - $3,084,759) that may be available to offset future income for income tax purposes, which expire in 2044.

(Expressed in Canadian Dollars)

21. INCOME TAXES (continued)

The Company has the following non-capital losses available to reduce future years' federal and provincial taxable income, which expire as follows:

2038	$	**33,036**
2039		**-**
2040		**-**
2041		**204,709**
2042		**734,955**
2043		**2,234,902**
2044		**4,476,638**
	$	**7,684,240**

Due to the uncertainty of realization of these deductible temporary differences, the tax benefit is not reflected in the consolidated financial statements.

22. SUBSEQUENT EVENTS

On July 12, 2024, the Company granted 500,000 RSUs to a consultant, in exchange for consulting services. The RSUs will vest on the date that is four months and a day from the date of grant.

On July 15, 2024, the Company closed the first and second tranche of a non-brokered prospectus offering through the issuance of 3,000,000 Units at a price of $0.20 per Unit, for gross proceeds of $600,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant (a “Warrant”), whereby each Warrant entitles the holder to acquire one common share at an exercise price of $0.25 per Common Share within 24-months from the date of issuance.

In connection with the Offering, the Company paid aggregate finders’ fees of $18,500 and issued a total of 92,500 finder’s warrants (the “Finder’s Warrants”) to eligible finders, representing a 5.0% finder’s fee on certain subscriptions. Each Finder’s Warrant entitles the holder to acquire one Common Share at an exercise price of $0.25 per common share within 24-months from the date of issuance.

A portion of the Offering comprising of 150,000 Units was issued to a professional advisor of the Company to partially settle an outstanding debt of $30,000. 150,000 Units were also issued to a consulting company controlled by the Company’s Chief Financial Officer, to partially settle an outstanding debt of $30,000.

On August 15, 2024, the conversion price of the August 16, 2023 convertible debentures was amended to $0.14 per share. On September 19, 2024, the conversion price was further amended to $0.05 per share.

On August 22, 2024, $20,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 142,857 common shares of the Company.

On September 23, 2024, $20,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 400,000 common shares of the Company.

On September 25, 2024, $25,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 500,000 common shares of the Company.