



Delivra Health Brands Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended December 31, 2025 and 2024

(in Canadian dollars)

Delivra Health Brands Inc.

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Delivra Health Brands Inc.

Notice to reader

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Professional Chartered Accountants for a review of interim financial statements by an entity's auditor.

Delivra Health Brands Inc.

Condensed consolidated interim statements of financial position

As at December 31, 2025 and June 30, 2025

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	December 31 2025	June 30 2025
		\$	\$
Assets			
Current assets			
Cash		3,229	3,302
Accounts receivable	3	2,812	3,340
Inventories	4	1,840	2,759
Prepaid expenses and deposits		162	177
		8,043	9,578
Property, plant and equipment	5	-	27
Total assets		8,043	9,605
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	1,984	3,253
Loans payable	7	318	308
		2,302	3,561
Loans payable	7	1,943	1,805
Total liabilities		4,245	5,366
Equity			
Share capital	9	148,630	148,630
Other reserves	10	26,187	26,107
Accumulated other comprehensive loss		(165)	(146)
Accumulated deficit		(170,854)	(170,352)
Total equity		3,798	4,239
Total liabilities and equity		8,043	9,605

Going concern (note 2(c))

“Jason Bednar”
Jason Bednar, Director

“Gord Davey”
Gord Davey, Director

Delivra Health Brands Inc.

Condensed consolidated interim statements of loss and comprehensive loss

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	Three months ended December 31		Six months ended December 31	
		2025 \$	2024 \$	2025 \$	2024 \$
Revenue	12	2,433	2,754	5,640	5,917
Cost of sales		1,411	1,404	3,115	2,944
Inventory write-down	4	50	56	52	82
Gross profit		972	1,294	2,473	2,891
Expenses					
General and administration	8	998	969	2,026	1,911
Sales and marketing		393	575	812	1,238
Depreciation and amortization	5	-	326	27	652
Share-based compensation	10	31	71	80	142
		1,422	1,941	2,945	3,943
Loss from operations		(450)	(647)	(472)	(1,052)
Other (expense) income					
Interest and finance costs		(75)	(98)	(146)	(165)
Gain (loss) from extinguishment/forgiveness of accounts payable		113	(58)	123	(58)
Foreign exchange gain (loss)		1	(9)	(7)	(13)
		39	(165)	(30)	(236)
Net loss		(411)	(812)	(502)	(1,288)
Other comprehensive gain (loss)-Items that may be reclassified to profit and loss:					
Foreign currency translation		(151)	431	(19)	263
Comprehensive loss		(562)	(381)	(521)	(1,025)
Net gain (loss) per share – basic and diluted		(0.01)	(0.03)	(0.02)	(0.04)
Weighted average number of outstanding common shares		31,261,781	31,261,781	31,261,781	31,261,781

Delivra Health Brands Inc.

Condensed consolidated interim statements of changes in equity

For the six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	Number of shares ¹ #	Share capital \$	Other reserves \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Total
Balance, June 30, 2024		31,261,785	148,630	25,827	(101)	(169,162)	5,194
Share-based compensation	10	-	-	142	-	-	142
Foreign currency translation		-	-	-	263	-	263
Rounding of fractional shares after share consolidation		(4)	-	-	-	-	-
Net loss		-	-	-	-	(1,288)	(1,288)
Balance, December 31, 2024		31,261,781	148,630	25,969	162	(170,450)	4,311
Balance, June 30, 2025		31,261,781	148,630	26,107	(146)	(170,352)	4,239
Share-based compensation	10	-	-	80	-	-	80
Foreign currency translation		-	-	-	(19)	-	(19)
Net loss		-	-	-	-	(502)	(502)
Balance, December 31, 2025		31,261,781	148,630	26,187	(165)	(170,854)	3,798

¹ The Company implemented a consolidation of its common shares in February 2025 and the number of common shares have been retrospectively adjusted.

Delivra Health Brands Inc.

consolidated interim statements of cash flows

For the six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	For the six months ended	
		December 31	
		2025	2024
			\$
Operating activities			
Net profit (loss)		(502)	(1,288)
Adjustments to reconcile non-cash items			
Depreciation and amortization	5	27	652
Inventory write-down	4	52	82
Share-based compensation	10	80	142
Gain (loss) from extinguishment/forgiveness of accounts payable		(123)	(58)
Interest and accretion on loans and borrowings	7	158	150
Changes in working capital			
Accounts receivable		502	466
Inventories		853	(85)
Prepaid expenses and deposits		15	(66)
Accounts payable and accrued liabilities		(1,106)	(682)
Net cash used in operating activities		(44)	(687)
Financing activities			
Repayment of loans and borrowings	7	(10)	(26)
Net cash used in financing activities		(10)	(26)
Effect of foreign exchange on cash		(19)	365
Change in cash during the period		(73)	(348)
Cash, beginning of the year		3,302	4,200
Cash, end of the period		3,229	3,852

Supplemental information:

- 1) During the six months ended December 31, 2025, interest paid was \$5 (2024: \$8)
- 2) During the six months ended December 31, 2025, there was no income tax paid (2024: \$nil)

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

1. Nature of operations

Delivra Health Brands Inc. (“Delivra Health” or the “Company”) is a publicly traded corporation, incorporated in Canada, with its head office located at 404 – 999 Canada Place, Vancouver, BC, V6C 3E2. Delivra Health’s common shares are listed on the TSX Venture Exchange under the symbol “DHB” and on the OTCQB® Venture Market operated by OTC Market Group under the symbol “DHBUF”.

These unaudited condensed consolidated interim financial statements as at and for the three and six months ended December 31, 2025 and 2024 include Delivra Health and its subsidiaries (together referred to as “the Company”).

The Company is in the health and wellness consumer packaged goods business. The Company provides innovative lifestyle and health and wellness self-care products to consumers and patients in regulated markets around the world through its subsidiaries: Dream Water Global (“Dream Water”) and Delivra Corp. (“Delivra”).

On January 27, 2025, the Company’s Board of Directors approved the consolidation of the Company’s issued and outstanding common shares at a consolidation ratio of ten (10) pre-consolidation common shares for every post-consolidation common share (the “Share Consolidation”). The change has been applied retrospectively and as a result, all disclosures of common shares, per common share data and data related to stock options, warrants in the accompanying consolidated financial statements and related notes reflect this share consolidation for all periods presented.

2. Material accounting policies

a) *Basis of presentation*

These condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors (“Board”) of the Company on February 27, 2026.

b) *Estimation Uncertainty*

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, political conflict and trade restrictions and tariffs in other regions and heightened inflation. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

To date, the Company has not experienced a significant overall downturn in demand for its products in connection with such ongoing uncertainties, however, the Company cannot provide assurance that there will not be downturns or disruptions to its operations in the future.

c) *Basis of accounting – going concern*

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company’s ability to continue in the normal course of operations is dependent on its ability to achieve profitable operations and/or raise additional capital through debt or equity financings. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing further financing transactions in the future.

The Company had a consolidated net loss of \$411 and \$502 for the three and six months ended December 31, 2025 and negative operating cash flows of \$44 for the six months ended December 31, 2025 and an accumulated deficit of \$170,854 as at December 31, 2025. The ability of the Company to continue as a going concern is dependent upon generating profit through its operations and/or obtaining additional financing through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company or that profitable operations are not achieved. These matters result in material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company’s ability to realize assets at their recognized values, in particular intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

2. Material accounting policies (continued)

d) *Basis of measurement*

These condensed consolidated interim financial statements are presented in Canadian dollars and are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

e) *Basis of consolidation*

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated.

Subsidiary	Jurisdiction	% ownership	Accounting method
Dream Products Inc.	Canada	100%	Consolidation
Dream Products USA Inc.	USA	100%	Consolidation
Sarpes Beverages, LLC	USA	100%	Consolidation
Delivra Corp.	Canada	100%	Consolidation
Delivra Inc.	Canada	100%	Consolidation
Delivra Pharmaceuticals Inc.	Canada	100%	Consolidation
LivCorp Inc.	Canada	100%	Consolidation
LivCorp International Inc.	Canada	100%	Consolidation
LivVet Inc.	Canada	100%	Consolidation
PortaPack Ltd.	Canada	100%	Consolidation
United Greeneries Holdings Ltd.	Canada	100%	Consolidation
United Greeneries Operations Ltd.	Canada	100%	Consolidation

3. Accounts receivable

The summary of the Company's accounts receivable is as follows:

	December 31	June 30
	2025	2025
	\$	\$
Trade receivables	2,560	3,134
Taxes recoverable from governments	252	206
	2,812	3,340

The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. At the reporting date, there was \$nil trade receivable write-down (December 2024 - \$nil). At the reporting date, the Company assessed the collectability of the balance and concluded that none of the receivables were uncollectible.

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

4. Inventories

The summary of the Company's inventories is as follows:

	December 31 2024	June 30 2025
	\$	\$
Liquid sleep shots and sleep powder packets Finished goods	1,071	1,787
Pain relief creams Raw materials and work-in-progress	316	271
Finished goods	554	737
	870	1,008
Packaging and supplies	137	159
Inventory allowance	(238)	(195)
	1,840	2,759

a) *Allowance and write-downs*

During the three and six months ended December 31, 2025, the inventory write-down was \$50 and \$52 (2024: \$56 and \$82). Due to estimation uncertainties attributable to forecasting including slow moving and expiry dates, it is not possible to predict whether the full carrying value of inventory can be recognized in the next 12 months. As such, as at December 31, 2025, the Company recognized an inventory valuation allowance of \$238.

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

5. Property, plant and equipment

The summary of the Company's property, plant and equipment as follows:

	Plant and Equipment	Total
	\$	\$
Cost		
July 1, 2024	480	480
June 30, 2025	480	480
Accumulated depreciation		
July 1, 2024	377	377
Amortization	76	76
June 30, 2025	453	453
Net book value June 30, 2025	27	27
Cost		
July 1, 2025	480	480
December 31, 2025	480	480
Accumulated depreciation		
July 1, 2025	453	453
Amortization	27	27
December 31, 2025	480	480
Net book value December 31, 2025	-	-

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

6. Accounts payable and accrued liabilities

The summary of the Company's accounts payable and accrued liabilities is as follows:

	December 31 2025	June 30 2025
	\$	\$
Trade payables	603	1,338
Accrued liabilities	1,184	1,562
Other payables	197	353
	<u>1,984</u>	<u>3,253</u>

Trade payables, accrued liabilities and other payables are non-interest bearing. All amounts are expected to be settled within 12 months.

7. Loans

The summary of the Company's loans and borrowings is as follows:

	Notes	December 31 2025	June 30 2025
		\$	\$
Unsecured loans	(a)	2,261	2,113
Total loans liabilities		2,261	2,113
Current portion		(318)	(308)
Non-current portion		1,943	1,805

a) Secured and unsecured loans

As at December 31, 2025, the Company has three remaining unsecured loans from the Atlantic Canada Opportunities Agency ("ACOA") (2025 – three remaining unsecured loans).

	Discount Rate(ii)	Maturity	Face Value	Balance, July 1, 2025	Accretion	Repayments	Total
			\$	\$	\$	\$	\$
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,958	143	-	2,101
ACOA 206924	16%	2026	117	8	5	(10)	3
ACOA 207593	16%	(i)	484	147	10	-	157
Balance, December 31, 2025			<u>3,461</u>	<u>2,113</u>	<u>158</u>	<u>(10)</u>	<u>2,261</u>

(i) The annual instalments are calculated as 5% to 10% of forecasted revenues from pipeline products for the calendar year immediately preceding the due date of the respective payment, with an estimated commencement date of August 31, 2026.

(ii) The effective interest rate used to calculate the fair value of the loans.

The loans with ACOA are through the Atlantic Innovation Fund for the specified projects, in which repayable contributions are received by the Company to a maximum amount based on the lesser of: (i) a percentage of eligible costs, plus a percentage of working capital requirements for the project in certain instances, and (ii) a specified amount. The Company must meet certain conditions of assistance, which are specific to each agreement and project, including maintaining specified amounts of equity.

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

8. General and administration expenses

The summary of the Company's general and administration expenses is as follows:

	Three months ended December 31		Six months ended December 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Insurance	48	45	95	92
Investor relations	88	37	176	57
Office and general	75	84	145	162
Professional and consulting services	171	162	406	277
Regulatory	5	21	11	25
Rent	5	6	10	13
Salaries, bonus and benefits	570	573	1,111	1,197
Travel	36	41	72	88
	998	969	2,026	1,911

9. Share capital and earnings per share

a) *Authorized*

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

b) *Issued capital*

On February 21, 2025, the Company completed the Share Consolidation in which one (1) new common share was issued for each ten (10) outstanding common shares. Prior to this Share Consolidation, a total of 312,617,854 common shares were outstanding, which have since consolidated into 31,261,781 common shares. Except where otherwise indicated, all historical share numbers and per share amounts have been adjusted on a retroactive basis to reflect this Share Consolidation. As a result of the Share Consolidation and effective February 21, 2025, the exchange basis of the December Warrants and the number of December Warrant Shares obtainable upon exercise of the December Warrants was decreased by a multiple of ten (10), such that a holder of the December Warrants will be required to exercise ten (10) December Warrants to acquire one (1) December Warrant Share at the adjusted price of \$0.50 per December Warrant Share. All information in these consolidated financial statements is presented on a post-Share Consolidation basis. As a result of the Share Consolidation, the number, exchange basis or exercise price of all stock options and warrants have been adjusted, to reflect the ten-for-one Share Consolidation.

At December 31, 2025, 31,261,781 common shares (June 30, 2025 – 31,261,781) were issued and fully paid.

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

10. Other reserves

The summary of the Company's other reserves is as follows:

	Share-based awards (a)	Warrants (b)	Other	Total
	\$	\$	\$	\$
Balance, June 30, 2024	12,040	12,972	815	25,827
Share-based compensation	280	-	-	280
Balance, June 30, 2025	12,320	12,972	815	26,107
Warrants issued	-	-	-	-
Share-based compensation	80	-	-	80
Balance, December 31, 2025	12,400	12,972	815	26,187

a) Share-based awards

(i) Stock options

On March 20, 2020, the Company adopted a fixed share option plan ("Predecessor Plan") under which the maximum number of common shares that were issuable pursuant to the exercise of stock options was fixed at 2,150,795 common shares, representing 10% of the issued and outstanding common shares as of the date of the implementation of the Predecessor Plan. On March 20, 2024, the Company adopted a new 10% fixed stock option plan (the "New Plan") that replaced the Predecessor Plan. Under the New Plan a maximum of 3,126,178 common shares are reserved for issuance, representing 10% of the issued and outstanding common shares as of the date of the implementation of the New Plan.

The continuity of the Company's shares reserved for issue under stock options is as follows:

	Number outstanding #	Weighted average exercise price \$
Outstanding at June 30, 2024	2,755,024	0.67
Forfeited	(88,857)	0.53
Outstanding at June 30, 2025	2,666,167	0.67
Granted	100,000	0.30
Expired	(476,167)	0.82
Outstanding at December 31, 2025	2,290,000	0.63

During the three months ended December 31, 2025 and 2024, there were no new stock options granted. During the six months ended December 31, 2025, 100,000 stock options were granted (six months ended December 31, 2024 – none). The options are exercisable at a price of \$0.30, vest immediately and will have an expiry date on August 6, 2028.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted. The following assumptions were applied for the stock options granted above:

	December 31 2025
Risk-free interest rate	2.69%
Expected life of options (years)	3.00
Expected annualized volatility	200.65%
Expected dividend yield	Nil

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

10. Other reserves (continued)

The number of shares reserved for issue under stock options outstanding and exercisable at December 31, 2025 is as follows:

Expiry date	Number outstanding #	Exercise price \$	Number exercisable #
April 8, 2026	445,000	1.20	445,000
October 31, 2027	410,000	0.50	410,000
May 27, 2029	1,335,000	0.50	445,000
August 6, 2028	100,000	0.30	100,000
	2,290,000		1,400,000

b) Warrants

The continuity of the Company's warrants is as follows:

	Total # outstanding	Weighted average exercise price	
		#	\$
Outstanding at June 30, 2024	6,000,000	6,000,000	0.50
Outstanding at June 30, 2025	6,000,000	6,000,000	0.50
Outstanding at December 31, 2025	6,000,000	6,000,000	0.50

(i) Private placement December Warrants

Pursuant to the December 2023 Offering, the Company issued an aggregate of 60,000,000 December Warrants (Shares reserved for issue under warrants is 6,000,000 post Share Consolidation). Each December Warrant will entitle the holder thereof to acquire one December Warrant Share at a price of \$0.50 per December Warrant Share for 36 months following the completion of the December 2023 Offering.

The fair value of private placement warrants was estimated using the relative fair value method and the following assumptions:

Stock price at time of measurement	\$0.15
Risk free interest rate	4.04
Expected life of warrants (years)	3.00
Expected annualized volatility	197.48%
Expected dividend yield	Nil

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

10. Other reserves (continued)

The Company's shares reserved for issue under warrants as of December 31, 2025 is as follows:

	Issued #	Outstanding #	Exercise price \$	Expiry date
Private Placement	6,000,000	6,000,000	0.50	Dec 12, 2026
	6,000,000	6,000,000		

11. Related parties

The summary of the Company's related party transactions During the three and six months ended December 31, 2025 and 2024 is as follows:

a) Compensation of key management personnel

Key management personnel ("KMP") include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The KMP of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to KMP is as follows:

	Three months ended December 31		Six months ended December 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Salaries and benefits	168	167	342	334
Directors' fees	60	60	120	120
Share-based compensation	20	43	40	86
Total	248	270	502	540

b) Payments to related parties

As at December 31, 2025, there was \$200 directors' fees (June 30, 2025 – \$244) included in accounts payable and accrued liabilities.

12. Net revenue

a) The Company generates net revenue from two geographical locations:

Net revenue	Three months ended December 31		Six months ended December 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Canada	442	684	1,041	1,336
US	1,991	2,070	4,599	4,581
Total	2,433	2,754	5,640	5,917

Net revenues in each geographical location relate to the sale of the following:

- Canada – Dream Water liquid sleep shots, gummies and sleep powder packets, and LivRelief™ pain relief creams
- US – Dream Water liquid sleep shots, gummies and sleep powder packets

The Company's non-current assets are all in Canada.

Delivra Health Brands Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2025 and 2024

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

12. Net revenue (continued)

- b) Net revenue comprised the following sales: (1) Dream Water® brand sales in both US and Canada; (2) Delivra LivRelief™ brand sales in Canada; and (3) LivRelief™ Infused topical cream licensing sales in Canada.

The following table sets forth the disaggregation of the Company's net revenue from customer listing agreements of the Company's brands:

Net revenue	Three months ended December 31		Six months ended December 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Dream Water® US and Canada	2,182	2,365	5,055	5,026
LivRelief™	251	344	567	628
LivRelief™ Infused	-	45	18	263
Total	2,433	2,754	5,640	5,917

13. Major customers

During the three months and six months ended December 31, 2025, the Company reported net revenue from two major customers over 10% of its total net revenue. The customers represented during the three months ended December 31, 2025, approximately \$1,251 and \$206 (Three months ended December 31, 2024 - \$980 and \$325). The customers represented during the six months ended December 31, 2025 approximately \$2,882 and \$605 (Six months ended December 31, 2024 – \$2,824) of total net revenue of the Company.

14. Financial instruments and risk

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at December 31, 2025, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD"). A 10% appreciation (depreciation) of USD against the CAD, with all other variables held constant, would result in an increase or decrease of \$3 (December 31, 2024 - \$11) in the Company's profit and comprehensive profit for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at December 31, 2025, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

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(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

14. Financial instruments and risk (Continued)

As at December 31, 2025, the Company's aging of receivables was approximately as follows:

	December 31 2025	June 30 2025
	\$	\$
0 – 60 days	1,682	1,820
Over 60 days	878	1,314
	2,560	3,134

Credit concentration

As at December 31, 2025, the Company had one major customer whose balances were greater than 10% of total trade receivables accounting approximately for \$1,923 (June 30, 2025 - \$2,586).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2025, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of \$8,043 (June 2025: \$9,578) and current liabilities of \$2,302 (June 2025: \$3,561). The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future.

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are: Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – Inputs that are not based on observable market data.

During the three and six months period ended December 31, 2025, there were no transfers of amounts between fair value levels.

Cash and short-term investments are classified as a Level 1 financial instrument.

The Company's other financial instruments, including accounts receivable, current portion of lease receivable, promissory note and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. The carrying value of the Company's non-current portion of lease receivable, loans and borrowings approximate fair value as they bear a market rate of interest.