

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “**U.S. Securities Act**”) and, may not be reoffered, resold or transferred to, or for the account or benefit, of a U.S. Person (as that term is defined in Regulation S of the U.S. Securities Act) except pursuant to an effective registration statement under the U.S. Securities Act, and any applicable state securities laws, or pursuant to an available exemption from the registration requirements from the U.S. Securities Act and any applicable state securities laws. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities offered hereby in the United States to, or for the account or benefit, of a U.S. Person. See “Plan of Distribution”.

PROSPECTUS

Initial Public Offering

June 25, 2026

ALCHEMY

ALCHEMY LABS INC.

Minimum Offering: 10,000,000 Units
Maximum Offering: 15,000,000 Units

CDN \$1.00 Per Unit

This prospectus qualifies the initial public offering (the “**Offering**”) to purchasers residing in each of the provinces or territories of Canada other than Québec (the “**Offering Jurisdictions**”) and elsewhere permitted by applicable law, of a minimum of 10,000,000 units (the “**Offered Units**”) and a maximum of 15,000,000 Offered Units of Alchemy Labs Inc. (“**we**”, “**us**”, “**Alchemy**”, or the “**Company**”) at a price of \$1.00 per Unit (the “**Offering Price**”) for minimum gross proceeds of \$10,000,000 (the “**Minimum Offering**”) and maximum gross proceeds of \$15,000,000 (the “**Maximum Offering**”). Each Offered Unit consists of one (1) common share in the capital of the Company (a “**Unit Share**”) and one-half of one (1/2) transferable share purchase warrant (each whole warrant, a “**Warrant**”) of the Company. Each Warrant will entitle the holder to purchase one (1) additional common share of the Company (a “**Warrant Share**”) at a price of \$1.50 for a 24-month period after the Closing Date (as defined herein) (the “**Warrant Term**”), subject to the Company’s right to accelerate the Warrant Term. This Prospectus qualifies the distribution of the Offered Units, the Unit Shares and the Warrants.

The Warrants will be governed by a warrant indenture (the “**Warrant Indenture**”) to be entered into on the Closing Date between the Company and Endeavor Trust Corporation, as warrant agent (the “**Warrant Agent**”).

The Offered Units will be offered by Haywood Securities Inc. (the “**Lead Agent**”), together with ATB Capital Markets Corp., Beacon Securities Limited, Canaccord Genuity Corp. and Ventum Financial Corp. (each an “**Agent**”, and collectively with the Lead Agent, the “**Agents**”) on a commercially reasonable efforts basis pursuant to an agency agreement (the “**Agency Agreement**”) dated June 25, 2026 between the Company and the Agents. The Offering Price and terms of the Offering have been determined by negotiation between the Company and the Lead Agent. This Prospectus further qualifies the distribution of all compensation securities issuable to the Agents and as described herein.

	Price to the Public	Agents’ Commission ⁽¹⁾⁽³⁾	Net Proceeds to the Company ⁽²⁾⁽³⁾
Per Offered Unit	\$1.00	\$0.065	\$0.935
Minimum Offering	\$10,000,000	\$650,000	\$9,350,000
Maximum Offering ⁽³⁾	\$15,000,000	\$975,000	\$14,025,000

Notes:

- (1) The Agents will receive a cash commission equal to 6.5% of the aggregate gross proceeds of the Offering (other than on gross proceeds from the sale of the Offered Units to persons on the “president’s list”, in respect of which the cash commission will be 2.5%) (the “**Agents’ Commission**”) and non-transferable Agents’ compensation options (the “**Agents’ Options**”) to purchase that number of common shares (the “**Common Shares**”) as is equal to 6.5% of the aggregate number of Offered Units sold under the Offering (other than Offered Units sold to persons on the “president’s list”, in respect of which no Agents’ Options will be issued) at an exercise price equal to the Offering Price for a period of twenty-four months following the Closing (as defined herein). In addition, if the aggregate gross proceeds of the Offering are greater than \$10,000,000, the Company will pay to the Lead Agent a corporate finance fee of \$150,000 (the “**Corporate Finance Fee**”), of which

\$75,000 will be paid in cash and \$75,000 will be paid by the issuance of Common Shares (the “**Corporate Finance Fee Shares**”) at the Offering Price. In the three months period ending on March 16, 2026, the Lead Agent has earned a work fee (“**Work Fee**”) of \$45,000 which will be credited against any Corporate Finance Fee payable hereunder. In addition, the Company has agreed to reimburse the Agents for all reasonable expenses incurred in connection with the Offering. The Agents’ Options will be qualified under this prospectus. See “*Plan of Distribution*”.

- (2) Before deducting the remaining balance of the costs of this Offering estimated at \$447,800, which includes legal and audit fees and other expenses of the Company, the Agents’ expenses, the cash portion of Corporate Finance Fee, legal fees, the listing fee payable to the TSX Venture Exchange (the “**Exchange**”) and the filing fees payable to the securities regulatory authorities in each of the Offering Jurisdictions. See “*Use of Proceeds*”.
- (3) The Company has granted the Agents an option to cover over-allotments (the “**Over-Allotment Option**”) to increase the size of the Offering by up to 15%, which will allow the Agents to offer up to an additional 2,250,000 Offered Units at the Offering Price for additional gross proceeds of up to \$2,250,000. The Over-Allotment Option may be exercised in whole or in part any time 30 days after the Closing Date of the Offering. A purchaser who acquires Offered Units forming part of the Agents’ over-allocation position acquires those securities under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases. The amounts calculated above assume that the Over-Allotment Option is not exercised.

Subscriptions for the Offered Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing will occur on a date agreed upon by the Company and the Agents, but not later than the date that is 90 days after a receipt is issued for the final prospectus or if a receipt has been issued for an amendment to the final prospectus, within 90 days of issuance of the receipt issued for such amendment and in any event not later than 180 days from the date of receipt of the final prospectus. It is expected that the Offered Units will be issued as non-certificated book-entry securities through CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee. Consequently, if delivered in book entry form, purchasers of Offered Units, including purchasers of Offered Units in the United States that are “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act (a “**Qualified Institutional Buyer**”) that provide certain required representations, warranties and covenants, will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Offered Units were purchased.

The completion of the Offering is subject to a minimum subscription of Offered Units for aggregate gross proceeds of \$10,000,000. The Offering will not be completed and no subscription funds will be advanced to the Company unless and until the minimum subscription of \$10,000,000 has been raised. In the event that the minimum subscription is not attained by the end of the period of the Offering, all subscription funds that subscribers may have advanced to the Agents in respect of the Offering will be refunded to the subscribers without interest or deduction.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “*Risk Factors*”.

The Exchange has conditionally approved the listing of the issued and outstanding Common Shares, including the Common Shares offered under this Prospectus. Listing is subject to the Company fulfilling all of the requirements of the Exchange on or before September 21, 2026.

As of the date of this prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited).

An investment in the Offered Units should be considered highly speculative due to the nature of the Company’s business, its present stage of development and other risk factors. Investors should not invest any funds in this Offering unless they can afford to lose their entire investment. Investors should consider an investment in the securities of the Company to be highly speculative and should review the risk factors outlined in “*Risk Factors*”.

The Company is not a related or connected issuer to the Agents (as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*). See “*Relationship between the Company and Agents*”.

The securities issuable to the Agents are as follows:

Agents’ Position	Maximum Size or Number of Securities Available	Exercise Period or Acquisition Date	Exercise Price
Agents’ Options ⁽¹⁾	975,000 Agents’ Options ⁽²⁾	Twenty-Four (24) months after the Closing Date	\$1.00

Corporate Finance Fee Shares ⁽³⁾	75,000 Corporate Finance Fee Shares	Closing Date	-
Over-Allotment Option ⁽⁴⁾	2,250,000 Offered Units	30 days after the Closing Date	\$1.00

Notes:

- (1) The Agents' Options are qualified for distribution under this prospectus. Assumes completion of the Maximum Offering. See "*Plan of Distribution*".
- (2) Assuming the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full, the Agents will receive an additional 146,250 Agent's Options, being 1,121,250 Agent's Options in total.
- (3) The Corporate Finance Fee Shares, if issued, are qualified for distribution under this prospectus.
- (4) The Common Shares and Warrants issuable upon exercise of the Over-Allotment Option are qualified for distribution under this prospectus. Assumes completion of the Maximum Offering. See "*Plan of Distribution*".

No person is authorized by the Company or the Agents to provide any information or to make any representations other than those contained in this prospectus in connection with the issue and sale of the securities offered pursuant to this prospectus.

**Haywood Securities Inc.
Suite 700, 200 Burrard Street
Vancouver, BC V6C 3L6
Telephone: (604) 697-7100
Facsimile: (604) 697-7499**

The following director resides outside of Canada. The director named below has appointed the following agent for service of process:

Name of Person	Name and Address of Agent
David Mes	O'Neill Law LLP Suite 704, 595 Howe Street Vancouver, BC V6C 2T5

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if the party has appointed an agent for service of process.

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GLOSSARY OF DEFINED TERMS

The following is a glossary of certain terms used in this Prospectus. Terms and abbreviations used in the financial statements of the Company may be defined separately and the terms defined below may not be used therein.

“Agency Agreement”	means the agency agreement dated June 25, 2026 between the Company and the Agents relating to the Offering.
“Agents”	means Haywood Securities Inc., ATB Capital Markets Corp., Beacon Securities Limited, Canaccord Genuity Corp. and Ventum Financial Corp.
“Agents’ Commission”	means the cash commission payable to the Agents equal to 6.5% of the aggregate gross proceeds of the Offering (other than on gross proceeds from the sale of Offered Units to persons on the “president’s list”, in respect of which the cash commission will be 2.5%).
“Agents’ Options”	means the non-transferable options to be granted to the Agents to purchase up to a number of Common Shares equal to 6.5% of the aggregate number of Offered Units sold under the Offering (other than Offered Units sold to persons on the “president’s list”, in respect of which no Agents’ Options will be issued) at the Offering Price, exercisable at any time up to the close of business 24 months from the Closing.
“BCA”	means the <i>Business Corporations Act</i> (British Columbia).
“Board”	means the Board of Directors of the Company.
“CAGR”	means the compound annual growth rate.
“Closing”	means the closing of the Offering.
“Closing Date”	means the date of Closing.
“Common Shares”	means the common shares in the capital of the Company and “Common Share” means any one of them.
“Company”	means Alchemy Labs Inc., a company incorporated under the laws of the province of British Columbia.
“Convertible Notes”	means the 12.0% unsecured convertible notes of the Company, maturing two (2) years after the date of issuance, bearing interest at a rate of 12.0% per annum, with principal and interest automatically convertible into Common Shares on the Listing Date at a price equal to \$0.75 (being 75% of the Offering Price).
“Corporate Finance Fee”	means the \$150,000 corporate finance fee, plus applicable taxes, payable to the Lead Agent if the aggregate gross proceeds of the Offering exceeds \$10,000,000, of which \$75,000 will be paid in cash and \$75,000 will be satisfied with the issuance of the Corporate Finance Fee Shares. The Corporate Finance Fee will be reduced by an amount equal to the Work Fee.
“Corporate Finance Fee Shares”	means the Common Shares issuable as payment for \$75,000 of the Corporate Finance Fee.
“Crypsis”	means the Company’s brand name of its nanoparticle-based TSM solutions for use in the defence industry.
“Crypsis Class”	means the Company’s defence sector division focused on the commercialization of the nanoparticle-based TSM solutions for use in the defence industry.
“Escrow Agreement”	means the NP 46-201 escrow agreement dated June 22, 2026 among the Transfer Agent, the Company and various Principals and shareholders of the Company.
“Exchange”	means the TSX Venture Exchange.
“IFRS”	means international financial reporting standards.
“Investor Relations Service Provider”	has the meaning set forth in the policies of the Exchange.
“Lead Agent”	means Haywood Securities Inc.
“Listing Date”	means the date on which the Common Shares of the Company are listed for trading on the Exchange.
“LWIR”	means long-wave infrared, being light in the 8 to 14 micrometer wavelength range.
“MWIR”	means mid-wave infrared, being light in the 3 to 5 micrometer wavelength range.
“NameSilo”	means NameSilo Technologies Corp.

"NameSilo Loan"	means that convertible loan advanced by NameSilo to the Company pursuant to the NameSilo Loan Agreement.
"NameSilo Loan Agreement"	means that convertible loan agreement between the Company and NameSilo dated effective December 18, 2024, as amended on February 4, 2025, March 25, 2025, May 22, 2025, June 10, 2025 and April 15, 2026.
"Neverfrost Canada"	means Neverfrost Inc., an Ontario corporation.
"Neverfrost Share Exchange Agreement"	means that share exchange agreement dated as of December 15, 2021 among the Company, Neverfrost USA and each of the shareholders of Neverfrost USA.
"Neverfrost USA"	means Neverfrost USA Inc., a Delaware corporation.
"NI 41-101"	means National Instrument 41-101 <i>General Prospectus Requirements</i> of the Canadian Securities Administrators.
"NP 46-201"	means National Policy 46-201 <i>Escrow for Initial Public Offerings</i> of the Canadian Securities Administrators.
"NI 52-110"	means National Instrument 52-110 <i>Audit Committees</i> of the Canadian Securities Administrators.
"NI 58-101"	means National Instrument 58-101 <i>Disclosure of Corporate Governance Practices</i> of the Canadian Securities Administrators.
"NIR"	means near-infrared, also known as short-wave infrared (" SWIR "), being light in the 1 to 3 micrometer wavelength range.
"NP 58-201"	means National Policy 58-201 <i>Corporate Governance Guidelines</i> of the Canadian Securities Administrators.
"NRE"	means non-recurring engineering.
"Offered Units"	means the units offered under this Prospectus, being comprised of one Unit Share and one-half of one Warrant.
"Offering"	means the offering of Offered Units at the Offering Price pursuant to this Prospectus.
"Offering Price"	means \$1.00 per Offered Unit.
"Over-Allotment Option"	means the option granted to the Agents to increase the size of the Offering by up to 15%, which will allow the Agents to offer up to an additional 2,250,000 Offered Units for additional gross proceeds of up to \$2,250,000 under the Offering.
"PET"	means polyethylene terephthalate.
"PPF"	means paint protection film.
"Principal" of an issuer means:	(a) a person or company who acted as a promoter of the issuer within two years before the prospectus; (b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the prospectus; (c) a 20% holder – a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's initial public offering; or (d) a 10% holder – a person or company that: (i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's initial public offering, and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.
"Prospectus"	means the final prospectus with respect to the Offering.
"Qualifying Jurisdictions"	means each of the provinces and territories of Canada other than Québec.
"Receipt"	means the receipt of the final prospectus.
"SEDAR+"	System for Electronic Document Analysis and Retrieval +.

“Stock Option Plan”	means the Company's stock option plan adopted on December 1, 2023, as amended and restated on March 17, 2026, providing for the granting of incentive options to the Company's directors, officers, employees and consultants in accordance with the rules and policies of the Exchange.
“Tax Act”	means the <i>Income Tax Act</i> (Canada) and the regulations thereunder.
“TPU”	means thermoplastic polyurethane.
“Transfer Agent”	means Endeavor Trust Corporation, located at 702-777 Hornby Street, Vancouver BC V6Z 1S4.
“TSM”	means thermal signature management.
“Unit Share”	means a Common Share comprising part of the Offered Unit under the Offering.
“VWAP”	means volume weighted average price.
“Warrant”	means a whole share purchase warrant entitling the holder to purchase one Warrant Share at a price of \$1.50 during the Warrant Term.
“Warrant Agent”	means Endeavor Trust Corporation, located at 702-777 Hornby Street, Vancouver BC V6Z 1S4.
“Warrant Exercise Price”	means the exercise price of each Warrant, being \$1.50 per Warrant Share.
“Warrant Share”	means a Common Share issuable upon exercise of a Warrant.
“Warrant Term”	means the period beginning on the date of issuance of a Warrant and ending at 5:00 pm (Vancouver time) on the date that is 24 months after the Closing Date, after which time the Warrants will expire and be void and of no value, subject to the Company's right to accelerate the Warrant Term.
“Work Fee”	means the \$15,000 monthly work fee, plus applicable taxes, payable to the Lead Agent for the period commencing December 16, 2025 and ending March 16, 2026.
“WPF”	means windshield protection film.

CURRENCY

All dollar amounts in this Prospectus are in Canadian dollars unless otherwise indicated, and all references to \$ in this Prospectus are to Canadian dollars unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its business. Forward-looking statements often, but not always, are identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, “targeting” and “intend” and statements that an event or result “may”, “will”, “should”, “could”, or “might” occur or be achieved and other similar expressions. Forward-looking statements in this Prospectus include statements regarding the Company’s future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a party, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual performance or achievements to differ materially from anticipate results, performance or achievements expressed or implied by such forward looking statements. The risks and uncertainties that affect forward-looking statements include, but are not limited to:

- our limited operating history;
- our negative operating cash flow and history of losses;
- our requirement for, and our ability to obtain, future financing on favorable terms or at all;
- an investment in the Company’s shares is highly speculative due to the nature of the Company’s business;
- our projected financial position and estimated cash burn rate;
- our ability to attract and retain key personnel;
- our ability to manage growth;
- our ability to continue as a going concern;
- consumer demand of our products;
- our ability to successfully develop, market and commercialize our products;
- our ability to protect against data and security breaches;
- our ability to successfully compete in our targeted markets;
- our ability to adequately protect proprietary information and technology from competitors;
- our ability on receiving the necessary regulatory approvals for our products.

A number of factors and assumptions could cause actual events, performance, or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Material factors and assumptions that could cause actual events, performance, or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain the Company as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development, and commercialization of our products;
- the ability of the Company to retain qualified personnel to continue the operation, development and/or upgrades to our products;
- the ability to generate market acceptance of the Company’s product suite; and
- the increase in operating costs resulting from additional development and commercialization costs and increased staff.

While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. Accordingly, readers should not place undue reliance on any such forward-looking information. Further, any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time, and it is not possible for the Company’s management to predict all of such factors and to assess in advance the impact of each such factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The Company does not undertake any obligation to update any forward-looking information to reflect information, events, results, circumstances or otherwise after the date hereof or to reflect the occurrence of unanticipated events, except as required by law including securities laws.

For a more detailed discussion of certain of these risk factors, see “*Risk Factors*”.

Investors are cautioned against placing undue reliance on forward-looking statements.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. This summary does not contain all of the information you should consider before purchasing the securities of the Company. You should read this entire Prospectus carefully, especially the “Risk Factors” section of this Prospectus and the financial statements and the notes thereto included in this Prospectus, before making an investment decision. Certain capitalized terms used in this summary are defined under “Glossary of Defined Terms”.

The Company: The Company was incorporated under the *Business Corporations Act* (British Columbia) (the “**BCA**”) on January 6, 2021 under the name of “Lawson West Capital Inc.” On December 31, 2022, the Company changed its name to “Alchemy Labs Inc.”.

The Company's registered office is located at 595 Howe Street, Suite 704, Vancouver, BC, V6C 2T5.

See “*Corporate Structure*”.

Business of the Company: The Company is a nanotechnology company that is in the business of researching, developing and commercializing protective nanocomposite coatings for the automotive and defence markets.

The Company has developed and brought to market a range of windshield protection film (“**WPF**”) and paint protection film (“**PPF**”) products for sale to the automotive industry and is commercializing its thermal signature management solutions for use in the defence industry leveraging its proven TSM technology.

See “*Narrative Description of the Business*”.

Listing: The Company has applied to have the Common Shares listed on the Exchange. Listing of the Common Shares on the Exchange is subject to the Company fulfilling all of the requirements of the Exchange.

See “*Plan of Distribution*”.

Offering: The Company is offering a minimum of 10,000,000 Offered Units and a maximum of 15,000,000 Offered Units at a price of \$1.00 per Offered Unit (the “**Offering Price**”) for minimum gross proceeds of \$10,000,000 and maximum gross proceeds of \$15,000,000 (subject to exercise of the Over-Allotment Option).

Each Offered Unit consists of one Unit Share and one-half of one Warrant of the Company. Each Warrant will entitle the holder to purchase one Warrant Share at a price of \$1.50 during the Warrant Term.

At any time following the 12-month anniversary of the Closing Date, if the VWAP of the Common Shares on the Exchange exceeds \$3.00 for 20 consecutive trading days, the Company may, within 20 days following such occurrence, deliver a notice to the holders thereof accelerating the expiry date of the Warrants to a date that is 30 days after the date of such notice.

This Prospectus qualifies the distribution of the Offered Units, Units Shares, Warrants and Warrant Shares under the Minimum Offering, the Maximum Offering and the Over-Allotment Option and the Common Shares issuable under the Agents’ Options.

See “*Plan of Distribution*”.

Over-Allotment Option: The Company has granted the Agents an option to cover over-allotments, which will allow the Agents to increase the size of the Offering by up to 15% for up to an additional 2,250,000 Offered Units for additional gross proceeds of up to \$2,250,000 (assuming the full exercise

of the Over-Allotment Option). The Over-Allotment Option may be exercised in whole or in part any time 30 days after the Closing Date of the Offering.

See “Plan of Distribution”.

Agents' Commission and Fees:

The Company will pay the Agents a cash commission equal to 6.5% of the total gross proceeds of the Offering (other than on gross proceeds from the sale of Offered Units to persons on the “president's list”, in respect of which the cash commission will be 2.5%) (the “**Agents' Commission**”). In addition to the Agents' Commission, the Company will issue to the Agents the Agents' Options to purchase up to that number of Common Shares that is equal to 6.5% of the aggregate number of Offered Units sold under the Offering (other than Offered Units sold to persons on the “president's list”, in respect of which no Agents' Options will be issued) at the Offering Price for a period of 24 months from the Closing Date.

If the total gross proceeds of the Offering exceeds \$10,000,000, the Company has also agreed to pay to the Lead Agent a Corporate Finance Fee of \$150,000 plus applicable taxes (the “**Corporate Finance Fee**”). \$75,000 of the Corporate Finance Fee is payable in cash, with the remaining \$75,000 payable by the issuance of Common Shares (the “**Corporate Finance Fee Shares**”) at the Offering Price. The Corporate Finance Fee will be reduced by an amount equal to the Work Fee.

The Company has also agreed to pay for all reasonable expenses of the Agents in connection with the Offering.

See “Plan of Distribution”.

Use of Proceeds:

The net proceeds to the Company are anticipated to be approximately \$8,902,200 under the Minimum Offering and \$13,577,200 under the Maximum Offering after deduction of the expenses of the Offering, which are anticipated to be approximately \$1,097,800 under the Minimum Offering and \$1,422,800 under the Maximum Offering. If the Over-Allotment Option is exercised in full, the total net proceeds to the Company are anticipated to be approximately \$15,680,950.

As of May 31, 2026, being the most recent month end prior to the date of this Prospectus, the Company had working capital of approximately \$1,989,877, which amount assumes conversion of outstanding principal amount and accrued interest of the Convertible Notes and the NameSilo Loan. Together with the aggregate net proceeds from the Offering, the Company expects to have available funds, and intends to use its estimated available funds during the following 12 months, as follows:

Principal Purpose ⁽¹⁾	Minimum Offering (\$)	Maximum Offering (\$)
Facility Upgrades for ExoShield Ultra Production	1,000,000	1,000,000
Facility Upgrades for Crypsis products	800,000	800,000
Product Development for ExoShield	600,000	1,000,000
Additional In-Process Research and Development for Crypsis products	1,200,000	2,300,000
New Hires for Increased Production and Development	2,000,000	4,500,000
Sales and Marketing	1,000,000	1,500,000
Purchase of Additional Inventory ⁽²⁾	400,000	400,000
Operations and Engineering Expense ⁽³⁾	1,200,000	1,200,000
Estimated General and Administrative Expenses for the Next 12 Months	1,693,000	1,693,000
Unallocated Working Capital	999,077	1,174,077
Available Funds:	10,892,077	15,567,077

Notes:

- (1) See “*Business Objectives and Milestones*”.
- (2) The Company intends to increase its inventory of its PET products by approximately \$400,000 in order to mitigate any supply issues.
- (3) Operations and engineering expense includes costs associated with the operating the Company’s facility and customer service matters.

The Company intends to spend the funds available as stated in this Prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

See “*Use of Available Funds*.”

**Summary of
Financial
Information:**

The following table sets out selected information for and as of the periods indicated. The financial information is derived from the Company’s audited consolidated financial statements for the years ended December 31, 2025, December 31, 2024 and December 31, 2023 and the Company’s unaudited consolidated interim financial statements for the periods ended March 31, 2026 and 2025, which are included in this Prospectus. The following financial information should be read in conjunction with the Company’s consolidated financial statements for the years and period so ended, and the related MD&As included in this Prospectus as Schedules “A” and “B”.

Risk Factors:

Fiscal Years Ended December 31

	2025 (audited) (\$)	2024 (audited) (\$)	2023 (audited) (\$)
Total revenues	1,632,867	2,265,418	2,062,182
Gross Profit	56,673	570,994	448,138
Operating Loss	(4,023,155)	(2,872,082)	(2,000,451)
Comprehensive loss	(5,441,229)	(2,930,554)	(2,085,520)
Total assets	8,036,477	2,540,283	2,204,808
Total liabilities	12,003,972	1,443,610	1,001,729

Interim Period Ended March 31

	2026 (unaudited) (\$)	2025 (unaudited) (\$)
Total revenues	400,253	622,527
Gross Profit	138,687	227,789
Operating Loss	(1,233,920)	(894,526)
Comprehensive loss	(1,897,705)	(967,711)
Total assets	7,127,861	
Total liabilities	12,759,923	

An investment in the Company’s securities should be considered highly speculative, and investors may incur a loss on their investment. The Company has no history of operations, success, revenue or earnings. An investment in the Company’s securities is suitable only for those knowledgeable and sophisticated investors who are willing to risk loss of their entire investment. Investors should consult with their professional advisors before making an investment in the Company’s securities.

There are risks associated with an investment in the Company’s securities include, but are not limited to, the Company still being in the phase of developing its products, competition, capital requirements, access to capital markets, the limited operating history and negative cash flow of the Company, governmental regulations, investments in the securities of the Company being speculative, market responses to publicity relating to the Company or its

products, vulnerability to market changes, product liability claims against the Company, the ability of the Company to obtain satisfactory results in its efforts to commercialize and market its research and development, the Company's dependency on third-party sellers, potential conflicts of directors and officers, unexpected operating expenses, costs for legal and financial compliance, adequacy of disclosure controls and procedures and internal controls over financial reporting, and the other factors discussed under "Risk Factors". In assessing the risks of an investment in the Company's securities, investors must rely upon the ability and integrity of the management of the Company. Investors should read this entire Prospectus and consult their own professional advisors to assess the income tax, legal, risk and other aspects of an investment in the Company's securities.

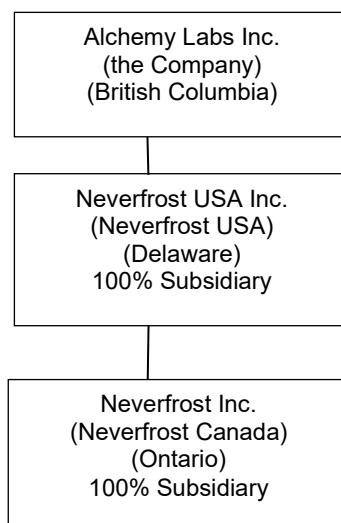
See "*Risk Factors*".

CORPORATE STRUCTURE

Name and Incorporation

The Company was incorporated under the *Business Corporations Act* (British Columbia) on January 6, 2021 as “Lawson West Capital Inc.” On December 31, 2022, the Company changed its name to “Alchemy Labs Inc.” The Company's registered and records office is located at Suite 704, 595 Howe Street, Vancouver, BC, V6C 2T5, Canada. The Company's head office is located at 265 Breithaupt Street, Unit 5, Kitchener, Ontario, N2H 5H3, Canada.

Inter-corporate Relationships



The Company has two subsidiaries: Neverfrost USA Inc., incorporated under the laws of the State of Delaware, USA and Neverfrost Inc, incorporated under the laws of Ontario. All of the outstanding shares of Neverfrost Inc. are owned by Neverfrost USA Inc. and all of the outstanding shares of Neverfrost USA Inc. are owned by the Company.

On December 31, 2022, the Company acquired all of the issued and outstanding securities of Neverfrost USA Inc. and, in consideration of which, the Company issued a total of 17,500,000 Common Shares to the former shareholders of Neverfrost USA Inc. (the “Neverfrost Transaction”).

GENERAL DEVELOPMENT OF THE BUSINESS

The Company is a nanotechnology company that is in the business of researching, developing and commercializing protective nanocomposite coatings for the automotive and defence markets.

Nanocomposite coatings are engineered to provide cost-effective functional surface coatings. The unique characteristics of nanocomposite coatings include enhanced mechanical strength, weight reduction, improved barrier properties as well as increased heat, wear, and impact and scratch resistance. The Company has utilized nanocomposite materials to research, develop and bring to market products in windshield protection, paint protection and thermal signature camouflage.

Two Year History

Business Activities

In 2023, the Company expanded its product offering of nanocomposite coatings from ExoShield GT3+ by adding ExoShield Ultra, a windshield protection film (WPF), and ExoShield Mach, a paint protection film (PPF). With the addition of ExoShield Ultra and ExoShield Mach, the Company's product offerings increased to two WPF products, one installed by professional installers and one installed through a DIY kit, and one PPF product. As a result, the Company's total revenues increased from \$1,361,075, in fiscal 2022 (unaudited), to \$2,062,182, in fiscal 2023 (audited).

In 2024, the Company added a third WPF product called ExoShield Sprint, which is a TPU based film. Similar to ExoShield GT3+, ExoShield Sprint is to be installed by professional installers. The Company recorded an increase in revenue of \$2,265,418 in fiscal 2024 (audited) when compared to fiscal 2023 and recorded initial sales of its new product ExoShield Sprint.

Financing Activities

Between November 30, 2023 and September 9, 2024, the Company issued a total of 3,461,914 Common Shares at a price of \$0.85 per share on a private placement basis for total gross proceeds to the Company of \$2,942,626.90.

On October 16, 2024, the Company sold 1,176,470 units (each a “Unit”) at a price of \$0.85 per Unit on a private placement basis for total gross proceeds to the Company of \$999,999.50. Each Units consisted of one Common Share and one Common Share purchase warrant exercisable at a price of \$0.85 per share (the “**2024 Warrants**”), expiring on the later of (i) 18 months from the date of issuance, and (ii) 6 months following the Listing Date.

On December 18, 2024, the Company entered into the NameSilo Loan Agreement with NameSilo. Pursuant to the terms of the NameSilo Loan, NameSilo advanced to the Company a total of \$1,350,000 between December 18, 2024 and June 10, 2025. The amounts advanced by NameSilo are unsecured, bear interest at a rate of 12% per annum and mature on December 18, 2026. NameSilo may, at any time prior to the repayment of the NameSilo Loan, convert the principal amount outstanding under the NameSilo Loan and any accrued and unpaid interest thereon, into Common Shares at price of \$0.75 per share (being 75% of the Offering Price). In addition, the Company paid to NameSilo a total commitment fee of \$40,500, paid in Common Shares at a deemed price of \$0.85 per share for a total of 47,645 Common Shares. On April 15, 2026, the Company and NameSilo entered into an amendment agreement whereby the entire principal amount outstanding under the NameSilo Loan and any accrued and unpaid interest thereon, will be automatically convertible into Common Shares at \$0.75 per share on completion of the Listing.

Between July 17, 2025 and October 10, 2025, the Company issued Convertible Notes in the aggregate principal amount of \$6,501,000. The Convertible Notes are unsecured, bear interest at a rate of 12% per annum and mature two (2) years from the date of issuance. Upon completion of the Listing, the Convertible Notes, plus all accrued and unpaid interest thereon will be automatically converted, for no additional consideration into Common Shares at a price of \$0.75.

On April 16, 2026, in connection with the exercise of the 2024 Warrants, the Company issued 1,176,470 Common Shares at a price of \$0.85 per Common Share for gross proceeds of \$999,999.50.

Corporate Activities

Since January 1, 2023, the Company has experienced the following changes in officers and directors:

- On March 28, 2023, the Company appointed Douglas Lawson as the Chief Financial Officer of the Company.
- On October 27, 2023, Chong Shen resigned as a director of the Company.
- On September 24, 2024, the Company appointed David Mes as a director of the Company.
- On August 1, 2025, the Company appointed Rahul Petkar as a director of the Company.
- On March 25, 2026, Peter Hatges and Michel-Henri St-Louis were elected as directors of the Company.

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

The Company is a nanotechnology company based in Kitchener, Ontario that is researching, developing and commercializing protective nanocomposite coatings for the automotive and defence markets.

Nanocomposite coatings are engineered to provide cost-effective functional surface coatings. The unique characteristics of nanocomposite coatings include enhanced mechanical strength, weight reduction and improved barrier properties, as well as increased heat, wear, impact and scratch resistance.

The Company's automotive division offers a range of windshield protection film (“**WPF**”) and paint protection film (“**PPF**”) products marketed under the ExoShield tradename. The Company's defence unit products, marketed under the Crypsis tradename, are focused on commercializing nanoparticle-based thermal signature management (“**TSM**”) solutions for

use in the defence industry.

Automotive Solutions - ExoShield

The Company currently offers a range of windshield protection film and paint protection film products under the ExoShield brand name.

Windshield Protection Products

Windshield damage can be a significant source of maintenance and repair costs associated with owning and operating motor vehicles. The costs of windshield replacement are exacerbated by modern advanced driver assistance systems (“**ADAS**”). When the windshield of a vehicle with front ADAS needs to be replaced, a recalibration of the ADAS system is generally required, contributing to higher windshield repair costs. Utilizing the Company’s WPF products can help reduce these costs by adding a protective layer to a vehicle’s windshield. In addition to providing stronger protection against damage, WPF products can be cheaper and quicker to install and replace than replacement of the entire windshield.

The Company currently offers 3 WPF products designed to give superior impact and abrasion resistance while maintaining high optical clarity and durability.

- (a) *ExoShield GT3+*: ExoShield GT3+ (“**GT3+**”) is the Company’s fourth generation WPF technology and our highest quality WPF. GT3+ is a PET based film that incorporates the Company’s proprietary nanoceramic hard-coat. GT3+ is virtually invisible once installed. GT3+ is designed for installation by professional installers. Using the Company’s Endurance Class nanocoating technology with stronger bonds between film layers, GT3+ has virtually no delamination risk, requires no regular maintenance, and offers high impact and abrasion resistance, high UV stability, and a longer usable lifetime.
- (b) *ExoShield Ultra*: ExoShield Ultra utilizes the same fourth generation WPF technology as our GT3+, but is custom designed for vehicle specific windshields. Like GT3+, ExoShield Ultra is a PET based film that offers the same nanoceramic hard-coat, clarity, UV stability and low delamination risk as GT3+. Thicker than the GT3+, ExoShield Ultra is ideal for heavy duty glass and offers higher impact resistance and durability than GT3+. ExoShield Ultra is offered in DIY kits specifically designed for specific vehicles and can be installed in less than 1 hour by the vehicle owner. Beginning in April 2026, the Company began offering ExoShield Ultra Pro kits, designed for installation by professional and industrial installers.
- (c) *ExoShield Sprint*: ExoShield Sprint is a TPU based film designed for weekend drivers and specialty track vehicles. Designed to be used by professional installers, ExoShield Sprint offers a quicker installation time than the GT3+, but has a shorter life expectancy (up to 12 months) than GT3+ and ExoShield Ultra (up to 36 months).

GT3+ and ExoShield Sprint are designed for professional installation and are sold to detailing and other automotive care providers. ExoShield Ultra is currently offered in DIY and Pro kits for specific vehicle models and are sold directly by the Company to consumers.

Paint Protection Products

The Company currently offers 2 PPF products that apply the Company’s expertise to protecting a vehicle’s paint.

- (a) *ExoShield Mach 12*: ExoShield Mach 12 is a premium, high-gloss, durable PPF that not only restores paint to a “like-new” brilliance, but also provides formidable protection, stain resistance and hydrophobicity.
- (b) *ExoShield Mach S*: ExoShield Mach S is a satin PPF that provides a sleek matte finish designed to complement the vehicle’s original equipment manufacturer (“**OEM**”) matte paint or transform a glossy finish. Utilizing the latest in self-healing technology, ExoShield Mach S mends minor scratches when exposed to heat, and provides long lasting defence against rock chips, scruffs and daily wear.

ExoShield Mach 12 and ExoShield Mach S are designed for professional installation and are sold to detailing and other

automotive care providers.

Training Services and Support

Quality and efficient installations are key to success with all WPF and PPF products. As a result, the Company provides its aftermarket business partners and customers with training programs to educate them on how to install the Company's WPF and PPF products. For example, the Company has created a "Mastering ExoShield WPF" program, which offers a full suite WPF training program for installers. Led by the Company's technical team and trainers, the Company's training programs provide professional installers with hands-on practice on how to install and service the Company's ExoShield products.

Current Stage of Development

The technical development of the Company's current automotive product is complete. In addition, commercialization of all of its WPF and PPF products is substantively complete as it is currently producing and selling all models of its WPF and PPF products. The Company is continuing to work on gaining further market penetration and adoption of its automotive products by validating the quality and durability of its WPF and PPF products as compared to the products of competitors.

The Company currently only markets and sells its pre-molded Ultra WPF product for a limited number of automobile models. Over the next 12 months the Company will seek to buy additional manufacturing equipment to enable it to produce and sell Ultra WPF products for an expanded number of automobile models.

In addition to the above, the Company is engaged in continuous efforts to improve the quality and durability of its products by developing and testing different nanoparticle and chemical formulations.

Defence Solutions – Crypsis Class

The Company's defence solutions division, "Crypsis Class", is focused on commercializing nanoparticle-based TSM solutions for use in the defence industry. The Company's Crypsis nanoparticles deliver lightweight, passively adaptive and long lasting thermal camouflage solutions.

Every object emits thermal infrared ("**TIR**") radiation. Thermal cameras and sensors can both detect and target humans and assets on the battlefield. Traditional camouflage patterns effectively mask visible signatures to avoid enemy detection but fail to provide protection against thermal cameras and sensors. All humans and equipment emit TIR, making them susceptible to electronic detection.

The Company's patent-pending Crypsis nanoparticle technology behaves like nanoscale thermal mirrors, reflecting incident thermal radiation from the surrounding environment in a diffused manner to adaptively blend into the environment. In addition, thermal radiation emitted by the subject asset is reflected back inwards, towards the subject, and reducing its thermal signature.

The Company's Crypsis technology uses a novel nanoparticle architecture that achieves superior broad-spectrum thermal concealment, while remaining light and breathable. Designed as a modular additive, the technology is compatible with a range of manufacturing processes and substrates, including textiles, paints and films. The process also employs a drop-in production mode, that enables high-volume deployment without significant retooling.

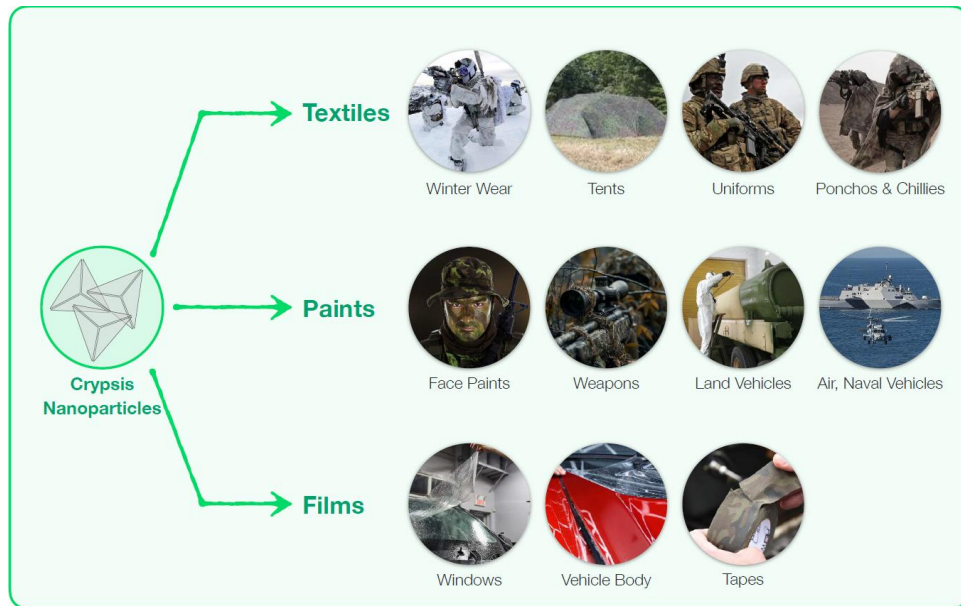


Figure 1. Crypsis Coatings Applications

The key principles of the Company's Crypsis Class coatings include:

- Diffuse reflectance of incident thermal radiation, allowing Crypsis coated materials to blend naturally into their surroundings.
- Reduced emissivity to minimize the apparent temperature difference between an object and its surroundings.
- Lightweight and breathable materials to preserve user comfort and operational practicality.

Crypsis coatings are scalable and can be integrated across a broad range of applications, including:

- Coated textiles, including ponchos, uniforms, rain gear, winter wear, tents, bags and boots.
- Paints and sprays, including face paints and paint coatings on weapons systems and vehicles.
- Films and laminates, for use on windows, windshields, sensor housings and vehicle bodies.

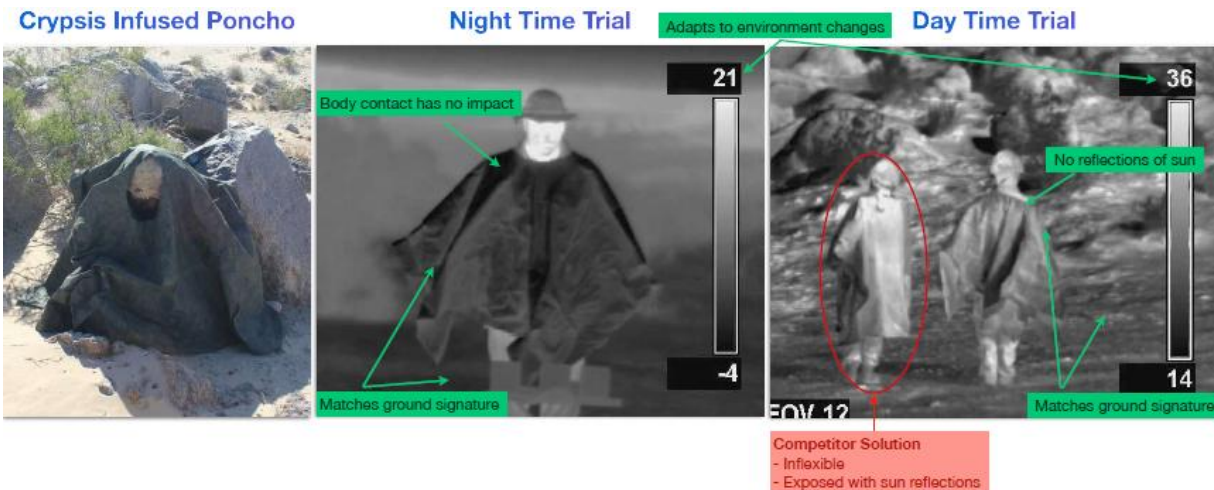


Figure 2. Image of a Crypsis Trial with DND

Note: Image provided to the Company by DND and red and green commentary written by the Company. The Company further notes that the image "Day Time Trial" displays a picture of the Company's product and a picture of the competitor product. Each of the Company and the competitor's product is in the same position. However, the competitor's product reflects more sun than the Company's product.

The use of the Company's Crypsis technology in coated textiles has been developed and field validated in cooperation with the Canadian Department of National Defence ("DND") over 6 years. In total, the Company has completed four

trials of its Crypsis technology with DND. Upon completion of the four trials, DND issued a report card on the Company's Crypsis solution for reducing visual and infrared detection of soldiers and vehicles. The Company's Crypsis solution was evaluated based on 5 criteria:

- (1) Whether the proposed solution demonstrated advancement in solution readiness level (SRL);
- (2) Whether the proposed solution was scientifically and/or technically sound and based on state-of-the art thinking and practice within the methodological field;
- (3) Whether the proposed solution was novel and innovative compared to known existing solutions;
- (4) Whether the proposed solution will create impact by addressing a critical barrier or gap and/or enhancing development of scientific and/or technical capability and/or mature concepts, methods or technologies that drive the field; and
- (5) Whether the proposed solution can be developed feasibly and the approach is adequately developed.

The DND scored the Company's Crypsis solution 95 out of a possible 100, awarding full marks in all areas except criteria 5, where Crypsis was given a score of 10 out of a possible 15. The DND noted that the Crypsis solution was feasible but that additional confirmation was required from Canadian Armed Forces (CAF) stakeholders to confirm feasibility of integrating Crypsis with CAF camouflage.

Other applications, such as vehicle coatings, films and paints, remain in early-stage development. The Company's current Crypsis development efforts are conducted as partner funded NRE development projects aimed at integrating the Company's technologies with existing products for the specific application.

NRE arrangements are development projects funded by a development partner such as a government agency or supply primes or sub-primes. For example, the DND's IDEaS (Innovation for Defence Excellence and Security) program provides funding from the DND for the purpose of developing innovations for use in Canada's national defence.

During the early stages of developing applications for its Crypsis technology, the Company will continue to engage with government funding projects such as IDEaS to fund initial design, experimentation and validation of the Company's technology for particular application. As an application of our Crypsis technology progresses towards operational readiness, the Company expects to seek out NRE arrangements with defence prime and sub-prime contractors that supply existing products to defence agencies in the field of application. Defence primes are primary contractors responsible for delivering defence related products to the applicable government. Defence sub-primes are sub-contractors that act as suppliers to defence primes.

The Company's commercialization of specific applications of its Crypsis technology will be as an enabling technology provider to defence primes or sub-primes rather than a direct supplier to end users. In particular, the Company intends to act as a supplier of nanoparticle coatings to manufacturers of the particular products integrating the Company's technology. However, for applications within the Company's area of expertise, for example WPF and PPF products that may integrate Crypsis, the Company may consider acting as the end product supplier.

From 2020 to 2023, the Company demonstrated the initial application of its technology in funded NRE projects totaling approximately \$1.2M with the DND under its IDEaS program. Currently, the Company has submitted a project proposal for an additional \$2.0 million project through the IDEaS program for advancing a thermal signature management solution. This project proposal is a continuation of the previous project conducted by the Company through IDEaS. The work under this contract is anticipated to begin once approved by the appropriate regulatory bodies within the Government of Canada. In order to be funded, the NRE project will need to be approved by DRDC Valcartier, which approves the technical components, the Directorate of Land Requirements, which approves the overall project plan, DRDC IDEaS, which is the program administrator, and PSPC, being the government's procurement body. The Company is not provided with any visibility into which departments have approved the project and where the approval process stands. The Company is unaware of any additional contingencies or uncertainties associated with the award of this NRE project. Given the success of the previously funded NRE project, the Company anticipates it will receive approval in the second half of 2026.

In December 2025, the Company was added to the DIANA 2026 cohort of companies under the Operations in Extreme Environments Challenge. DIANA (Defence Innovation Accelerator for the North Atlantic) is a program developed by the North Atlantic Treaty Organization (NATO) to nurture dual-use (military and commercial) technologies across the NATO Alliance. In addition, in January 2026, the Company was awarded a grant of \$169,000 under the Defence Research and Development Canada Program: Funding for Canadian Innovators and Accelerators of DIANA (FCIA – DIANA). This grant was awarded by FCIA DIANA in connection with the Company's addition to the DIANA cohort and is unattached

to any specific project development efforts or milestones. DIANA works by running competitive industry challenges on an annual basis. Each challenge is based on a critical defence and security problem and asks innovators to develop dual-use (military/defence and commercial uses) technologies to help solve those problems. DIANA cohort members receive non-dilutive funding by way of one-time grants of EUR 100,000 and are able to seek additional funds for testing, evaluation, validation and verification activities through competitive bid processes. In addition, DIANA provides access to accelerator sites and test centres, and access to scientific, engineering, industry, end-user and government procurement contacts. DIANA also assists cohort members by connecting them to end-user NATO defence ministries through its Rapid Adoption Service. Through the NATO DIANA program, the Company is able to engage in discussions with other NATO allies regarding potential Crypsis and ExoShield integrations.

The use of the Company's Crypsis technology in coated textiles has progressed past the testing and validation phase and has progressed towards commercialization. The Company has entered into an NRE agreement with a leading supplier of garments to the U.S. Department of War (DOW), for the development of Crypsis Class coated outerwear, targeting production and deployment in 2026. Under this NRE agreement, the Company and the supplier will work together to integrate the Company's Crypsis Class technology into outerwear produced, marketed and sold by the supplier to the DOW. Under the NRE agreement, the garment producer will produce limited test runs integrating Crypsis with its garment fabrics then will produce a limited test run of ponchos integrating Crypsis that will be submitted to the DOW for validation and final approval. The Company has commenced activities under this NRE agreement and it is for approximately US \$320,000.

Separate from its Crypsis projects, the Company has also entered into an NRE agreement for approximately \$20,000 with a component manufacturer for the C-130 Hercules aircraft, targeting the use of the Company's ExoShield Ultra films on select windows of C-130 Hercules aircraft. The Company has commenced activities under this NRE agreement.

The Company is also engaged in discussions with various Canadian, European, and United States government organizations and defence companies regarding Crypsis and ExoShield Ultra integrations.

Current Stage of Development

The integration of the Company's Crypsis nanoparticle formulation on coated textiles has been proven in field tests conducted in cooperation with the DND.

The Company is now engaged in efforts to commercialize the production of garments integrating its Crypsis nanoparticle formulation in cooperation with a lead supplier (the "Supplier") of garments to the DOW. Through the Company's NRE arrangement with the Supplier, the Company and the Supplier are working on validating the commercial application of Crypsis on garments to be supplied to the DOW. Under its arrangement with the Supplier, the Company will supply its nanoparticle formulation to the Supplier who will apply that formulation to textiles used by Supplier to produce garments for the DOW. The Supplier will pay for all costs relating to textile fabrication, setting up production lines and logistics. The Company will supply the nanoparticle coatings and technical support. The Company will continue to own all intellectual property rights relating to the nanoparticle formulation used in the production of garments under this arrangement. Upon commercial validation of the Crypsis coated garments, the Company and the Supplier will negotiate in good faith on a commercial agreement for the commercial manufacture and supply of Crypsis coated garments.

Other applications of its Crypsis nanoparticle coatings are in the early stage development and testing.

Market Overview

Automotive

According to the research report by Market Research Future, "Automotive Windshield Market Research Report Information By Position (Front, Rear), By Glass Type (Tempered, Laminated), By Vehicle Type (Passenger Cars, Light Commercial Vehicles, Heavy Commercial Vehicles), And By Region (North America, Europe, Asia-Pacific, And Rest Of The World) –Market Forecast Till 2035" the size of the automotive windshield market is expected to grow to US\$34.8 billion by 2035.¹

Several factors are crucial to the market's growth. These include the increasing adoption of advanced automotive windshields, driven by technological innovations that enhance safety and performance. Additionally, there is a significant

¹ <https://www.marketresearchfuture.com/reports/automotive-windshield-market-4956?>

emphasis on lightweighting in the automotive sector, which improves fuel efficiency and reduces emissions. The rising demand for automotive windshields from the EV industry is also a key driver, as electric vehicles (“EVs”) continue to gain popularity. This demand is fueled by the need for specialized windshields that cater to the unique requirements of EVs, such as enhanced durability and energy efficiency. An additional factor driving the demand for optical transparency and clarity in the glass coating market is the increasing use of ADAS (“Advanced Driver Assistance Systems”) in the automotive industry. ADAS requires clear and high-quality glass to ensure accurate detection and interpretation of signals, which can prevent accidents and improve overall driving safety. The global ADAS market is expected to grow at a CAGR of 17.8% to 2034, which is expected to fuel the demand for glass coatings that enhance optical clarity.²

Defence

Today, the modern battlefield is under constant thermal surveillance, and the thermal exposure envelope is both substantial and unforgiving. The widespread use of low-cost drones affixed with thermal sensors in many theatres of conflict has made thermal camouflage or “signature management” an urgent priority for most, if not all, arms of most government militaries. In 2019, the U.S. Army’s PEO Soldier and the Marine Corps Systems Command identified SWIR and LWIR signature mitigation, with a prioritization on combat uniforms and load carriage items, as focusses of future development and deployment efforts.³ In 2024, PEO Soldier and the Marine Corps Systems Command again identified signature management and spectral mitigation as a point of emphasis for future efforts and needs.⁴ Across NATO and most non-NATO Allied countries, it is estimated that there are over 18 million soldiers⁵ and 80,000 vehicles⁶ at risk from thermal detection resulting in a market opportunity for this type of solution/technology. Thermal camouflage is now recognized as a top NATO priority under survivability and concealment programs.⁷

Production

The Company’s automotive products are manufactured by third party manufacturers contracted by the Company. ExoShield Ultra products are custom molded by the Company at its facility in Kitchener, Ontario. PET films used in this process are purchased from third party contract manufacturers and then molded using the Company’s patent pending manufacturing process to customize the fit to particular vehicle models. If the Offering is completed, the Company intends to expand its ExoShield Ultra production capabilities by purchasing additional machinery and equipment for its manufacturing process.

The Company engages well established third party contract manufacturers to produce PET films that integrate the Company’s nanoparticle formulations. The Company’s current PET manufacturers are based in the United States and consist of a Fortune 500 company and a medium sized company, each with expertise in roll-to-roll contract manufacturing. The manufacturers are provided with the Company’s nanoparticle coatings with detailed instructions on the quality standards required for the Company’s PET products. The Company believes that two manufacturers provides sufficient insulation against shortages or delays that may arise from one manufacturer. In addition, the Company plans to increase its PET inventory in order to mitigate supplies issues that may simultaneously occur with both manufacturers.

² <https://www.gminsights.com/industry-analysis/adas-market>

³ U.S. Army Combat Capabilities Development Command – Soldier Center, Changes to Camouflage Spectral Reflectance Requirements – Session 18, <https://www.dla.mil/Portals/104/Documents/TroopSupport/CloTex/Changes%20to%20Camo.pdf?ver=2019-11-21-111440-410>

⁴ U.S. Army PEO Soldier, Project Manager Soldier Survivability, “Joint Advanced Planning Brief to Industry”, November 20, 2024, <https://www.dla.mil/Portals/104/Documents/TroopSupport/CloTex/2024/Army%20Update.pdf?ver=NDYmLeTrGilObugBQNxqpW%3d%3d>; U.S. Marine Corps. Systems Command, Program Manager, Combat Support Systems, “Joint Advanced Planning Brief for Industry Program Manager”, November 19-21, 2024, <https://www.dla.mil/Portals/104/Documents/TroopSupport/CloTex/2024/Marine%20Corps%20Update.pdf?ver=cgdSqDpxH7ySnYnpZZOYBg%3d%3d>

⁵ Consists of approximately 7,275,860 active personnel and 10,732,850 reserve personnel. <https://www.iiss.org/publications/the-military-balance/the-military-balance-2021>.

⁶ Consists of approximately 47,900 artillery and 31,342 tanks. <https://www.iiss.org/publications/the-military-balance/the-military-balance-2021>

⁷ See e.g. Canadian Department of National Defence, Competitive Projects, “Now you see me, now you don’t – reducing visual and infrared detection of soldiers and their vehicles”, December 3, 2024, <https://www.canada.ca/en/department-national-defence/programs/defence-ideas/element/competitive-projects/challenges/now-you-see-me-now-you-dont-reducing-visual-infrared-detection.html>

There are a number of roll-to-roll contract manufacturers throughout Canada and the United States to manufacture the PET products.

In 2025, the Company experienced product quality issues with its contract manufacturers of ExoShield GT3+ and Ultra PET products. In one instance, the abrasion resistance of ExoShield GT3+ and Ultra were below the Company's specifications. In the second instance, the manufacturer had optical defects in the production. Once realized, the Company resolved the issues with the contract manufacturers resulting in the products meeting the specifications of the Company. As a result of the product quality issue, the Company's inventories were lowered resulting in a deferral of purchase orders. In order to mitigate the effects of such issue going forward, the Company intends to increase its inventory levels of its PET products.

In response to the product quality issues, the Company implemented the following key measures: (i) establishing bi-weekly operational meetings with its manufacturers to review product volumes, demand forecasts, quality performance and potential supply risks, (ii) implementation of a rolling twelve month forecast to provide improved visibility of future demand and supply capacity; (iii) formalization of a sales, inventory and operations planning process to align demand forecasts, inventory requirements and production capacity, (iv) routine inventory monitoring, and (v) establishment of procedures to address production quality or supply concerns.

The Company's current TPU manufacturers are based in Asia and consists of two medium sized companies each with expertise in roll-to-roll contract manufacturing. These manufacturers produce the Company's TPU products based on detailed specifications provided by the Company. The category of TPU products purchased from these manufacturers are readily available from a variety of other manufacturers. Accordingly, the Company can readily find a substitute in the event there is a disruption from these manufacturers.

Nanoparticle formulations are produced by a separate well established third party contract manufacturer in accordance with the Company's specifications.

For the Company's automotive products, liquid formulations containing the nanoparticles are applied to PET films by the third party contract manufacturer in order to produce its ExoShield GT3+ and Ultra WPF. PET and TPU films (ExoShield GT3+, Ultra and ExoShield Sprint) are supplied in large rolls of approximately 50-100 ft that are delivered to the Company's facility in Kitchener, Ontario. The Company then packages the films for sale to its customers. Some rolls and pre-packaged products are stored at a third-party warehouse located in the United States. In the case of ExoShield Ultra, PET films are further processed by custom molding them at the Company's facility in Kitchener, Ontario.

For its defence related products, it is anticipated that the Company will enter into arrangements with third party manufacturers where the Company's technologies are integrated with the finished product produced by the relevant manufacturer. The Company currently utilizes a single third party contract manufacturer to produce the nanoparticle formulations, which will then be shipped to the end product manufacturer. The Company will work with the end-product manufacturers to integrate the Company's nanoparticle formulations into the target materials for each application of its technology.

The Company's Crypsis nanoparticle manufacturer is a Fortune 500 company, based in the United States, with nearly 20 years' experience. Specifications for the Crypsis nanoparticles are developed by the manufacturer and the Company. While the Company believes the risk of disruption to production is low given past performance, the Company is exploring the potential to diversify the type of and/or composition of nanoparticle thereby increasing options for manufacturing. In the future, the Company may seek to implement a toll manufacturing arrangement for the Crypsis nanoparticles in Canada. Under a toll manufacturing arrangement, the Company would work with its existing U.S.-based manufacturer and a Canadian toll manufacturer to produce the Crypsis nanoparticle formulation. The Company would be responsible for sourcing all raw materials and specifications for producing the Crypsis nanoparticles, while the U.S.-based manufacturer would license its chemical recipes and processes to the Canadian manufacturer. Although toll manufacturing would provide benefits, such as greater control over supply chain processes and costs, there may be additional risks to such an arrangement including the Company having to source raw materials on its own, potential scheduling conflicts with the toll manufacturer and potential intellectual property risks. See "Risk Factors." The Company is in the initial investigative stage with respect to potential toll manufacturing arrangements and has not yet contacted any prospective toll manufacturers. There is no current time frame for implementing any toll manufacturing arrangements.

The nanoparticle formulation used in the Company's Crypsis products is manufactured in the United States. The nanoparticles and other raw materials used in the Company's Crypsis coatings are classified as EAR 99 under the United States Export Administration Regulations (EAR) and are not export controlled by the United States. The products that

the Company's development partners create using the Crypsis technologies may in the future be subject to export controls. However there are no export controls in effect today on the Company's existing customers. Given the EAR 99 status of the Crypsis nanoparticles and coatings, any future export controls are likely to be applied on the products that the Company's partners create and as such, compliance responsibilities are likely to rest with the Company's customers.

The Company does not currently maintain long-term supply agreements or formal manufacturing contracts with its primary manufacturers or suppliers. Although the Company has arrangements with a limited number of third-party contract manufacturers, those manufacturers are not exclusive and the Company believes it is able to source additional or alternative manufacturers if needed. The Company has relationships with multiple manufacturers for enhanced supply chain resilience. Operating without long-term supply contracts provides the Company with greater flexibility in how it sources the production of its products. However, not having long-term supply contracts could result in greater risks relating to future pricing, supply chain continuity or disruptions to the Company's production cycle. See "Risk Factors". The Company plans to continue improving its supply chain resilience through multi-sourcing of raw materials and building parallel relationships with different third party manufacturers.

In 2025, the Company's third party manufacturers experienced production constraints, which limited available inventory and resulted in the deferral of certain international orders.

The Company's ExoShield Sprint and Mach products that are manufactured in China are subject to tariffs at a rate of 60%. The Company has determined that none of its other products are subject to tariffs.

See "*Risk Factors – Risks Relating to the Company's Business and the Industry - Reliance on Third Party Manufacturers*".

Specialized Skill and Knowledge

The nature of the Company's business requires specialized knowledge and skills in areas such as engineering, nanotechnology, corporate finance, capital raising, and corporate, contract, and securities law. These competencies are critical to supporting the Company's operations and strategic direction, particularly in the development and commercialization of its products. The required expertise is available to the Company through certain members of its management, directors, and officers, whose collective experience enables the Company to operate effectively within its complex and evolving nanotechnology solutions business.

Intellectual Property

The Company protects its intellectual property rights through a combination of patents, trademarks and trade secret laws as well as contractual provisions. The Company also uses non-disclosure agreements with business partners, prospective customers, and other relationships where disclosure of proprietary information may be necessary. The Company also uses such agreements with its employees and consultants which assign to the Company all intellectual property developed in the course of their employment or engagement, other than in the case of each of the executive officers and directors of the Company, except Mr. Lawson and Ms. Smiley (who have only entered into non-disclosure agreements with the Company), who are not subject to such an agreement. The Company also secures from such individuals obligations to execute such documentation as is reasonably required by the Company to evidence its ownership of such intellectual property.

As of the date of the Prospectus, the Company has filed applications covering the manufacturing process to produce ExoShield Ultra pre-formed WPF product the formulation used in the Company's Crypsis coatings. The Company has registered trademarks for the tradenames "ExoShield" and "Exo Shield" in Canada and has also filed trademark registrations for "ExoShield" in Europe, Great Britain, Taiwan, Australia, Brazil, China, Japan, Malaysia, Philippines, Russia, Singapore, Thailand and South Korea.

In addition to the patent applications and trademarks, the Company uses confidential trade secrets for its chemical formulations of Crypsis and PET-based WPFs. The Company enters into confidentiality agreements with third party manufacturers to protect its proprietary formulations.

Government Regulatory Approvals

Compliance with government regulations and obtaining regulatory approvals may have an impact on the Company's business, including its revenue and competitive position. In particular, the Company's defence related products may be subject to government regulations. In Canada, controlled goods are items of military, national security, or strategic

significance, including defence articles, related technical data, and components listed in Canada's *Defence Production Act* (Canada). These goods are regulated by the Canadian Controlled Goods Program ("CGP") to prevent unauthorized access, covering physical items like firearms and data such as blueprints or cloud-stored technology. Individuals and businesses in Canada that examine, possess, or transfer these goods must register with the Controlled Goods Directorate, implement a security plan, and undergo security assessments. Currently, the Company is not required to be registered under the CGP. However, the Company has made an application for registration, which is pending, in the event it wishes to pursue contracts in the future that require such registration.

The Contract Security Program ("CSP") in Canada, operated by Public Services and Procurement Canada ("PSPC"), provides security screenings for organizations and personnel working on government contracts. It ensures compliance with security requirements, protects national security, and safeguards sensitive information during procurement. The CSP facilitates security screenings for employees involved in these contracts. Currently, the Company and its personnel are not required to be registered under CSP. However, the Company plans to apply for registration under CSP in the event it wishes to pursue contracts in the future that require such clearances.

In addition, the Company will continue to apply for NRE funded projects, which are subject to approval of the Government of Canada. The Canadian Federal Government procures primarily through PSPC. PSPC conducts thorough assessments of all suppliers to ensure they are not involved in any fraud, corruption, and/or misconduct in order to ensure the integrity of the government's procurement system. The IDEaS program contract for \$2.0 million is currently undergoing this regulatory review by PSPC.

In order to ensure compliance with any new regulatory requirements, the Company has retained third party consultants to provide guidance and advice on regulatory requirements. In connection with the bidding of any public defence contracts, the regulatory and security requirements are set out in the public domain. As a result, the Company is able to review these requirements with its regulatory consultants to ensure it satisfies the contract requirements prior to making a bid.

In the United States and Europe, the Company's defence related products may be subject to additional regulation. As of the date of this Prospectus, the Company is unaware of any regulations that will impact the Company's business. The Company will continue to monitor its regulatory requirements as it enters a market and applies for government contracts.

Seasonality

The Company's business is not anticipated to be cyclical or seasonal.

Competitive Conditions

Automotive

The Company faces competition from other manufacturers and sellers of windshield and paint protection services and products, including, but not limited to, manufacturers and sellers of other WPF and PPF products. Many of these competitors will have longer operating histories, more established market positions, greater financial resources and more experience in the industry. Competition from such companies could have a material adverse effect on the Company's business, financial condition and operations. In particular, installers of WPF and PPF products are generally fractured resulting in a competitive market for customer acquisition and retention. To remain competitive, the Company will need to engage in continued research and development for new and innovative products and carry out significant marketing and sales activities.

Defence

The defence contracting industry, including uniform and equipment manufacturing and supply, is highly competitive and may range from large international corporations to smaller regional producers. Many of these competitors may be competing to develop and market SWIR, MWIR and LWIR camouflaging technologies that will compete with the products and technologies being developed by the Company in this space. A large number of these competitors are vertically integrated, have longer operating histories, more established market positions, greater financial resources and more experience in the defence contracting industry. The Company's ability to be competitive in this industry will depend on its ability to develop and deliver new and innovative products, its ability to obtain industry and defence department acceptance and adoption of those products and its ability to enter into partnerships with existing prime and subprime defence contractors.

Foreign Operations

In the past, United States and other foreign markets have accounted for the majority of the Company's revenues from its automotive products and services, with the United States representing approximately 60-65% of the Company's revenues and other foreign markets representing approximately 25-28% of the Company's revenues during fiscal 2024 and 2023. The Company does not currently earn significant revenues in the defence industry. However, the Company has entered into NRE arrangements with entities based in the United States. In addition, the Company intends to market its defence solutions to U.S. and Canadian defence primes or subcontractors of defence primes.

See "Risk Factors".

USE OF AVAILABLE FUNDS

Proceeds

The Company expects to receive net proceeds of \$8,902,200 on completion of the minimum Offering and \$13,577,200 on completion of the maximum Offering (\$15,680,950 if the Over-Allotment Option is exercised in full), after deducting the cash commission and cash portion of the Corporate Finance Fee payable to the Lead Agent in connection with the Offering, and estimated expenses of the Offering.

	Minimum Offering (\$)	Maximum Offering ⁽¹⁾ (\$)
Gross proceeds of Offering	10,000,000	15,000,000
Agent's Commissions	(650,000)	(975,000)
Estimated costs of the Offering and Listing on the Exchange ⁽²⁾	(447,800)	(447,800)
Anticipated Net Proceeds of Offering:	8,902,200	13,577,200

Notes:

- (1) Does not include exercise of the Over-Allotment Option.
- (2) Includes the cash portion of the Corporate Finance Fee and anticipated Agents' expenses, legal, audit, regulatory and listing fees.

Funds Available and Use of Available Funds

As of May 31, 2026, being the most recent month end prior to the date of this Prospectus, the Company had working capital of approximately \$1,989,877, which amount assumes conversion of outstanding principal amount and accrued interest of the Convertible Notes and the NameSilo Loan. Together with the aggregate net proceeds from the Offering, the Company expects to have available funds, and intends to use its estimated available funds during the following 12 months, as follows:

	Minimum Offering (\$)	Maximum Offering (\$)
Funds Available		
Anticipated Net Proceeds of Offering	8,902,200	13,577,200
Working Capital as of May 31, 2026	1,989,877	1,989,877
Total Expected Funds Available	10,892,077	15,567,077

Principal Purposes⁽¹⁾

Facility Upgrades for ExoShield Ultra Production	1,000,000	1,000,000
Facility Upgrades for Crypsis products	800,000	800,000
Product Development for ExoShield	600,000	1,000,000
Additional In-Process Research and Development for Crypsis products	1,200,000	2,300,000
New Hires for Increased Production and Development	2,000,000	4,500,000

Sales and Marketing	1,000,000	1,500,000
Purchase of Additional Inventory ⁽²⁾	400,000	400,000
Estimated Operations and Engineering for the Next 12 Months ⁽³⁾	1,200,000	1,200,000
Estimated General and Administrative Expenses for the Next 12 Months	1,693,000	1,693,000
Unallocated Working Capital	999,077	1,174,077
Total	10,892,077	15,567,077

Note:

- (1) See “*Business Objectives and Milestones*”.
- (2) The Company intends to increase its inventory of its PET products by approximately \$400,000 in order to mitigate any supply issues. The Company anticipates it will commence purchasing additional inventory shortly after completion of the Offering and through the second half of 2026.
- (3) Operations and engineering expense includes costs associated with the operating the Company’s facility and customer service matters.

Estimated General and Administrative Expenses

The Company expects to incur approximately \$1,693,000 in general and administrative costs over the next twelve (12) months. A breakdown of the estimated general and administrative costs for that period is as follows:

Anticipated General and Administrative Expenses Following the Listing Date	(\$)
Employee salaries, benefits, etc.	615,000
Consulting fees	166,000
Director fees	204,000
Rent	174,000
Accounting and Auditing	240,000
Legal Fees	30,000
Transfer Agent, Regulatory and Exchange Fees	41,000
Office, Miscellaneous, Travel and Insurance	223,000
TOTAL:	1,693,000

The Company intends to spend its available funds as stated in this Prospectus. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the industry and markets in which the Company will operate, the Company’s projects may be frequently reviewed and reassessed. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations. See “*Risk Factors*”.

Negative Operating Cash Flow

Since inception, the Company has had negative operating cash flow and incurred losses. The Company's negative operating cash flow and losses are expected to continue until its products become well established in the marketplace. The Company cannot predict when it will reach positive operating cash flow, if ever.

Over the next twelve months, the Company anticipates that the proceeds of the Offering will offset the negative cash flow of the Company. Historically, the Company’s negative cash flow resulted from general administrative, sales and marketing and operations expenses exceeding sales revenues. Each of these expenses has been allocated into the use of proceeds of the Offering.

Due to the expected continuation of negative operating cash flow, the Company may be reliant on future financings in order to meet its cash needs. There is no assurance that such future financings will be available on acceptable terms or at all. See “*Risk Factors*”. The Company’s unallocated funds will be added to the working capital of the Company.

Indebtedness

The NameSilo Loan matures on December 18, 2026. Pursuant to the terms of an amendment agreement dated April 15, 2026, the entire principal amount of the NameSilo Loan and accrued and unpaid interest thereon will be converted into Common Shares at a conversion price of \$0.75 on the date of Listing. See “*Prior Sales*”.

In addition, the principal amount of the Convertible Notes will be automatically converted into Common Shares upon completion of listing of the Common Shares on the Exchange.

As such, the Company anticipates that less than 10% of the net proceeds of the Offering will be used to reduce or retire outstanding indebtedness of the Company.

Business Objectives and Milestones

During the next 12 months, the Company will seek to accomplish the following business objectives, of which the next significant milestone is the completion of the facility upgrades needed to increase production of automotive and Crypsis products.

Facility Upgrades: Increase Production of Automotive Products and Crypsis Products

Estimated costs: \$1,000,000 for Automotive Products and \$800,000 for Crypsis Products.

The Company intends to carry out additional technical work to further optimize and develop its automotive products. The Company will also seek to purchase additional manufacturing systems and equipment in order to increase its production capacity in respect of its ExoShield Ultra products. The Company intends to purchase and install additional machinery and equipment for its patent pending manufacturing process that will allow it to expand its ability to create custom fitted ExoShield Ultra kits for an expanded and different group of vehicles and models.

As part of this technical work, the Company will seek to develop and begin manufacturing of ExoShield Ultra DIY and Pro WPF kits for an additional 10 to 20 vehicle models during 2026.

The Company also intends to complete facility upgrades and purchase new equipment for the purpose of continued refinement of its Crypsis products in order to achieve commercialization.

The Company plans to commence these facility upgrades shortly after completion of the Offering and anticipates completion in the second quarter of 2027. As the Company has not commenced the facility upgrades, it has not incurred any costs towards this business objective as of the date of this Prospectus. Accordingly, the remaining estimated costs are \$1,000,000 for the Automotive Products and \$800,000 for the Crypsis Products. A key factor in completing this business objective is the need to lease additional warehouse space in order to house the new machinery.

Product Development – Automotive Products

Estimated costs: \$600,000 (Minimum Offering) to \$1,000,000 (Maximum Offering).

The Company plans to continue further development towards improving the quality and durability of the Company's WPF products and their ease of installation. In the event that the Company is able to increase durability, the Company plans to lengthen the warranty available on its WPF products.

The above product development activities are an ongoing business objective and is a continuation of the Company's current product development program. The business objective will commence in Q2 2026 and is anticipated to be completed in Q1 2027. The Company has not incurred any costs on this product development object and, as such, the remaining costs are \$600,000.

The Company will use previous product development success as a benchmark to compare against newly improved WPF product quality and durability. The Company anticipates the main development challenge is whether the Company is able to realize meaningful improvements that justify the costs incurred for such development.

Additional Research and Development – Defence Products (Crypsis)

Estimated costs: \$1,200,000 (Minimum Offering) to \$2,300,000 (Maximum Offering).

The Company will work on completing the development and launch of textile-based solutions integrated with its Crypsis technology. The Company will also begin work on its \$2.0M NRE with the Canadian DND once it has been approved by the appropriate regulatory bodies within the Government of Canada, which is anticipated to be approved in the second half of 2026. In addition, the Company will continue to pursue additional NRE contracts with European, Canadian, and United States based defence manufacturers and other defence agencies.

The Company also anticipates taking the following additional initiatives in support of its research and development efforts in defence products:

- Expanding the Company's research and development and business development teams, hiring specialized engineers and defence sales personnel.
- Constructing internal testing facilities for in-house testing, validation and refinement of the Company's defence solutions.
- Extending ExoShield Ultra applications to defence and government vehicle fleets.
- Seeking further intellectual property protections for the Company's defence related technologies in key NATO and major non-NATO allies.

The above research and development activities will be a continuation of existing activities of the Company. The current research & development activities have been funded under existing NRE agreements. Although the Company will continue to fund these activities under NRE agreements, the Company will use \$1,200,000 of the Offering to further advance its research and development objectives on its defence products. The Company anticipates that this business objective will be reached in the first half of 2027.

The Company's research and development of textile-based solutions will be validated through government affiliated laboratory tests and field evaluations. The main barriers to complete the milestone are the retention of skilled employees in order to advance the Company's research and development efforts.

New Hires to Support Increased Production Capabilities and Development of Products

Estimated costs: \$2,000,000 (Minimum Offering) to \$4,500,000 (Maximum Offering).

During the period from closing of the Offering and over the next 12 months, the Company will expand its workforce by hiring a number of new employees, with a range of specialties, to support production growth and product development. New hires will gradually be added after the Closing Date. The Company will seek to ensure new hires can integrate seamlessly into the Company's corporate structure and have the capabilities to meet the growth and/or development objectives of the Company.

The Company has not incurred any costs relating to this objective as of the date hereof. As a result, the remaining costs are \$2,000,000. In order to meet this business objective, the Company will retain recruitment firms to assist it in diligence and retention of potential employees. A key barrier to reaching this objective may be a lack of skilled employees that meet the demand of the Company.

Sales and Marketing

Estimated costs: \$1,000,000 (Minimum Offering) to \$1,500,000 (Maximum Offering).

The Company will seek to expand its distribution network for its WPF and PPF products in an effort to increase market awareness and brand appeal for its products and increased penetration into Canadian, U.S. and European marketplaces. These efforts are expected to include demonstrating the installation and application of the Company's products for potential distribution and installation partners. The Company will seek to market its automotive products to aftermarket installers, automotive dealerships, insurance providers, OEM aftersales support teams and direct consumers. The Company may seek to enter into co-marketing arrangements with regional participants in the above categories to reduce overall costs, streamline sales efforts and accelerate the Company's market penetration efforts. The Company may also seek to engage and work with automotive industry influencers and ambassadors to access their industry contacts and marketing channels.

The Company has not incurred any costs relating to its sales and marketing objective. The objective will be pursued in Q2 2026 after closing of the Offering. Accordingly, a total of \$1,000,000 remains to meet this business objective. The Company anticipates this business objective will be met by Q2 2027.

The Company has no agreements or due diligence efforts to date that will assist in meeting this business objective. The barriers to completing this milestone are third party competitors and volatility in the global economy.

DIVIDENDS OR DISTRIBUTIONS

The Company has never declared, nor paid, any dividends since its incorporation and does not foresee paying any dividends in the near future since all available funds will be used to conduct its business. Any future payment of dividends will depend on the financing requirements and financial condition of the Company and other factors which the Board, in its sole discretion, may consider appropriate and in the best interests of the Company.

Under the BCA, the Company is prohibited from declaring or paying dividends if there are reasonable grounds for believing that the Company is insolvent or the payment of dividends would render the Company insolvent.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Annual and Quarterly Information

The following selected financial information has been derived from and is qualified in its entirety by the audited consolidated financial statements of the Company for the years ended December 31, 2025, December 31, 2024 and December 31, 2023 and the unaudited consolidated financial statements of the Company for the period ended March 31, 2026. Such information should be read in conjunction with those financial statements for the years and period so ended and related notes thereto, along with the MD&As relating thereto and included in this Prospectus. All financial statements are prepared in accordance with IFRS. The Company's financial year end is December 31.

	Three-Month Period Ended Mar. 31, 2026 (unaudited) (\$)	Year Ended Dec. 31, 2025 (audited) (\$)	Year Ended Dec. 31, 2024 (audited) (\$)	Year Ended Dec. 31, 2023 (audited) (\$)
Total revenues	400,253	1,632,867	2,265,418	2,062,182
Gross profit	138,687	56,673	570,994	448,138
Operating loss	1,233,920	(4,023,155)	(2,872,082)	(2,000,451)
Net loss	1,794,593	(5,634,616)	(2,771,388)	(1,997,283)
Basic loss per share	(0.06)	(0.20)	(0.11)	(0.09)
Diluted loss per share	(0.06)	(0.20)	(0.11)	(0.09)
Total assets	7,127,861	8,036,477	2,540,283	2,204,808
Total current liabilities	11,007,652	10,319,655	1,077,051	795,608
Total non-current liabilities	1,752,271	1,684,317	366,559	206,121

Management Discussion and Analysis

The Company's MD&As for the fiscal years ended December 31, 2025, December 31, 2024 and December 31, 2023 and the interim periods ended March 31, 2026 and March 31, 2025 are included as Schedule "B" to this Prospectus and should be read in conjunction with the Company's consolidated financial statements for the years so ended and condensed interim consolidated financial statements for the period so ended and the related notes thereto, also included in this Prospectus as Schedule "A" and to which the Company's MD&As relates.

Additional Disclosure for Junior Issuers

As at May 31, 2026, the Company had working capital of approximately \$1,989,877, which amount assumes conversion of outstanding principal amount and accrued interest of the Convertible Notes and the NameSilo Loan. The Company's estimated use of funds for the next twelve months is set out under the headings "*Use of Available Funds – Funds Available and Use of Available Funds*" and "*Use of Available Funds – Business Objectives and Milestones*". There are no assurances that the Company will be able to raise additional funds if and when needed, or that such funds would be available on terms favourable to the Company.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

Authorized Capital

The authorized capital of the Company consists of an unlimited number of Common Shares, of which 29,017,031 Common Shares are issued and outstanding as at the date of this Prospectus, and an unlimited number of preferred shares, of which none are issued and outstanding as of the date of this Prospectus.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive dividends in any financial year out of funds legally available for the payment of such dividends as the Board may by resolution determine. The Board may at any time declare and authorize the payment of such dividends exclusively to the registered holders of the common shares without declaring any corresponding dividends to the registered holders of the preferred shares. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Offered Units

Each Offered Unit is comprised of one Unit Share and one-half of one Warrant. Each Warrant entitles the holder thereof to acquire one Warrant Share at an exercise price of \$1.50 during the Warrant Term.

Warrants

The Warrants will be governed by the terms of the Warrant Indenture to be dated as of the Closing Date between the Company and the Warrant Agent. The following provides a summary of certain provisions that are anticipated in the Warrant Indenture, and does not purport to be complete. This discussion is subject, in its entirety, to the detailed provisions of the Warrant Indenture. Reference is made to the Warrant Indenture for the full text of the attributes of the Warrants, which will be filed by the Company under its corporate profile on SEDAR+ following the closing of the Offering. A register of holders will be maintained at the principal offices of the Warrant Agent in Vancouver, British Columbia.

The Unit Shares and the Warrants comprising the Offered Units will automatically separate following the closing of the Offering. Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of \$1.50 during the Warrant Term. At any time following the 12-month anniversary of the Closing Date, if the VWAP of the Common Shares on the Exchange exceeds \$3.00 for 20 consecutive trading days, the Company may, within 20 days following such occurrence, deliver a notice to the holders thereof accelerating the expiry date of the Warrants to a date that is 30 days after the date of such notice.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (a) the subdivision, redivision or change of the Common Shares into a greater number of Common Shares;
- (b) the reduction, combination or consolidation of the Common Shares into a lesser number of Common Shares;
- (c) the issuance of Common Shares or securities exchangeable or exercisable for, or convertible into, Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than a distribution of Warrant Shares upon the exercise of Warrants);
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not less than 21 days and not more than 90 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable or exercisable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or

conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, for the Common Shares on such record date; and

- (e) the issuance or distribution to all or substantially all of the holders of the Common Shares of shares of any class other than the Common Shares, rights, options or warrants to acquire Common Shares or securities exchangeable or exercisable for or convertible into Common Shares, of evidences of indebtedness, or any property or other assets.

The Warrant Indenture will also provide for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (a) reclassifications of the Common Shares or a capital reorganization of the Company (other than as described in clauses (i) or (ii) above), (b) consolidations, amalgamations, arrangements, mergers or other business combination of the Company with or into another entity, or (c) or a sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, in which case each holder of a Warrant which is thereafter exercised will receive, in lieu of Warrant Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Warrants prior to the event.

The Company will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 10 business days prior to the record date or effective date, as the case may be, of such events. No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Warrant Shares would have. From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (ii) adopted by an instrument in writing signed by the holders of not less than 66⅔% of the aggregate number of all then outstanding Warrants.

The Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and the Warrants will not be exercisable by, or for the account or benefit of, a person in the United States or a U.S. person, nor will certificates representing the Warrant Shares be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance reasonably satisfactory to the Company; provided, however, that a holder that is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act (a “**U.S. Accredited Investor**”) and is the original purchaser of the Warrants that is exercising such Warrants for its own account or for the account of the original beneficial purchaser at a time when both it and such original beneficial purchaser remain U.S. Accredited Investors, will not be required to deliver an opinion of counsel.

As of the date hereof, there is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under the terms of this Prospectus. See “*Risk Factors*”.

CONSOLIDATED CAPITALIZATION

The following table summarizes changes in the Company's capitalization as at March 31, 2026, the date of the Company's most recently completed financial period included in this Prospectus, as at the date of this Prospectus and upon closing of the Offering:

Description	As at March 31, 2026	As at the date of this Prospectus ⁽¹⁾	Upon Completion of Minimum Offering ⁽⁶⁾	Upon Completion of Maximum Offering ⁽⁶⁾	Upon Completion of the Maximum Offering and Exercise of Over-Allotment Option ⁽⁶⁾
Common Shares	27,840,561	29,017,031	49,560,014 ⁽²⁾	54,560,014 ⁽²⁾	56,810,014 ⁽²⁾
Agents' Options ⁽³⁾	Nil	Nil	650,000	975,000	1,121,250
Warrants ⁽⁴⁾	1,176,470	Nil	5,000,000 ⁽⁴⁾	7,500,000 ⁽⁴⁾	8,625,000 ⁽⁴⁾
NameSilo Loan ⁽⁵⁾	\$1,350,000	\$1,350,000	Nil	Nil	Nil
Convertible Notes ⁽⁶⁾	\$6,501,000	\$6,501,000	Nil	Nil	Nil
Stock Options ⁽⁷⁾	2,563,439	2,563,439	2,563,439	2,563,439	2,563,439

Notes:

- (1) See "Prior Sales".
- (2) Amount includes: (i) Unit Shares issuable under either the Minimum Offering, Maximum Offering and Over-Allotment Option, as applicable, (ii) 8,667,983 Common Shares issuable on conversion of the Convertible Notes, (iii) 1,800,000 Common Shares issuable on conversion of the NameSilo Loan, and (iv) 75,000 Corporate Finance Fee Shares. The Company has assumed the it will exceed the Minimum Offering and has incorporated the Corporate Finance Fee Shares under the Minimum Offering. The amount excludes any Common Shares issuable on accrued interest under the Convertible Notes and NameSilo Loan. Assuming the Convertible Notes convert on or before October 31, 2026, the Convertible Notes will have accrued interest of up to \$958,775, which will be convertible into a maximum of 1,278,366 Common Shares on the Listing Date, and the NameSilo Loan will have accrued interest of up to \$270,838, which will be convertible into a maximum of 361,117 Common Shares on the Listing Date.
- (3) Each Agents' Option will entitle the Agent to purchase one Common Share at the Offering Price during the Warrant Term.
- (4) Amounts include Warrants issuable under the Offering.
- (5) Advanced by NameSilo and maturing on December 18, 2026 (the "Maturity Date"), with interest payable at a rate of 12% per annum. The principal amount of the loan and any accrued interest thereon will automatically be converted into Common Shares upon completion of the listing on the Exchange at a conversion price of \$0.75 (being 75% of the Offering Price).
- (6) Bearing interest at a rate of 12% per annum and maturing on the two year anniversary of the issue date. The principal amount of the notes and any accrued interest thereon will automatically be converted into Common Shares upon completion of the listing on the Exchange at a conversion price of \$0.75 (being 75% of the Offering Price).
- (7) Granted pursuant to the Company's Stock Option Plan.

Fully Diluted Share Capitalization after giving effect to Maximum Offering

Common Shares	Without Exercise of Over-Allotment Option	Percentage of Total	With Exercise of Over-Allotment Option	Percentage of Total
Issued and outstanding after Maximum Offering ⁽¹⁾	44,092,031	65.58%	46,342,031	65.49%
Issuable on conversion of Convertible Notes	8,667,983	12.89%	8,667,983	12.25%
Issuable on conversion of interest under the Convertible Notes ⁽²⁾	1,278,366	1.90%	1,278,366	1.81%
Issuable upon exercise of Agent's Options	975,000	1.45%	1,121,250	1.58%
Issuable upon exercise of Warrants ⁽³⁾	7,500,000	11.15%	8,625,000	12.19%
Issuable on conversion of NameSilo Loan	1,800,000	2.68%	1,800,000	2.54%
Issuable on conversion of interest under the NameSilo Loan ⁽⁴⁾	361,117	0.54%	361,117	0.51%
Issuable on exercise of Stock Options	2,563,439	3.81%	2,563,439	3.63%
Total Fully Diluted Share Capitalization after Listing Date	67,237,936	100%	70,759,186	100%

Notes:

- (1) Amount includes: (i) Unit Shares issuable under the Maximum Offering with and without exercise of the Over-Allotment Option, as applicable and (ii) 75,000 Corporate Finance Fee Shares.
- (2) Assuming the Convertible Notes convert on or before October 31, 2026, the Convertible Notes will have accrued interest of up to \$958,775, which will be convertible into a maximum of 1,278,366 Common Shares on the Listing Date.
- (3) Amount includes Warrants issuable under the Offering.
- (4) Assuming the NameSilo Loan converts on or before October 31, 2026, the NameSilo Loan will have accrued interest of up to \$270,838, which will be convertible into a maximum number of 361,117 Common Shares on the Listing Date.

OPTIONS TO PURCHASE SECURITIES

Stock Option Plan

The Directors of the Company adopted a stock option plan on December 1, 2023, as amended and restated on March 17, 2026, (the “**Stock Option Plan**”). The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging the directors, officers, employees, management company employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire Common Shares, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

The following is a summary of the material provisions of the Option Plan:

- Options may be granted under the Stock Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board may from time to time designate.
- The aggregate number of Common Shares that may be reserved for issuance pursuant to options granted under the Stock Option Plan may not exceed 10% of the outstanding Common Shares at the time the option is granted, less the aggregate number of Common Shares reserved for issuance pursuant to any share compensation arrangements of the Company. If an option is surrendered, terminated or expires without being exercised, the Common Shares reserved for issuance pursuant to that option will be available for new options granted under the Stock Option Plan.
- The exercise price for options granted before the Listing Date were determined by the Board, in their sole discretion. The exercise price for an options granted after the Listing Date may not be less than the closing Market Price on the trading day prior to the grant date of the option less the maximum discount permitted by the Exchange.
- The number of Common Shares reserved for issuance under the Stock Option Plan and any other share compensation arrangements to any one optionee, may not exceed 5% of the outstanding Common Shares in any 12-month period (unless the Company has obtained disinterested shareholder approval to exceed such limit). If the optionee is a consultant of the Company, this amount is reduced to 2% of the outstanding Common Shares.
- The total number of Common Shares that may be issued pursuant to options granted to persons engaged in investor relations activities for the Company, as a group, during in any 12 month period may not exceed 2% of the outstanding Common Shares. The total number of Common Shares that may be issued to insiders, as a group, during any 12 month period may not exceed 10% of the outstanding Common Shares.
- The Board retains the discretion to impose vesting periods on any Options granted. In accordance with the policies of the Exchange, Options granted to Investor Relations Service Providers must vest in stages over a minimum of 12 months with no more than one-quarter of the Options vesting in any three-month period. If a change of control is agreed to by the Company or events which might lead to a change of control are commenced by third parties, all Options, subject to the Exchange’s approval (if required), shall vest immediately and be fully exercisable notwithstanding the terms thereof.
- Subject to the approval of the Board, an optionee that is not an Investor Relations Service Provider may exercise an option by means of a “cashless exercise” with the assistance of a broker, as follows: (a) the broker loans money to the optionee to exercise the options; (b) the broker sells a sufficient number of Common Shares to cover the aggregate exercise price of the options being exercised in order to repay the loan made to the optionee by the broker; and (c) the broker receives an equivalent number of Common Shares from the exercise of the options by the optionee, with the optionee receiving the balance of the Common Shares from the exercise of the option or the cash proceeds from the balance of the Common Shares.
- Subject to the approval of the Board, an optionee that is not an Investor Relations Service Provider may also exercise an Option by means of a “net exercise”. Under a net exercise, the optionee is not required to deliver payment of the exercise price in respect of the subject option being so exercised, and instead the optionee receives only the number of Common Shares that is equal to the quotient obtained by dividing: (a) the product

of (i) the number of Common Shares in respect of which the subject option is being exercised, and (ii) the difference between the VWAP of the Common Shares and the exercise price of the subject option; by (b) the VWAP of the Common Shares.

- If an optionee ceases to be an eligible optionee under the Option Plan for any reason other than death, disability or termination or removal for cause, the options granted to that optionee are exercisable to the extent that they have vested and are exercisable, and will terminate on the earlier of (a) the expiry date of the options, (b) the date that is 90 days after the date such optionee ceased to be an eligible optionee, and (c) such other date as set by the Board and set forth in the optionee's option agreement. If an optionee is removed from cause, any options granted will terminate immediately unless the Board determines otherwise. If an optionee ceases to be eligible due to death or disability, any vested options will terminate on the first anniversary of the optionee's death or disability.
- If an Option expires during a blackout period, the term of the Option shall be extended and the Option shall expire 10 business days after the termination of such blackout period, provided that: (i) the blackout period was formally imposed by the Company pursuant to its internal trading policies as a result of the bona fide existence of undisclosed material information, (ii) the blackout period expired upon the general disclosure of the undisclosed material information and (iii) the Company is not subject to a cease trade order or similar order under applicable securities laws.
- The Company must obtain disinterested shareholder approval of any decrease in the exercise or extension to Options granted to persons that are insiders at the time of the proposed amendment.

Options Granted

Options granted under the Option Plan and outstanding as of the date of this Prospectus will continue to be exercisable upon completion of those transactions. As of the date of this Prospectus, there were 2,563,439 options outstanding under the Option Plan as follows:

	No. of Options	Exercise Price	Expiry date
Executive Officers of the Company			
	30,470	\$0.29	Oct 5, 2029
	12,231	\$0.29	Jan. 1, 2031
	11,426	\$0.29	May 10, 2031
	82,269	\$0.78	Oct. 5, 2032
	267,374	\$0.78	Jul. 9, 2032
	160,000	\$0.85	Jan. 1, 2033
	107,000	\$0.85	Feb. 10, 2034
	285,000	\$0.85	Aug. 1, 2035
Total All Executive Officers of the Company (3 total officers)	955,770		
Directors of the Company (other than Executive Officers)			
	100,000	\$0.85	July 1, 2034
	291,627	\$0.85	Aug. 1, 2034
	154,308	\$0.85	Aug. 1, 2035
	150,000	\$0.85	Mar. 1, 2036
	300,000	\$0.85	Mar. 1, 2036
Total All Directors of the Company (5 total directors)	995,935		
Employees of the Company (other than Executive Officers or Directors)			
	7,618	\$0.29	Feb. 19, 2030
	7,048	\$0.29	Jan. 1, 2031
	5,142	\$0.29	Feb. 19, 2031
	11,426	\$0.29	Sept. 1, 2030
	2,500	\$0.85	Jan. 1, 2033
	80,000	\$0.85	Feb. 19, 2033
	110,000	\$0.85	Feb. 10, 2034
	201,500	\$0.85	Aug. 1, 2035
Total (Employees of the Company)	425,234		

	No. of Options	Exercise Price	Expiry date
Consultants of the Company (other than Executive Officers or Directors)			
	136,500	\$0.85	Jul. 1, 2034
	50,000	\$0.85	Mar. 1, 2036
Total (Consultants of the Company)	186,500		
Total Options Outstanding	2,563,439		

PRIOR SALES

During the 12 month period prior to the date of this Prospectus, the Company completed the following distributions of its securities:

- (a) Between December 18, 2024 and June 10, 2025, NameSilo advanced a total of \$1,350,000 to the Company pursuant to the NameSilo Loan. The amounts advanced are unsecured, due and payable on December 18, 2026 with interest payable at a rate of 12% per annum. The principal amount outstanding and any accrued and unpaid interest thereon will be converted into Common Shares on the Listing Date at a price of \$0.75 per share (being 75% of the Offering Price). In connection with the NameSilo Loan, the Company paid to NameSilo a total commitment fee of \$40,500, paid by the issuance of Common Shares at a price of \$0.85 per share (47,645 Common Shares, total).
- (b) Between July 17, 2025 and October 10, 2025, the Company issued Convertible Notes having an aggregate principal amount of \$6,501,000. The Convertible Notes are unsecured, and are due and payable on the second anniversary of the date of issue, with interest payable at a rate of 12% per annum. Upon completion of the listing of the Common Shares on the Exchange or any other “marketplace” (as such term is defined in Canadian National Instrument 51-102 – *Continuous Disclosure Obligations*) in Canada, the principal amount of the Convertible Notes and any accrued and unpaid interest thereon will be automatically converted into Common Shares at a price of \$0.75 per share (being 75% of the Offering Price).
- (c) On April 16, 2026, in connection with the exercise of the 2024 Warrants, the Company issued 1,176,470 Common Shares at a price of \$0.85 per Common Share for gross proceeds of \$999,999.50.

SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

Escrow Requirements Under National Policy 46-201

In accordance with National Policy 46-201 – *Escrow for Initial Public Offerings* (“NP 46-201”), all securities of an issuer owned or controlled by its Principals (as defined below) are required to be placed in escrow at the time of the issuer’s initial public offering, unless the shares held by the Principals or issuable to the Principals, upon conversion of convertible securities held by the Principals, collectively represent less than 1% of the total issued and outstanding shares of the issuer after giving effect to the initial public offering. Non-transferable incentive Options issued to Principals to purchase securities solely for cash at a price equal to or greater than the Offering Price will also not be subject to escrow.

“**Principals**” include all persons or companies that, on the completion of the initial public offering, fall into one of the following categories:

- (a) directors and senior officers of the Company or a material operating subsidiary of the Company, at the time of the initial public offering;
- (b) promoters of the Company during the two years preceding the initial public offering;
- (c) those who own and/or control, directly or indirectly, more than 10% of the Company’s voting securities (on a partially diluted basis) immediately before and immediately after completion of the initial public offering and they also have elected or appointed, or have the right to elect or appoint, a director or senior officer of the Company or of a material operating subsidiary of the Company;

- (d) those who own and/or control more than 20% of the Company's voting securities (on a partially diluted basis) immediately before and immediately after completion of the initial public offering;
- (e) a company, trust, partnership or other entity more than 50% held by one or more Principals will be treated as a Principal; and
- (f) the spouse(s) or any relative(s) that live at the same address as any of the above.

Pursuant to NP 46-201, the Principals of the Company and their spouses and certain relatives who hold Common Shares will be required to enter into an escrow agreement (the "**Escrow Agreement**") with the Company and the Transfer Agent, acting as escrow agent. Effective as of the Listing Date, a total of 11,668,562 Common Shares held by Principals and a non-Principal, plus the 1,800,000 Common Shares issuable on conversion of the NameSilo Loan, plus the Common Shares issuable upon conversion of the accrued interest under the NameSilo Loan, the 918,333 Common Shares issuable upon conversion of Convertible Notes, plus the Common Shares issuable upon conversion of the accrued interest under the Convertible Notes, owned or controlled by Principals of the Company, and 1,216,386 Stock Options held by certain Principals of the Company (the "**Escrowed Securities**") will be deposited into escrow, pursuant to the Escrow Agreement.

At the time of an initial public offering, an issuer is classified for the purposes of NP 46-201 escrow as either an "established issuer" or an "emerging issuer." Uniform terms of automatic timed-release escrow apply to Principals of issuers carrying out initial public offerings, differing only according to the classification of the issuer. The Company will be classified as an "emerging issuer" under NP 46-201 upon the Listing Date, and accordingly the Escrow Agreement will provide for release of the Escrowed Securities over the thirty-six months following the Listing Date, with an initial 10% released upon the Listing Date, and the balance of a Principal's Escrowed Securities released from escrow in equal blocks of 15% at six month intervals as follows:

Escrow Release Date	No. of Escrowed Securities Released
On the Listing Date	1/10 of the Escrowed Securities
6 months after the Listing Date	1/6 of the remaining Escrowed Securities
12 months after the Listing Date	1/5 of the remaining Escrowed Securities
18 months after the Listing Date	1/4 of the remaining Escrowed Securities
24 months after the Listing Date	1/3 of the remaining Escrowed Securities
30 months after the Listing Date	1/2 of the remaining Escrowed Securities
36 months after the Listing Date	the remaining Escrowed Securities

If the Company qualifies as an "established issuer" during the term of the Escrow Agreement, the release schedule will change. If the Company becomes an established issuer eighteen months or more after its Listing Date, all Escrowed Securities will be released immediately. If the Company becomes an established issuer within eighteen months of its Listing Date, there will be a catch-up release of all Escrowed Securities that would have been released had the Company been an established issuer as of its Listing Date, and remaining Escrowed Securities will be released in equal instalments on the day that is six months, twelve months, and eighteen months after the Listing Date.

As of the date of this Prospectus, the following securities will be subject to escrow upon the listing of the Common Shares on the Exchange:

Designation of Class of Security	Total Number of Securities Held in Escrow	Percentage of Class as at date of this Prospectus (%)
Common Shares	11,668,562	40.21%
NameSilo Loan	\$1,350,000 ⁽¹⁾	100.0% ⁽¹⁾
Convertible Notes	\$685,000 ⁽²⁾	10.5% ⁽²⁾
Stock Options	1,216,386 ⁽³⁾	47.5% ⁽³⁾

Notes:

- (1) A total of 1,800,000 Common Shares are issuable on conversion of the principal amount of the NameSilo Loan. Assuming the NameSilo Loan converts on or before October 31, 2026, the NameSilo Loan will have accrued interest of up to \$270,838, which is convertible into a maximum of 361,117 Common Shares on the Listing Date. Percentage expressed as a percentage of the total principal amount of the NameSilo Loan outstanding.

- (2) A total of 913,333 Common Shares are issuable on conversion of the principal amount of Convertible Notes beneficially owned or controlled by Principals of the Company. Percentage expressed as a percentage of the aggregate principal amount of all outstanding Convertible Notes. Assuming the Convertible Notes convert on or before October 31, 2026, the Convertible Notes held by Principals will have accrued interest of up to \$95,313, which will be convertible into a maximum of 127,085 Common Shares on the Listing Date.
- (3) Consists of: 439,759 stock options held by Mr. Desai, 235,000 stock options held by Mr. Lawson, 391,627 stock options held by Mr. Mes and 150,000 stock options held by Mr. Andreola.

Seed Share Resale Restrictions

Under Exchange Policy 5.4 – *Capital Structure, Escrow and Resale Restrictions* (“**Policy 5.4**”), 235,296 Common Shares held by certain non-Principals of the Company are subject to the hold periods set forth under NP 46-201 as the Common Shares were acquired from a Principal of the Company. The Common Shares are eligible for release in the amounts and dates set out below:

Date	Number of Restricted Shares Eligible for Release
Listing Date	23,529 Common Shares
Listing Date plus 6 months	35,294 Common Shares
Listing Date plus 12 months	35,294 Common Shares
Listing Date plus 18 months	35,294 Common Shares
Listing Date plus 24 months	35,295 Common Shares
Listing Date plus 30 months	35,295 Common Shares
Listing Date plus 36 months	35,295 Common Shares

1,548,189 Common Shares issued to non-principals of the Company at a price less than \$0.05 per share are subject to hold periods imposed by the Exchange and are eligible for release in the amounts and the dates as set out below:

Date	Number of Restricted Shares Eligible for Release
Listing Date	309,637 Common Shares
Listing Date plus 3 months	309,638 Common Shares
Listing Date plus 6 months	309,638 Common Shares
Listing Date plus 9 months	309,638 Common Shares
Listing Date plus 12 months	309,638 Common Shares

Under Policy 5.4 of the Exchange, Common Shares held by non-principals that represent less than 1% of the issued and outstanding Common Shares are not subject to the above hold periods.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and officers of the Company, as of the date of this Prospectus, the only persons who beneficially own or exercise control or direction over Common Shares carrying more than 10% of the votes attached to the Common Shares are as follows:

Name and Municipality of Residence	Number of Common Shares beneficially owned		Percentage of Common Shares Outstanding			
	As at the Date of this Prospectus	On the Listing Date ⁽²⁾	As at the Date of this Prospectus ⁽³⁾	On the Listing Date (Minimum Offering) ⁽⁴⁾	On the Listing Date (Maximum Offering) ⁽⁵⁾	On the Listing Date (Maximum Offering and Over-Allotment Option) ⁽⁶⁾
Khanjan Desai, Kitchener	4,938,082 ⁽¹⁾	4,938,082	16.76%	9.88%	8.98%	8.63%
Chong Shen, Mississauga	4,733,619 ⁽¹⁾	4,733,619	16.31%	9.55%	8.68%	8.33%

Notes:

- (1) Amount is on a partially diluted basis and assumes the exercise of stock options to purchase up to 439,759 Common by Mr. Desai. Mr. Chen does not hold any stock options of the Company.
- (2) Assumes that the persons listed do not participate in the Offering.
- (3) Percentage is based on 29,017,031 Common Shares issued and outstanding as of the date of this Prospectus.
- (4) Percentage is based on 49,560,014 Common Shares issued and outstanding assuming the completion of the Minimum Offering and following conversion of the Convertible Notes and the NameSilo Loan. Assuming the exercise of all of the stock options, Mr. Desai and Mr. Chen would hold 9.47% and 9.08%, respectively, of the issued and outstanding Common Shares.
- (5) Percentage is based on 54,560,014 Common Shares issued and outstanding assuming the completion of the Maximum Offering and following conversion of the Convertible Notes and the NameSilo Loan. Assuming the exercise of all of the stock options, Mr. Desai and Mr. Chen would hold 8.64% and 8.29%, respectively, of the issued and outstanding Common Shares.
- (6) Percentage is based on 56,810,014 Common Shares issued and outstanding assuming the completion of the Maximum Offering and the exercise of the Over-Allotment Option and following conversion of the Convertible Notes and the NameSilo Loan. Assuming the exercise of all of the stock options, Mr. Desai and Mr. Chen would hold 8.32% and 7.97%, respectively, of the issued and outstanding Common Shares.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, for each of the Directors and executive officers of the Company, the name, jurisdiction of residence, age, position with the Company, principal occupation and the date on which the person became a director of the Company.

Name, Jurisdiction of Residence and Position	Principal Occupations during past five years	Director or Officer Since	No. of Common Shares	Percentage ⁽¹⁾⁽²⁾			
				Date of Prospectus (%)	Min. Offering (%)	Max. Offering (%)	Over- Allotment (%)
Khanjan Desai ⁽⁶⁾ Ontario, Canada <i>Chief Executive Officer and Director</i>	Chief Executive Officer and a director of the Company; CEO and Director Neverfrost (2013 to current)	Dec. 31, 2022	4,938,082 (Direct)	16.76%	9.88%	8.98%	8.63%
Douglas Lawson ⁽⁷⁾ Ontario, Canada <i>Chief Financial Officer</i>	Chief Financial Officer of the Company (2022 to current); President and CEO of North American Fur Auctions Inc. (2018 to current)	Mar. 28, 2023	235,000 (Direct)	0.80%	1.01%	0.92%	0.88%
Danielle Smiley ⁽⁸⁾ Ontario, Canada <i>General Manager, Automotive</i>	General Manager, Automotive of the Company (Aug 2025 to current); Director of Product for the Company (March 2024 to July 2025); Director of Marketing for the Company (March 2022 to March 2024); Technical Writer / Marketing Manager for the Company (October 2018 to March 2022)	Aug. 1, 2025	292,437 (Direct)	1.00%	0.59%	0.53%	0.51%
Paul Andreola ⁽⁹⁾ British Columbia, Canada <i>Director</i>	CEO, President and a director of NameSilo Technologies Corp. (2014 to current)	Jan. 5, 2021	2,150,271 (Direct and Indirect)	7.37%	8.88%	8.07%	7.75%

Name, Jurisdiction of Residence and Position	Principal Occupations during past five years	Director or Officer Since	No. of Common Shares	Percentage ⁽¹⁾⁽²⁾			
				Date of Prospectus (%)	Min. Offering (%)	Max. Offering (%)	Over- Allotment (%)
David Mes ⁽³⁾⁽¹⁰⁾ Florida, USA <i>Director</i>	President of Transatlantic Advisors (2023 to current); Chief of Corporate Development and CFO of C-Stacks Inc. (2020 to 2023)	Sept. 24, 2024	827,976 (Direct and indirect)	2.82%	2.02%	1.84%	1.77%
Rahul B. Petkar ⁽³⁾⁽⁴⁾⁽¹¹⁾ Ontario, Canada <i>Director</i>	CEO, President and Director of Ishkan Inc. (2004 to Present)	Aug. 1, 2025	154,308 (Direct)	0.53%	0.31%	0.28%	0.27%
Peter Hatges ⁽³⁾⁽⁴⁾⁽¹²⁾ Ontario, Canada <i>Director</i>	Retired Partner under contract KPMG LLP (2021 to April 2026); Partner, KPMG (1993 to 2021)	Mar. 25, 2026	150,000 (Direct)	0.51%	0.30%	0.27%	0.26%
Michel-Henri St-Louis ⁽⁵⁾⁽¹³⁾ <i>Director</i>	Retired Major General, Canadian Army (August 2025 to current); Major General, Canadian Defence Attache to the United States (July 2022 to June 2025); Acting Commander of the Canadian Army (April 2021 to June 2022); Commander, Canadian Army Doctrine and Training Centre (April 2020 to April 2021)	Mar. 25, 2026	150,000 (Direct)	0.51%	0.30%	0.27%	0.26%
Kelly Pladson, 44 <i>Corporate Secretary</i>	Director of NIA Capital Corp. since April 2015	June 4, 2026	Nil	Nil	Nil	Nil	Nil
Total Securities			8,898,074	28.73%	22.54%	20.55%	19.76%

Notes:

- (1) Calculated on a partially diluted basis based on 29,017,031 Common Shares issued and outstanding as of the date of this Prospectus.
- (2) Calculated on a partially diluted basis based on the issuance of 49,560,014 Common Shares on completion of the Minimum Offering, 54,560,014 Common Shares on completion of the Maximum Offering and 56,810,014 Common Shares on exercise of the Over-Allotment Option and includes the Common Shares issuable on conversion of the principal amount of the Convertible Notes and the Common Shares issuable on conversion of the principal amount of the NameSilo Loan but does not include other securities exercisable for Common Shares.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of Special Advisory Committee to the Board on Defence.
- (6) Mr. Desai holds options to purchase up to an additional 439,759 Common Shares granted under the Company's Stock Option Plan.
- (7) Mr. Lawson holds (i) options to purchase up to 235,000 Common Shares granted under the Company's Stock Option Plan; and (ii) indirectly, a Convertible Note in the principal amount of \$200,000, which is convertible into 266,666 Common Shares on the Listing Date.
- (8) Ms. Smiley holds options to purchase up to 281,011 Common Shares granted under the Company's Stock Option Plan.
- (9) Mr. Andreola holds 967,857 Common Shares directly, plus options to purchase up to 150,000 Common Shares granted under the Company's Stock Option Plan. The remaining 1,032,414 Common Shares listed as being held by Mr. Andreola are held by NameSilo, and may be deemed to be controlled by Mr. Andreola in his capacity as the CEO and President of NameSilo. In addition to the Common Shares held by NameSilo, an additional 1,800,000 Common Shares to be issued to NameSilo on account of principal upon exercise of the NameSilo Loan plus an additional 463,333 Common Shares to be issued to NameSilo upon the conversion of Convertible Notes in the principal amount of \$347,500 held by NameSilo.
- (10) 436,349 Common Shares are held by Off-The-Grid Ventures Fund I, LLC. An additional 183,333 Common Shares are issuable to Off-The-Grid Ventures upon the conversion of Convertible Notes on the Listing Date in the principal amount of \$137,500 held by Off-The-Grid. In his capacity as managing partner of Off-The-Grid Ventures, Mr. Mes may be deemed to control the securities held by Off-The-Grid. Mr.

- Mes also holds options to purchase up to 391,627 Common Shares granted under the Company's Stock Option Plan.
- (11) Mr. Petkar holds options to purchase up to 154,308 Common Shares granted under the Company's Stock Option Plan.
 - (12) Mr. Hatges holds options to purchase up to 150,000 Common Shares granted under the Company's Stock Option Plan.
 - (13) Mr. St-Louis holds options to purchase up to 150,000 Common Shares granted under the Company's Stock Option Plan.

Term of Office

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of office of the executive officers expires at the discretion of the Board. None of the Company's directors or executive officers have entered into non-competition or non-disclosure agreements with the Company.

Biographical Information

The following is a brief description of the background of the Directors and executive officers of the Company.

Khanjan Desai - Age 35, Chief Executive Officer and Director

Mr. Desai co-founded Neverfrost Canada in, and has acted as the CEO of Neverfrost since, June 2013. Mr. Desai was appointed as CEO and a director of the Company on December 31, 2022 upon completion of the Neverfrost Transaction.

Mr. Desai graduated from the University of Waterloo with a BAsC, majoring in Nanotechnology Engineering and minoring in Management Science.

Mr. Desai is a full-time employee of the Company. Mr. Desai has not entered into a non-competition or non-disclosure agreement with the Company.

Doug Lawson - Age 67, Chief Financial Officer

Mr. Lawson was appointed as CFO of the Company on March 28, 2023. Prior to joining the Company, Mr. Lawson acted as the President and CEO of North American Fur Auctions Inc., a Toronto, Ontario company, from 2018 to 2022. Previously acting as a Senior VP and Chief Financial Officer of North American Fur Auctions from 2010 to 2018, Mr. Lawson was appointed as President and CEO to confront the volatile economic conditions facing the company resulting from falling commodity prices and market contraction, guiding the company through court supervised restructuring proceedings under the *Companies Creditors Arrangements Act* (Canada). Previously, Mr. Lawson acted as CFO of Nexient Learning Inc. ("**Nexient**") where, together with the CEO of Nexient, Mr. Lawson helped guide the company's sale to Global Knowledge, based in North Carolina, USA. From 2003 to 2007, Mr. Lawson acted as VP and CFO at EarthFresh Foods, Inc. of Toronto, Ontario, where Mr. Lawson helped steward the company through a financial turnaround. Mr. Lawson obtained a Bachelor of Business Administration from Wilfrid Laurier University in 1981 is a Chartered Professional Accountant in the province of Ontario.

Mr. Lawson is a full-time employee of the Company. Mr. Lawson has entered into a non-disclosure agreement with the Company. Mr. Lawson has not entered into a non-competition agreement with the Company.

Danielle Smiley - Age 36, General Manager, Automotive

Ms. Smiley was appointed as the General Manager, Automotive for the Company in July 2025. Mr. Smiley acted as Director of Product, for the Company from March 2024 to July 2025, leading product development for the Company's protective films products, including all work related to the ExoShield WPF products. From 2022 to 2024, Ms. Smiley acted as Director of Marketing for the Company. Ms. Smiley works closely with cross-functional teams to drive product innovation, streamline go-to-market strategies and enhance customer experience. Ms. Smiley obtained a PhD in Philosophy from McMaster University in 2018 and a Bachelor of Science in Chemistry from McMaster University in 2012.

Ms. Smiley is a full-time employee of the Company. Ms. Smiley has entered into a non-disclosure agreement with the Company. Ms. Smiley has not entered into a non-competition or non-disclosure agreement with the Company.

Paul Andreola – Age 62, Director

Mr. Andreola has acted as a director of the Company since its incorporation in 2021.

Mr. Andreola has over 25 years of business development and capital markets experience. Since 2014, Mr. Andreola has acted as the CEO and a director of NameSilo, a low-cost provider of domain name registration and management services and an ICANN-accredited registrar listed on the Canadian Securities Exchange. In addition, Mr. Andreola has acted as a director of Atlas Engineered Products Ltd., listed on the Exchange (AEP), since December, 2020, Total Telcom Inc., listed on the Exchange (TTZ), since July 2023, and Spectra Products Inc., listed on the Exchange (SSA) since April 2025. Mr. Andreola also serves on the board of directors for the West Coast Kids Cancer Foundation.

Mr. Andreola is an independent director of the Company. and does not receive any fees for acting as a director of the Company. Mr. Andreola will devote up to 10% of his time to carry out his duties as a director of the Company. Mr. Andreola has not entered into a non-competition or non-disclosure agreement with the Company.

David Mes – Age 51, Director and Chair of Board

Mr. Mes has acted as a director of the Company since September, 2024.

Mr. Mes currently consults for EREN Group, a family-owned industrial group which he advises on investments in private equity funds as well as on direct investments into private companies. Prior to this role, Mr. Mes also acted successively as the Chief Corporate Development Officer, Chief Financial Officer and Chief Executive Officer of C-Stacks Inc. (aka “Jasper”), a financial technology company.

Mr. Mes spent most of his career in venture capital. He still acts as a Managing Partner of Off The Grid Ventures, a pre-seed and seed stage venture capital firm based in the United States that backed “off the grid entrepreneurs”, primarily women and foreign entrepreneurs. Prior to founding Off The Grid Ventures, Mr. Mes was a Managing Partner at Arc Venture Partners, a Senior Principal at Cipio Partners, and a Senior Associate at the NeSBIC CTE Fund, all venture capital firms.

Mr. Mes is an independent director of the Company. Mr. Mes will devote up to 15% of his time to carry out his duties as a director of the Company. Mr. Mes has not entered into a non-competition or non-disclosure agreement with the Company.

Rahul B. Petkar - Age 65, Director and Chair of Audit Committee

Mr. Petkar was appointed as a director of the Company effective August 1, 2025.

Mr. Petkar is a business leader with over thirty-five years of experience in the financial services and technology sectors spanning Asia, Middle East, North America and Latin America, and is a strategic advisor and board member to both public and private financial technology startups in the United States and Canada. Mr. Petkar is the President of Ontario-based Ishkan Inc. Previously, Mr. Petkar founded Polaris Canada, a banking technology company that provides services to major Canadian banks, select U.S. financial institutions and expanding into Latin America. Mr. Petkar also served as Director of International Development at TD Waterhouse, where he was a core member of the team responsible for the global expansion of its brokerage and wealth management business to Japan, the United Kingdom, Luxembourg, and Hong Kong. Mr. Petkar has served on the Mississauga Economic Development Advisory Board since 2013. He holds a Mechanical Engineering degree from the Visvesvaraya National Institute of Technology (VNIT), Nagpur and an MBA from the Indian Institute of Management (IIM) Bangalore.

Mr. Petkar is an independent director of the Company. Mr. Petkar will devote up to 10% of his time to carry out his duties as a director of the Company. Mr. Petkar has not entered into a non-competition or non-disclosure agreement with the Company.

Peter Hatges – Age 66, Director

Mr. Hatges was elected as a director of the Company in March 25, 2026.

Mr. Hatges was a partner with KPMG LLP in Canada for 28 years with a focus on Corporate Finance. During this period, he was the head of KPMG Corporate Finance Practice for 12 years and was a senior member on KPMG's Global Corporate Finance Steering Committee. He has held numerous leadership positions within the transaction advisory space including the Head of Debt Capital Markets for KPMG in Canada and was also a member of the real estate corporate finance group. He is an experienced senior executive with a track record in leading and driving strategic transactions and a demonstrated track record in transformational corporate transactions and team leadership. Peter has undertaken significant financing and M&A assignments and provided strategic advice to corporations and governments

involving both domestic and cross-border projects. He has worked on assignments in Europe and the US and was Chair of the Americas Corporate Finance. He was also the national industry leader for the automotive industry sector and has experience with a wide range of companies in the automotive industry and has been involved in many of Canada's largest transactions in the automotive retail industry.

Mr. Hatges is an independent director of the Company. Mr. Hatges will devote up to 10% of his time to carry out his duties as a director of the Company. Mr. Hatges has not entered into a non-competition or non-disclosure agreement with the Company.

Michel-Henri St-Louis – Age 55, Director

Mr. St-Louis was elected as a director of the Company on March 25, 2026.

Mr. St-Louis retired as a Major General in the Canadian Army, and served last as Canada's Defence Attaché to the United States from 2022 to June 2025. Prior to that, Mr. St-Louis held key command roles, including Acting Commander of the Canadian Army from 2021 to 2022 and Commander of the Canadian Army Doctrine and Training Centre from 2020 to 2021. His distinguished career includes deployments to Afghanistan, where he led innovative and aggressive operations in partnership with local forces, earning him several honors such as the Order of Military Merit (OMM), Meritorious Service Cross (MSC), Meritorious Service Medal (MSM), Canadian Forces Decoration (CD), Officer of the Legion of Merit (USA) and Grand Officer of the Order of Military Merit (Brazil). Mr. St-Louis is a graduate of the National War College (Washington, D.C., U.S.A.), the Canadian Forces College, the Collège militaire royal de Saint-Jean, the Royal Military College in Kingston, and the Canadian Army Command and Staff College. His three masters have focused on war studies, military history, strategy and defence.

Mr. St-Louis is an independent director of the Company. Mr. St-Louis will devote up to 10% of his time to carry out his duties as a director of the Company. Mr. St-Louis has not entered into a non-competition or non-disclosure agreement with the Company.

Kelly Pladson – Age 44, Corporate Secretary

Ms. Pladson was elected as corporate secretary on June 4, 2026.

Ms. Pladson has provided corporate governance and regulatory compliance services to TSX Venture Exchange and Canadian Securities Exchange listed companies since 2009. In carrying out her duties as corporate secretary, Ms. Pladson maintains corporate records, manages day to day operations of the issuers and ensures compliance of each issuer's filings with the securities commissions and applicable stock exchanges. Currently, Ms. Pladson is corporate secretary of the following listed companies: Metalsource Mining Inc., Newfoundland Discovery Corp., Prudent Minerals Corp., Sorrento Resources Ltd., Stallion Uranium Corp., Total Metals Corp., Rocket Doctor AI Inc., U92 Energy Inc., Saga Metals Corp., Pan American Energy Corp., Excalibur Metals Corp., XTao Inc., Trident Resources Corp., Skyharbour Resources Ltd., Apogee Minerals Ltd., Max Resource Corp., Madoro Metals Corp., Restart Life Sciences Corp., Century Lithium Corp. and Aben Gold Corp.

Ms. Pladson will devote up to 10% of her time to carry out her duties as corporate secretary of the Company. Ms. Pladson has not entered into a non-competition or non-disclosure agreement with the Company. Notwithstanding the foregoing, Ms. Pladson's consulting agreement with the Company contains a provision that information of the Company will remain confidential.

Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company, is or has been, within the ten years preceding the date of this Prospectus, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of this Prospectus, an “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to an exemption under securities legislation, and such order was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the knowledge of the Company, except as disclosed below, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has been, within the ten years preceding the date of this Prospectus:

- (a) a director or an executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in the capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets or made a proposal under any legislation relating to bankruptcies or insolvency; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

North American Fur Auctions Inc.

In October 2019, North American Fur Auctions Inc. (“**NAFA**”) commenced court-supervised restructuring proceedings under the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”). At the time those proceedings were commenced, Mr. Lawson was acting as the President and CEO of NAFA and has continued to act in that role while guiding NAFA through this process. In April 2024, NAFA’s plan of compromise under the CCAA was approved by the Ontario Superior Court of Justice. NAFA’s business is currently in the process of being wound up.

PARTS iD, Inc.

On December 26, 2023, PARTS iD, Inc., a company then listed on the NYSE (“**PARTS iD**”) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”). At the time those proceedings were commenced, Mr. Petkar was a director of PARTS iD. On February 22, 2024, PARTS iD (now known as ID Auto, Inc.) consummated a reorganization plan under the Bankruptcy Code. Pursuant to the reorganization, the existing directors of PARTS iD, including Mr. Petkar, resigned from its board of directors and a new board of directors was appointed. A final order relating to the reorganization of PARTS iD was issued by the Bankruptcy Court on June 4, 2024.

C-Stacks Inc.

On April 25, 2023 C-Stacks Inc. filed voluntary petitions for relief under Chapter 7 of Title 11 of the Bankruptcy Code in the Bankruptcy Court. Mr. Mes was CEO of C-Stacks from May 2022 to April 2023. Mr. Mes ceased to be an officer or otherwise employed by C-Stacks upon filing of the voluntary petition for relief under the Bankruptcy Code.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company or a personal holding

company of any such persons has, within the ten years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

To the knowledge of the Company, except as disclosed below, there are no existing material conflicts of interest between the Company and any director or officer of the Company. Directors and officers of the Company may serve as directors and/or officers of other companies or have significant shareholdings in other companies in the same business as the Company and, to the extent that such other companies may participate in ventures in which the Company may participate, certain directors of the Company may have a conflict of interest in negotiating and conducting terms in respect of any transaction involving such companies. In the event that such conflict of interest arises at a meeting of the Board, a director who has such a conflict is required to disclose such conflict and abstain from voting for or against the approval of such transaction. Currently, the Company is not contemplating any further controls regarding future conflicts of interest, beyond the requirement that a conflicted director will not vote on a matter causing the conflict.

The information as to ownership of securities of the Company, corporate cease trade orders or bankruptcies, penalties or sanctions, personal bankruptcies or insolvencies and existing or potential conflicts of interest has been provided by each insider of the Company individually in respect of himself or herself.

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. The directors and officers of the Company are directors and officers of other companies, some of which are in the same business as the Company. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligations to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

NameSilo Technologies Corp.

In addition to acting as a director of the Company, Mr. Paul Andreola acts as the President, CEO and a director of NameSilo. NameSilo has advanced to the Company \$1,350,000 pursuant to the NameSilo Loan and \$347,500 pursuant to the Convertible Notes. See “*Prior Sales*”.

The Company does not anticipate any conflicts on a going forward basis as the NameSilo Loan will be converted into Common Shares on the Listing Date. If there are any future dealings with NameSilo, Mr. Andreola will abstain from voting as a director on such matter.

Off-The-Grid Ventures Fund I, LLC

In addition to acting as a director of the Company, Mr. David Mes is a managing partner of Off-The-Grid Ventures. Off-The-Grid Ventures has advanced to the Company \$137,500 pursuant to the Convertible Notes. See “*Prior Sales*”.

EXECUTIVE COMPENSATION

The Company was not a reporting issuer at any time during its most recently completed financial year. Accordingly, certain information required by Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* (“Form 51-102F6V”) has been omitted pursuant to Section 1.3(8) of Form 51-102F6V.

Compensation Discussion and Analysis

Significant Elements

The significant elements of compensation for the Company’s named executive officers, being the Company’s Chief Executive Officer, Chief Financial Officer and General Manager, Automotive, will be a cash salary and stock options. The Company does not presently have a long-term incentive plan for its named executive officers other than the Stock

Option Plan. There is no policy or target regarding allocation between cash and non-cash elements of the Company's compensation program. The Board annually reviews the total compensation package of each of the Company's executives on an individual basis.

Cash Salary

The Company's compensation payable to the named executive officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each named executive officer and varies with the amount of time spent by each named executive officer in carrying out their functions on behalf of the Company.

Stock Options

The Company's Stock Option Plan is intended to emphasize management's commitment to the growth of the Company. The grant of stock options, as a key component of the executive compensation package, enables the Company to attract and retain qualified employees, consultants, officers and directors. In granting stock options, the Board reviews the total number of stock options available under the Stock Option Plan and recommends grants to newly retained executive officers at the time of their appointment and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options held by an executive officer are taken into account when determining whether and how new option grants should be made to the executive. The exercise periods are set at the date of grant. Stock option grants may contain vesting provisions in accordance with the provisions of the Stock Option Plan.

Stock Option Plan

The Company has adopted a 10% rolling stock option plan (the "Stock Option Plan"), the purpose of which is to advance the interests of the Company by encouraging the directors, officers, employees, management company employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire Common Shares in the share capital of the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs. The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's Common Shares issued and outstanding at the time such options are granted. The Stock Option Plan will be administered by the Company's Board, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board may from time to time designate. The exercise price of option grants will be determined by the Board, but after listing on the Exchange will not be less than the closing market price of the Common Shares on the Exchange less allowable discounts at the time of grant. The Stock Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares, if the individual is a director, officer, employee or consultant, or 2% of the issued Common Shares, if the individual is engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

See "*Options to Purchase Securities – Stock Option Plan*" for the details of the Stock Option Plan.

Employment, Consulting and Management Agreements

Khanjan Desai is currently employed as the Chief Executive Officer of the Company. Effective March 1, 2026, Mr. Desai receives a salary of \$190,000 per annum. The terms of Mr. Desai's employment agreement do not contain any provisions in respect of change of control, severance, termination or constructive dismissal. Upon termination, Mr. Desai will be entitled to such severance and notice as is required under applicable law.

Doug Lawson is currently employed as the Chief Financial Officer of the Company. Effective March 1, 2026, Mr. Lawson receives a salary of \$185,000 per annum. The terms of Mr. Lawson's employment agreement do not contain any

provisions in respect of change of control, severance, termination or constructive dismissal. Upon termination, Mr. Lawson will be entitled to such severance and notice as is required under applicable law.

Danielle Smiley is currently employed as the General Manager, Automotive of the Company. Effective March 1, 2026, Ms. Smiley receives a salary of \$185,000 per annum. The terms of Ms. Smiley's employment agreement do not contain any provisions in respect of change of control, severance, termination or constructive dismissal. Upon termination, Ms. Smiley will be entitled to such severance and notice as is required under applicable law.

Independent Director Compensation

Effective April 1, 2026, our independent directors are entitled to a fee of \$2,500 per month for acting as a member of our Board. In addition, independent directors are entitled to an additional fee of either \$1,000 per month for acting on one or more committees of our Board for \$1,500 for acting as Chair of our Board, provided that the monthly fee paid to an independent director may not exceed \$4,000 per month.

Oversight and Description of Director and NEO Compensation

The Company's executive compensation program is administered by the Board's compensation committee (the "**Compensation Committee**"). The Compensation Committee consists of Peter Hatges (Chair), David Mes and Rahul Petkar. All of the members of the Compensation Committee are independent within the meaning of NI 52-110.

The Compensation Committee's responsibilities include reviewing and making recommendations to the Board with respect to adequacy and the form of compensation to all executive officers and directors of the Company, making recommendations to the Board in respect of granting of stock options to management, directors officers and other employees and consultants of the Company, and monitoring the performance of the Company's executive officers.

Executive compensation awarded to named executive officers consists of two components: (i) management fees and (ii) stock options. The Company does not presently have a long-term incentive plan for its named executive officers other than the Stock Option Plan. There is no policy or target regarding allocation between cash and noncash elements of the Company's compensation program.

In setting compensation rates for named executive officers, the Company will compare the amounts paid to them with the amounts paid to executives in comparable positions at other comparable companies. The Company's compensation payable to the named executive officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each named executive officer and varies with the amount of time spent by each named executive officer in carrying out their functions on behalf of the Company. The grant of stock options, as a key component of the executive compensation package, enables the Company to attract and retain qualified executives. Stock option grants are based on the total of stock options available under the Stock Option Plan. In granting stock options, the Board reviews the total number of stock options available for grant under the Stock Option Plan and recommends grants to newly retained executive officers at the time of their appointment and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options held by an executive are taken into account when determining whether and how new option grants should be made to the executive. The exercise periods are to be set at the date of grant. Stock option grants may contain vesting provisions in accordance with the Company's Stock Option Plan.

The Company is unaware of any significant events that have significantly affected compensation of its management team and directors. The Company did not make any changes to its compensation policies during the fiscal year ended December 31, 2025.

Pension

The Company does not provide any pension benefits for directors or executive officers.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is not as of the date of this Prospectus, nor was there during the fiscal year ended December 31, 2025, any outstanding indebtedness of any director, a proposed nominee for election as a director, executive officer, senior officer, employee of the Company or any of its subsidiaries or any former director, executive officer, employee or senior officer of the Company or any of its subsidiaries or any associate of any of them, to or guaranteed or supported by the Company

either pursuant to security purchase program or such other program of the Company or otherwise, and no such individual is or has been indebted to any other entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit, or similar arrangement or understanding by the Company or any of its subsidiaries.

AUDIT COMMITTEES AND CORPORATE GOVERNANCE

Audit Committee

Audit Committee Charter

The role of the Board's audit committee (the "**Audit Committee**") is to act in an objective, independent capacity as a liaison between the auditors, management and the Board and to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

On March 25, 2026, the Board adopted a charter delineating the Audit Committee's responsibilities. The Audit Committee Charter is attached to this Prospectus as Schedule "C".

Composition of Audit Committee

The following persons are members of the Company's audit committee:

Rahul Petkar (Chair of Audit Committee)	Independent	Financially Literate
David Mes	Independent	Financially Literate
Peter Hatges	Independent	Financially Literate

Relevant Education and Experience

All members of the Audit Committee have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements, and have an understanding of internal controls. The members of the Audit Committee intend to maintain their currency by periodically taking continuing education courses.

The education and experience of each Audit Committee member relevant to the performance of their responsibilities as an Audit Committee may be found under "Directors and Officers: Biographical Information".

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Audit Committee has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110;
- (b) the exemption in subsection 6.1.1(4) (*Circumstances Affecting the Business or Operations of the Venture Issuer*) of NI 52;
- (c) the exemption in subsection 6.1.1(5) (*Events Outside Control of Member*) of NI 52-110;
- (d) the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*) of NI 52-110; or
- (e) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. However, the Audit Committee Charter states that Audit Committee must pre-approve all non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor.

External Auditor Fees

The aggregate fees billed by the Company's external auditor during the fiscal years ended December 31, 2025 and December 31, 2024 by category, are as follows:

Financial Year Ended December 31	Audit Fees (\$)⁽¹⁾	Audit Related Fees (\$)⁽²⁾	Tax Fees (\$)⁽³⁾	All Other Fees (\$)⁽⁴⁾
2025	60,000	231,181	-	-
2024	35,000	-	7,500	15,000

Notes:

- (1) "Audit fees" include aggregate fees billed by the Company's external auditor in each of the last two fiscal years for audit fees.
- (2) "Audit related fees" include the aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit fees" above.
- (3) "Tax fees" include the aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
- (4) "All other fees" include the aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than "Audit fees", "Audit related fees" and "Tax fees" above. Includes fees related to the transition to IFRS.

Section 6.1 Exemption

The Company is relying upon the exemption in section 6.1 of NI 52-110 for venture issuers which allows for an exemption from Part 3 - *Composition of the Audit Committee*, and Part 5 - *Reporting Obligations* of NI 52-110, which exempts a "venture issuer" (as defined in NI 52-110) from the requirements to comply with the restrictions on the composition of its Audit Committee, and the disclosure requirements of its Audit Committee as more specifically set out in NI 52-110.

Corporate Governance

Corporate governance relates to the activities of the Boards, the members of which are elected by and are accountable to the shareholders of the Company, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Board

The Board is currently comprised of six members. Paul Andreola, David Mes, Rahul Petkar, Peter Hatges and Michel-Henri St-Louis are independent directors of the Company. Mr. Desai is not an independent director because of his position as Chief Executive Officer of the Company.

Directorships

The following directors of the Company currently hold directorships in other reporting issuers as set out below:

Name of Director	Name of Reporting Issuer	Exchange
Paul Andreola	NameSilo Technologies Corp. Atlas Engineered Products Ltd. Total Telecom Inc, Spectra Products Inc.	Canadian Securities Exchange TSX Venture Exchange TSX Venture Exchange TSX Venture Exchange

Orientation and Continuing Education

If any new directors are appointed to the Board, then the existing directors will provide a brief orientation consisting of a telephone conference and a review of material transactions effected to-date by the Company, as well as the general nature and proceedings of the Company's Board.

Given the industry experience of the existing Board, the Company does not contemplate providing continuing education for directors at this time

Ethical Business Conduct

The Board believes good corporate governance is an integral component to the success of the Company and to meet responsibilities to shareholders. Generally, the Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

The Board is also responsible for applying governance principles and practices, and tracking development in corporate governance, and adapting "best practices" to suit the needs of the Company.

Certain members of the Board may also be directors and officers of other companies, and conflicts of interest may arise between their duties. Such conflicts must be disclosed in accordance with, and are subject to, such other procedures and remedies as applicable under the BCA.

Nomination of Directors

The Board has not formed a nominating committee or similar committee to assist the Board with the nomination of directors for the Company. The Board considers itself too small to warrant creation of such a committee; and each of the directors has contacts they can draw upon to identify new members of the Board as needed from time to time.

The Board will continually assess its size, structure and composition, taking into consideration its current strengths, skills and experience, proposed retirements and the requirements and strategic direction of the Company. As required, directors will recommend suitable candidates for consideration as members of the Board.

Compensation

The Board reviews the compensation of its directors and executive officers annually. The Company's Compensation Committee makes recommendations to the Board regarding director and officer compensation. The Compensation Committee and the Board will determine compensation of directors and executive officers taking into account the Company's business ventures and the Company's financial position. See "*Executive Compensation*".

Other Board Committees

The Company has established an Audit Committee and a Compensation Committee. In addition, Michel-Henri St-Louis acts as a special advisor to the Board on defence matters. There are no other committees of the Board.

Assessments

The Board has not implemented a process for assessing its effectiveness. As a result of the Company's size and the Company's stage of development, the Board considers a formal assessment process to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an ad hoc basis.

The Board does not formally assess the performance or contribution of individual Board members or committee members.

PLAN OF DISTRIBUTION

Under the Agency Agreement, the Company will appoint the Agents to offer for sale on a commercially reasonable efforts basis a minimum of 10,000,000 Offered Units and a maximum of 15,000,000 Offered Units of the Company at a price of \$1.00 per Offered Unit (the "**Offering Price**") for minimum gross proceeds of \$10,000,000 (the "**Minimum Offering**"), and maximum gross proceeds of \$15,000,000 (the "**Maximum Offering**"). The Offering Price was determined by negotiation between the Company and the Agents.

Each Offered Unit is comprised of one Unit Share and one-half of one Warrant. Each whole Warrant entitles the holder thereof to purchase one Warrant Share at the Warrant Exercise Price during the Warrant Term, subject to adjustment in certain events. The Warrants shall be created and issued pursuant to the warrant indenture to be entered into by the Company and the Warrant Agent on or around the Closing Date.

At any time following the 12-month anniversary of the Closing Date, if the VWAP of the Common Shares on the Exchange exceeds \$3.00 for 20 consecutive trading days, the Company may, within 20 days following such occurrence, deliver a notice to the holders thereof accelerating the expiry date of the Warrants to a date that is 30 days after the date of such notice.

The Company has granted the Agents an Over-Allotment Option, which will allow the Agents to offer up to an additional 2,250,000 Offered Units for additional gross proceeds of up to \$2,250,000. The Over-Allotment Option may be exercised in whole or in part any time 30 days after the Closing Date of the Offering. Should the Over-Allotment Option be fully exercised, the total number of Common Shares sold under the Offering will be 17,250,000 Offered Units for total gross proceeds of \$17,250,000.

The Offering will not be completed and no subscription funds will be advanced to the Company unless and until the minimum subscription of \$10,000,000 has been raised. In the event that the minimum subscription amount is not attained by the end of the period of the Offering, all subscription funds that subscribers may have advanced to the Agents in respect of the Offering will be refunded to the subscribers without interest or deduction.

There is currently no market through which any of the securities of the Company, including the Common Shares, may be sold and purchasers and holders thereof may not be able to resell or dispose of any of the securities purchased, distributed or qualified under this Prospectus.

The Company has agreed to indemnify the Agents and its respective directors, officers, employees, shareholders and agents against all liabilities arising directly or indirectly from the Agency Agreement. Notwithstanding the above, the indemnity does not include claims arising from gross negligence of, willful misconduct, of contravention of laws by the Agents.

The obligations of the Agents under the Agency Agreement may be terminated at the Lead Agent's discretion on the basis of its assessment of the state of financial markets and may also be terminated upon the occurrence of certain stated events. The Agents are not obligated to purchase any of the Offered Units under the Offering but may choose to do so in its sole discretion.

Agents' Commission and Fees

The Company has agreed to pay to the Agents the Agents' Commission equal to 6.5% of the aggregate gross proceeds of the Offering (other than on gross proceeds from the sale of Offered Units to persons on the "president's list", in respect of which the cash commission will be 2.5%). The Company has also agreed to issue to the Agent the Agents' Options, exercisable to acquire Common Shares in an amount that is equal to 6.5% of the number of Offered Units sold under the Offering (other than Offered Units sold to persons on the "president's list", in respect of which no Agents' Options will be issued). The Agents' Options are exercisable at the Offering Price for a period twenty-four (24) months from the Closing Date.

If the total gross proceeds of the Offering exceeds \$10,000,000, the Company has also agreed to pay to the Lead Agent a Corporate Finance Fee of \$150,000 plus applicable taxes. \$75,000 of the Corporate Finance Fee is payable in cash, with the remaining \$75,000 payable by the issuance of Corporate Finance Fee Shares at the Offering Price. The Corporate Finance Fee will be reduced by an amount equal to the Work Fee.

The Company has also agreed to pay for all reasonable expenses of the Agents in connection with the Offering.

The Agents' Commission and the cash portion of the Corporate Finance Fee, together with all other expenses of the Offering, will be paid by the Company out of the proceeds of the Offering.

The Agents' Options and the Corporate Finance Fee Shares are being qualified under this prospectus.

Listing of Common Shares

The Exchange has conditionally approved the listing of the issued and outstanding Common Shares, including the Common Shares offered under this Prospectus. Listing is subject to the Company fulfilling all of the requirements of the Exchange on or before September 21, 2026.

IPO Venture Issuer

As of the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequis NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited). See "*Risk Factors*".

RISK FACTORS

An investment in the Company is speculative and involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below, in addition to the other information contained in this document, before making any decision to invest in the Company. The directors of the Company consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Common Shares could decline and investors may lose all or part of their investment.

Risks Relating to Corporate History

Limited operating history.

The Company has a limited history of operations and is considered an early-stage issuer. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of profitability. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered remote in light of its early stage of operations.

Negative operating cash flow and history of losses

Although the Company expects to become profitable, there is no assurance that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have that for the foreseeable future. To date, the Company has not generated operating profits and the Company expects significant capital investment will be required to achieve profitability. The Company expects its net losses from operations to continue in the near future. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to develop, manufacture, market and achieve commercial acceptance of its products. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Additional financing.

The Company anticipates that it will require significant additional financing to continue its operations and achieve its business objectives. There can be no assurance that such financing will be available at all or on favourable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's ability to achieve its business objectives. Additional financing may dilute the ownership interest of the Company's shareholders at the time of the financing, and may dilute the value of their investment.

General venture company risks.

An investment in the Company's securities should be considered highly speculative due to the nature of the Company's business, the early stage of its deployment, its current financial position and ongoing requirements for capital. An investment in the Company's securities should only be considered by those persons who can afford a total loss of investment, and is not suited to those investors who may need to dispose of their investment in a timely fashion. Investors should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in the Company's securities.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Staffing challenges.

The recruitment and retention of qualified professionals to develop products, as well as sales, marketing and financial professionals, is critical to the Company's future success. Employee turnover rates can be high and competition for experienced personnel is high. The Company's failure to attract and retain professionals may prevent or hinder its ability to pursue the business plan and grow its business.

Managing growth.

If the business plan is successful, the Company may experience significant growth in a short period of time and encounter potential scaling issues. The Company's financial, management and operating resources may not expand sufficiently to adequately manage growth. Costs may increase disproportionately if rapid growth is not manageable, and future revenues may stop growing or decline and the Company may face dissatisfied customers. Failure to manage growth may adversely impact the Company's business and the value of the shareholders' investment.

Discretion and uncertainty of Use of Available Funds.

Although the Company has set out its intended use of available funds, these intended uses are estimates only and subject to change. While management does not currently contemplate any material variation, management does retain broad discretion in the application of such proceeds. The results and the effectiveness of the application of the funds are uncertain. The failure by the Company to apply these funds effectively could have a material adverse effect on its business, including the Company's ability to achieve its stated business objectives. In addition, the Company may use the funds in ways that a shareholder may not consider desirable.

Risks Relating to the Company's Business and the Industry

Consumer Discretionary Spending.

The Company's business is affected by general economic conditions as its products are discretionary, and the Company depends, to a significant extent, upon a number of factors relating to discretionary consumer spending. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels and availability of credit.

Development of Products.

To execute the business plan, the Company must develop, market and commercialize its products. If the technologies represented by its products are not accepted in the marketplace, or if the Company's products are not brought to market in a timely manner, this could materially and adversely impact the Company.

The Company's future success depends on the ability to maintain a competitive position with respect to technological advances. Competitors may develop products that are more effective or develop products faster, which could in turn render the Company's technology obsolete or non-competitive.

There can be no assurance that there is a market for the Company's products, or of the size of the market or the market's acceptance of our products. Sales outcomes are based upon a variety of factors which cannot be assured. If the Company fails to successfully develop and commercialize the Company's products, or if the products are not accepted by the market, the Company's business prospects will suffer.

Data and Security Breaches.

During the course of its operations, the Company may collect and have access to confidential and private information, including personally identifiable information. The Company believes that it is taking reasonable steps to protect the security, integrity and confidentiality of the information the Company collects, uses, stores and discloses, but there is no guarantee that inadvertent or unauthorized data access or use will not occur despite prevention efforts. In the future, attempts may be made to disable the Company's systems or breach the security of its systems. It is generally difficult to recognize techniques to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems until they are launched against a target, as they frequently change. As a result, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

The market perception of the Company's security measures could be harmed if an actual or perceived security breach occurs. A security breach could cause the loss or corruption of data, which could harm the Company's business and business prospects. Any failure to maintain the security of the Company's systems could result in loss of personal information and/or other confidential information, damage to the Company's reputation and relationships with customers and suppliers, early termination of contracts with customers and suppliers and other business losses, indemnification of others, financial penalties, litigation, regulatory investigations and other significant liabilities. In the event of a major third-party security incident, the Company may incur losses in excess of its insurance coverage.

Competing Innovations and Products.

The Company expects to encounter intense competition from business that provide competing products to those offered by the Company. Many of the Company's competitors have substantially greater financial, technical, research, marketing, sales, service and other resources than the Company, and may develop products that are superior or may gain greater market acceptance than those offered by the Company. Competitors may succeed in obtaining intellectual property protections for their products before the Company obtains protection for its own innovations and inventions. If the Company's competitors develop products that have greater market attraction than the Company's or that render the Company's products obsolete or non-competitive, the Company's business will suffer.

Intellectual Property.

The Company relies on trade secrets, patent and other intellectual property laws of Canada, the United States and the other countries where it intends to do business to protect its intellectual property rights. The Company may be unable to prevent third parties from using its intellectual property without its authorization. The unauthorized use of the Company's intellectual property could reduce any competitive advantage that it has developed, reduce its market share or otherwise harm its business. In the event of unauthorized use of the Company's intellectual property, litigation to protect and enforce the Company's rights could be costly, and the Company may not prevail.

In addition to patents, the Company may rely on unpatented technological innovation and other trade secrets to develop and maintain its competitive position. Although the Company may enter into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements may be of limited in duration, could be breached and may not provide meaningful protection of its trade secrets including in relation to the Company's intellectual property. Adequate remedies may not be available if there is an unauthorized use or disclosure of the Company's trade secrets or expertise. In addition, others may obtain knowledge about the Company's trade secrets through independent development or by legal means. The failure to protect the Company's processes, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on its business by jeopardizing critical intellectual property.

Where product development or processes are kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to such trade secret products or processes. This could have a material

adverse effect on the Company's ability to make and sell its products or use such processes and could potentially result in costly litigation in which the Company might not prevail. The Company could face intellectual property infringement claims that could result in significant legal costs and damages and impede its ability to produce key products, which could have a material adverse effect on its business, financial condition, and results of operation.

Regulation of Products.

The Company's products may be subject to significant regulatory approval. Where regulatory approval is required, the Company's future profitability may depend on the Company receiving regulatory approval for its product candidates and its ability to successfully manufacture and market approved products. If the Company is not able to obtain regulatory approval if and when such approval is required, the value of the Company and the Company's results of operations could be harmed. Obtaining regulatory approval for the Company's products where required may be a lengthy and expensive process, and the Company's ability to obtain such approval may be uncertain.

Reliance on Third Party Manufacturers

The Company relies on well established large-scale contract manufacturers to produce its WPF and PPF products and to mix and supply the nanoparticles used in the Company's automotive products. In addition, the Company uses one large manufacturer to produce its nanoparticles for its defence products. As these are third parties over which the Company will have little or no control, the failure of such third parties to manufacture or supply these products on a timely basis could have a material adverse effect on the business, financial condition and operating results of the Company. In addition, contracting manufacturers used by the Company could face their own unexpected interruptions in the manufacturing process or they could fail to manufacture products to the Company's specifications, which could have a material adverse effect on the Company's operations.

Although the Company utilizes well established large-scale contract manufacturers and believes that the sources raw materials used to manufacture the Company's products, including nanoparticles, are generally adequate, it is difficult to predict what effects disruptions to the operations of the Company's contract manufacturers or shortages or price increases in raw materials may have in the future. Disruptions to the operations of contract manufacturers, the inability of contract manufacturers to keep up with the Company's needs or disruptions in the supply of raw materials could affect the Company's ability to manage its inventory and meet customer delivery requirements. The Company's inability to fill its supply needs would jeopardize its ability to fulfill its purchase orders, which could, in turn, result in reduced sales and damage to customer relationships, and could have a material adverse effect on the Company's operating results, financial condition, or cash flows.

The Company is reliant on its third party manufacturers to manufacture its products to the specifications provided by the Company. From mid June 2025 to February 2026, the Company experienced product quality issues with its contract manufacturers of ExoShield GT3+ and Ultra PET products. These product quality issues were a one-time occurrence. As a result of these product quality issues, the Company had limited inventory to pursue sales of these products. Although the Company will work with its manufacturers to rectify any product quality issues, the failure to receive a product that meets specifications may hinder the Company's ability to fulfill purchase orders, result in reduced sales and damage customer relationships and could have a material adverse effect on the Company's operating results, financial condition and cash flows.

With respect to the Company's defence products, the Company currently uses a single manufacturer to produce its nanoparticles. As the Company does not currently have alternative suppliers for this business line, the Company's defence related business may be more susceptible to disruptions emanating from the Company's single source supplier, including labour disputes, accidents, acts of god or other interruptions to the supplier's business.

In the future, the Company may seek to implement toll manufacturing for its nanoparticle formulations, including Crypsis. Implementing a toll manufacturing arrangement may provide benefits to the Company, such as greater control over its supply chain and greater flexibility in its ability to customize formulations. However, such an arrangement may come with additional risks. In particular, the Company would be responsible for sourcing raw materials for the manufacture of its nanoparticle formulations, which could result in supply chain disruptions if the Company is not able to find a reliable source of necessary the required raw materials. In addition, because the Company would have greater control over the manufacturing process as compared to relying solely on contract or turn-key manufacturers, because the Company will be responsible for coordinating more parts of the manufacturing process, the Company may not be able to effectively coordinate and manage this process. Although the Company would expect to enter into confidentiality and non-disclosure arrangements with its toll manufacturer and raw material suppliers, there may be greater risk that proprietary information may be leaked or misused.

Inventory Holdings

Upon completion of the Offering, the Company intends to purchase additional inventory in order to mitigate any potential future supply issues. Although the Company believes that it will ultimately sell all additional inventory, the holding of additional inventory may result in an increase in costs to store the inventory and may become obsolete if not sold in a timely manner. These additional costs and the inability to sell the additional inventory may have a negative impact on the financial results of the Company.

No Long-Term Supply Contracts

The Company does not currently have fixed long term supply contracts with its third party manufacturers. This provides the Company with greater flexibility with respect to allocation of resources and sourcing of alternative suppliers. However, this may place the Company at greater risk of negative impacts to its supply chain. In particular, the Company may be at greater risk of arbitrary changes to the terms and conditions attached to the Company's purchases of materials, including price increases. In addition, there may be risks that the Company's suppliers are unwilling or unable to meet the Company's future supply needs.

Tariff and Trade Restriction Risk

Countries may, from time to time, implement, modify, and remove tariffs and other trade restrictions. These actions can negatively affect the Company by increasing the cost to produce or sell its products or otherwise disrupt the supply of its products or limit the Company's ability to sell its products in markets outside Canada.

In 2025, the United States raised tariffs on most goods imported to the United States, prompting Canada to respond with counter-tariffs. However, products covered under the Canada United States-Mexico Agreement ("CUSMA") are not subject to import tariffs. The Company's PET products are manufactured in the United States. The Company's Crypsis nanoparticles are also manufactured in the United States. As such, the Company believes that its PET products and Crypsis nanoparticles are covered under CUSMA and are free from tariffs imposed by the United States. However, there remains a risk that tariffs are nonetheless imposed on these products by government agencies or that customs brokers or other shipping agents may mistakenly charge the Company for tariffs. In addition, the Company's other automotive film products (ExoShield Sprint and ExoShield Mach) are manufactured outside the United States, Mexico and Canada and, as such, are currently subject to tariffs when shipped to the United States. As of the date of this Prospectus, the Company has not increased its prices due to the tariffs which negatively impacts profit. In the future the Company may pass these additional costs onto its customers, which could reduce sales and damage the Company's relationship with its customers.

Notwithstanding the foregoing, CUSMA will be reviewed in 2026. If CUSMA is renegotiated or cancelled, or the United States otherwise determines that tariffs are to be applied to the Company's products sold in the United States regardless of where they are manufactured, the Company may experience lower profit margins on its products or the Company could be required to increase the price of its products, which could negatively impact the Company's sales of those products, including, in both cases, the Company's PET and Crypsis products. Currently, the tariffs on non-compliant CUSMA goods is 10%. In addition, Canada could apply retaliatory tariffs, which could result in the Company being required to pay tariffs on products manufactured in the United States and imported into Canada by the Company for subsequent processing or resale. Tariff rates imposed by the United States, and retaliatory tariffs imposed by Canada, have been subject to significant variance since January 2025, in some cases being as high as 50% depending on the nature of the product targeted, and in some case changing in the span of months or weeks. As such, the Company is not able to accurately predict the potential impact of tariffs on its business and the Company may have difficulty responding to changes in tariff rates.

Management of Growth

The Company may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its automotive and defence related products. The Company may be subject to growth related risks including capacity constraints at its facility in Kitchener, Ontario and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks Relating to the Company's securities

Market price of Common Shares and volatility.

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

The market price of the Common Shares is affected by many other variables which are not directly related to our success and are, therefore, not within the Company's control. These include other developments that affect the breadth of the public market for the Common Shares, the release or expiration of lock-up or other transfer restrictions on the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Common Share price volatile in the future, which may result in losses to investors.

No active market.

An active public market for the Common Shares might not develop or be sustained. Even if a market develops, there is no assurance that the price of the Common Shares will reflect the prevailing market price of the Common Shares immediately following the Listing Date. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the Common Share price may decline below the initial public offering price.

Dividends.

The Company intends to retain earnings, if any, to finance the growth and development of its business and do not intend to pay cash dividends on the Common Shares in the foreseeable future, if ever. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Substantial number of authorized but unissued shares.

The Company has an unlimited number of Common Shares that may be issued by the Board without further action or approval of the Company's shareholders. While the Board is required to fulfill its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

Dilution.

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance the Company's operations, development, exploration, acquisitions or other projects. Substantial additional financing may be required by the Company. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or

the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in the Company's earnings per Common Share.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Tax Issues.

Income tax consequences in relation to the securities offered will vary according to the circumstances of each purchaser. Prospective purchasers should seek independent advice from their own tax and legal advisers prior to subscribing for the securities.

PROMOTERS

Khanjan Desai, Chief Executive Officer and a director of the Company, is the founder of the Company's business and is, accordingly, may be considered a promoter of the Company. Mr. Desai owns 4,498,323 Common Shares, equal to 15.50% of the total Common Shares outstanding as of the date of this Prospectus. After the Offering and assuming the conversion of all of the Convertible Notes and the NameSilo Loan, this amount will be equal to 9.08% of the total Common Shares expected to be outstanding assuming completion of the Minimum Offering, 8.24% of the total Common Shares expected to be outstanding assuming completion of the Maximum Offering and 7.92% of the total Common Shares expected to be outstanding assuming the full exercise of the Over-Allotment Option. In addition, Mr. Desai owns options to purchase up to 439,759 Common Shares granted under the Company's Stock Option Plan.

See "*Principal Shareholders*" and "*Directors and Executive Officers*".

Mr. Desai has not been:

- (a) as at the date of this Prospectus, or during the 10 years prior to the date of this Prospectus, a director, chief executive officer or chief financial officer of any entity that was subject to any "orders" (within the meaning set forth in Section 22.1(3) of Form 41-101F1) that were issued while acting as a director, chief executive officer or chief financial officer of that entity or any orders there were issued after he ceased to act as a director, chief executive officer or chief financial officer of that entity and resulted from an event that occurred while he was acting in the capacity of a director, chief executive officer or chief financial officer of that entity;
- (b) as at the date of this Prospectus, or during the 10 years prior to the date of this Prospectus, a director or officer of any entity that, while he was acting in that capacity, or within a year after ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings with creditors, or had a receiver appointed to hold its assets;
- (c) within the 10 years prior to the date of this Prospectus, personally bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets; or
- (d) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company and its property are and were not a party or subject to any material legal proceedings and does not know of any such proceedings that are contemplated since the beginning of the Company's most recently completed financial year.

Regulatory Actions

The Company is not aware of any:

- (a) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Prospectus;
- (b) any other penalties or sanctions imposed by a court or regulatory body against the Company necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed; or
- (c) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Prospectus.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set forth below or as otherwise previously disclosed in this Prospectus, none of the Company's directors, senior officers and principal shareholders or any of their associates or affiliates have a material interest, direct or indirect, in any transactions in which the Company has participated or will have any material interest in any proposed transaction, within the three years before the date of the Prospectus which has materially affected or will materially affect the Company.

NameSilo Loan

Mr. Andreola is the CEO, President and a director of NameSilo. Under the terms of the NameSilo Loan, NameSilo has advanced to the Company a total of \$1,350,000. As partial consideration for the advances made by NameSilo to the Company under the NameSilo Loan, the Company has issued to NameSilo a total of 47,645 Common Shares. In addition, pursuant to the terms of the NameSilo Loan, the outstanding principal and any accrued and unpaid interest under the NameSilo Loan will be convertible into Common Shares at a conversion price of \$0.75 per share.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are RSM Canada LLP, having an address located at Suite 700, 11 King St. W., Toronto, Ontario M5H 4C7.

The transfer agent and registrar for the Common Shares is Endeavor Trust Corporation, having an address located at 702 – 777 Hornby Street, Vancouver, British Columbia V6Z 1S4.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts which have been entered into by the Company since the beginning of its fiscal year ended December 31, 2025, that were entered into before the fiscal year ended December 31, 2025 and are still in effect, and which are regarded presently as material (the "Material Contracts") are:

1. The NameSilo Loan Agreement.

2. The Agency Agreement.
3. The Escrow Agreement.
4. The Warrant Indenture.
5. Form of Convertible Note.

Copies of the material contracts will be available under the Company's profile at www.sedarplus.ca upon the issuance of the final receipt for this Prospectus.

EXPERTS

The following companies whose profession or business give authority to report, valuation, statement or opinion made by the company are named in this Prospectus as having prepared or certified a report, valuation, statement or opinion in this Prospectus:

- The audited financial statements included in this Prospectus have been subject to an audit by RSM Canada LLP ("RSM"), and their audit reports are included herein. RSM is independent in accordance with the CPA Code of Professional Conduct.

Interests of Experts

None of the persons set out under the heading "Experts" have held, received or is to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of its associates or affiliates when such person prepared the report, valuation, statement or opinion aforementioned or thereafter.

RIGHT OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price, or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In an offering of Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Warrants are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser. Under the Warrant Indenture, original purchasers of Warrants pursuant to the Offering will have a non-assignable contractual right of rescission if this Prospectus (including documents incorporated herein and therein by reference) or any amendment hereto contains a misrepresentation (within the meaning of the *Securities Act* (Ontario) (the "**Securities Act**")), provided such remedy for rescission is exercised within 180 days of the closing of the Offering, following which this contractual right of rescission will be null and void. This contractual right of rescission shall be subject to the defences, limitations and other provisions described under part XXIII of the *Securities Act*, and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* or otherwise at law. For greater certainty, this contractual right of rescission under the Warrant Indenture is only available in connection with a misrepresentation (within the meaning of the *Securities Act*) and is not a right to withdraw from an agreement to purchase securities within two business days as provided in securities legislation in certain provinces of Canada. Investors are cautioned that in an offering of convertible, exchangeable, or exercisable securities, such as the Warrants, the statutory right of action for damages for a misrepresentation contained herein is limited, in certain provincial securities legislation, to the price at which the Warrants are offered to the public under the Offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the Warrants, those amounts may not be recoverable under the statutory right or action for damages that applies in those

provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages, or consult with a legal adviser.

ELIGIBILITY FOR INVESTMENT

In the opinion of Koffman Kalef LLP, Canadian tax counsel to the Company, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations to the Tax Act (“**Regulations**”) in force on the date hereof and specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Unit Shares, Warrants and Warrant Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans (“**RRSP**”), registered retirement income funds (“**RRIF**”), deferred profit sharing plans, first home saving accounts (“**FHSA**”), registered education savings plans (“**RESP**”), registered disability savings plans (“**RDSP**”) or tax-free savings accounts (“**TFSA**”) and collectively the “**Tax Deferred Plans**”), provided that at that time:

- (a) in case of the Unit Shares and the Warrant Shares, the Common Shares are listed on a “designated stock exchange” (as such term is defined in the Tax Act and which currently includes the Exchange) or the Company is otherwise a “public corporation” (as such term is defined in the Tax Act); and
- (b) in the case of the Warrants, the Warrant Shares are qualified investments as described in (a) above, and the Company is not an annuitant, a beneficiary, an employer or a subscriber under or a holder of a Tax Deferred Plan and deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under or a holder of such plan.

Holders who intend to hold Unit Shares, Warrants or Warrant Shares issued pursuant to the Offering in a Tax Deferred Plan should consult their own tax advisors regarding whether such securities are a “qualified investment” at the relevant time for such Tax Deferred Plan.

Notwithstanding that the Unit Shares, Warrant Shares and Warrants may be qualified investments for a RRSP, RRIF, FHSA, RESP, RDSP or TFSA (a “**Registered Plan**”), if the Unit Shares, Warrant Shares or Warrants issued pursuant to the Offering are a “prohibited investment” within the meaning of the Tax Act for a Registered Plan, the holder of the TFSA, FHSA or the RDSP, the subscriber of the RESP or annuitant of the RRSP or RRIF, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Unit Shares, Warrant Shares and Warrants issued pursuant to the Offering will generally not be a prohibited investment for a Registered Plan if the holder, subscriber or annuitant, as the case may be, of the Registered Plan (a) deals at arm's length with the Company for the purposes of the Tax Act, and (b) does not have a “significant interest” (as defined in the Tax Act) in the Company. In addition, Unit Shares, Warrants and Warrant Shares issued pursuant to the Offering will not be a prohibited investment if such securities are “excluded property” for a trust governed by a Registered Plan within the meaning of the prohibited investment rules in the Tax Act.

Holders who intend to hold Unit Shares, Warrant Shares or Warrants issued pursuant to the Offering in a Registered Plan should consult their own tax advisors regarding whether such securities would be prohibited investments in their particular circumstances.

OTHER MATERIAL FACTS

There are no other material facts about the securities being distributed pursuant to this Offering that are not disclosed under any other items and are necessary in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Common Shares to be distributed.

FINANCIAL STATEMENT DISCLOSURE IN THIS PROSPECTUS

The following financial statements of the Company, have been prepared in accordance with IFRS and are included as Schedule “A” to this Prospectus:

- The audited consolidated financial statements of the Company for the years ended December 31, 2023 and December 31, 2024, together with the notes thereto and the auditors' report thereon;

- The audited consolidated financial statements of the Company for the years ended December 31, 2024 and December 31, 2025, together with the notes thereto and the auditors' report thereon; and
- Unaudited consolidated financial statements of the Company for the interim period ended March 31, 2025 and March 31, 2026, together with the notes thereto.

SCHEDULE "A"
FINANCIAL STATEMENTS

**Audited consolidated financial statements of the Company
for the years ended December 31, 2025, December 31, 2024 and December 31, 2023
and for the interim periods ended March 31, 2026 and March 31, 2025.**

(See attached)

Alchemy Labs Inc.

Consolidated Financial Statements for the years ended
December 31, 2025 and 2024
(Amounts expressed in CAD)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alchemy Labs Inc.

Opinion

We have audited the consolidated financial statements of Alchemy Labs Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years 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 December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit 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 audit 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

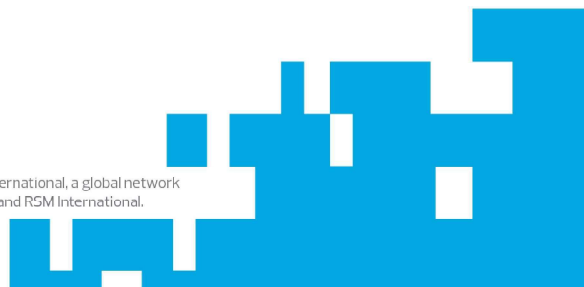
We draw attention to Note 2.1 in the Consolidated financial statements, which indicates that the Company incurred a net loss of \$5,634,616 during the year ended December 31, 2025 (2024: \$2,771,388) and, as of that date, the Company's current liabilities exceeded its current assets by \$5,773,333. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, 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.

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 as issued by the IASB, 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 group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
June 25, 2026
Toronto, Ontario

Alchemy Labs Inc.

Consolidated Statements of Financial Position

As at December 31, 2025 and 2024

(in Canadian dollars)

	Notes	December 31, 2025	December 31, 2024
ASSETS			
CURRENT			
Cash and cash equivalents	7	\$ 2,265,030	\$ 143,183
Short term investments	8	1,004,435	-
Trade and other receivables	9	101,428	84,690
Inventory	10	741,286	704,836
Other current assets	11	434,143	270,267
		4,546,322	1,202,976
NON CURRENT ASSETS			
Property and equipment, net	12	537,489	182,928
Right-of use assets	13	1,210,938	-
Intangible assets	14	1,651,430	1,091,567
Other assets	11	90,298	62,812
		3,490,155	1,337,307
TOTAL ASSETS		\$ 8,036,477	\$ 2,540,283
LIABILITIES and EQUITY			
CURRENT			
Trade and other payables	15	\$ 712,762	\$ 758,316
Contract liabilities	19	232,158	122,606
Derivative liabilities	6	3,270,442	124,849
Current portion of long term debt	16	5,889,311	71,280
Current portion of lease liabilities	13	214,982	-
		10,319,655	1,077,051
NON CURRENT LIABILITIES			
Long term debt	16	575,894	366,559
Lease liabilities	13	1,108,423	-
		1,684,317	366,559
TOTAL LIABILITIES		12,003,972	1,443,610
SHAREHOLDERS' EQUITY			
Share capital	17	11,488,499	11,462,999
Warrants	18	245,282	245,282
Contributed surplus	21	1,179,778	828,217
Deficit		(16,827,038)	(11,192,422)
Foreign currency translation reserve		(54,016)	(247,403)
TOTAL SHAREHOLDERS' EQUITY		(3,967,495)	1,096,673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 8,036,477	\$ 2,540,283

Segment information (Note 25)

Subsequent events (Note 27)

Description of business and going concern (Note 2.1)

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

	Notes	2025	2024
Revenue	19	\$ 1,632,867	\$ 2,265,418
Cost of sales	10	1,576,194	1,694,424
Gross profit		56,673	570,994
Expenses	20		
Sales and marketing		2,026,222	1,518,209
General and administrative		1,632,161	1,342,460
Research and development		196,274	277,333
Product development		177,209	221,874
Other operating expenses		47,962	83,200
		4,079,828	3,443,076
Operating loss		(4,023,155)	(2,872,082)
Finance expense	16	1,070,364	31,689
Foreign exchange (gain)		224,942	(132,890)
Other expenses	6	318,876	507
Total other expense (income)		1,614,182	(100,694)
Loss before tax		(5,637,337)	(2,771,388)
Income taxes	22	(2,721)	-
Net loss		(5,634,616)	(2,771,388)
Other comprehensive gain (loss)			
Items that may be recycled subsequently to net earnings (loss):			
Currency translation of foreign operations, net of tax		193,387	(159,166)
Other comprehensive gain (loss) for the year, net of tax		\$ 193,387	\$ (159,166)
Total comprehensive loss		\$ (5,441,229)	\$ (2,930,554)
Weighted average number of shares outstanding		27,818,428	25,834,180
Basic and diluted loss per share		\$ (0.20)	\$ (0.11)

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Consolidated Statements of Changes in Equity

As at December 31, 2025 and 2024

(in Canadian dollars)

	Notes	Share Capital	Warrants Reserve	Contributed Surplus	Deficit	Foreign currency translation reserve	Total
Balance, January 1, 2024		\$ 9,309,343	\$ -	\$ 403,007	\$ (8,421,034)	\$ (88,237)	\$ 1,203,079
Net loss for the year		-	-	-	(2,771,388)		(2,771,388)
Other comprehensive income (loss)							
Currency translation of foreign operations, net of tax						(159,166)	(159,166)
Stock-based compensation	21			425,210			425,210
Share issuance	17	2,153,656					2,153,656
Warrant issuance	18		245,282				245,282
Balance, December 31, 2024		\$ 11,462,999	\$ 245,282	\$ 828,217	\$ (11,192,422)	\$ (247,403)	\$ 1,096,673
Net loss for the year		-	-	-	(5,634,616)		(5,634,616)
Other comprehensive income (loss)							
Currency translation of foreign operations, net of tax						193,387	193,387
Stock-based compensation	21			351,561			351,561
Share issuance	17	25,500					25,500
Balance, December 31, 2025		\$ 11,488,499	\$ 245,282	\$ 1,179,778	\$ (16,827,038)	\$ (54,016)	\$ (3,967,495)

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

	Notes	2025	2024
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Net loss for the year		\$ (5,634,616)	\$ (2,771,388)
Add (deduct) items:			
Amortization of property and equipment		39,159	42,134
Amortization of intangibles assets		5,284	109
Amortization of right-of-use assets		175,381	74,506
Stock based payments	21	351,561	425,210
Unrealized foreign exchange gain (loss)		185,446	(150,365)
Interest expense		1,070,364	22,888
Loss on derivative liability		318,876	-
Interest paid		(22,757)	(43,819)
Interest received		28,754	5,196
Other		(6,510)	-
		(3,489,058)	(2,395,529)
Changes in non-cash working capital:			
Increase in trade and other receivables		(16,738)	16,225
Increase in inventory	10	(36,450)	(339,280)
Decrease in other current and non-current assets	11	(191,362)	9,218
Decrease in trade and other payables		(45,554)	197,490
Contract liabilities		109,552	36,750
		(180,552)	(79,597)
Net cash flows used in operating activities		(3,669,610)	(2,475,126)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of short term investments	8	(1,004,435)	-
Purchase of property and equipment	12	(393,720)	(157,103)
Right-of use assets	13	(62,914)	-
Purchase of internally generated intangible assets	14	(561,174)	(460,693)
Net cash flows used in investing activities		(2,022,243)	(617,796)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share subscriptions or share issuance	17	-	2,153,656
Proceeds from warrants		-	245,282
Principal payments of lease liabilities	13	(74,760)	(69,126)
Proceeds from debt		8,096,410	393,311
Repayment of debt		(207,950)	(109,610)
Net cash flows provided by financing activities		7,813,700	2,613,513
Net change in cash		2,121,847	(479,409)
Cash and cash equivalents, beginning of year		143,183	622,592
Cash and cash equivalents, end of year		\$ 2,265,030	\$ 143,183

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

1. Corporate information

The consolidated financial statements of Alchemy Labs Inc. and its subsidiaries (collectively “the Company” or “Alchemy”) for the years ended December 31, 2025 and 2024 and the Statement of Financial Position as at December 31, 2025 and 2024 were authorized for issue in accordance with a resolution passed by the Board of Directors on June 25, 2026. The Company is incorporated under the Business Corporations Act (British Columbia) and is headquartered in Kitchener, Ontario, Canada.

Alchemy is a nanotechnology company that develops and commercializes protective coatings for niche and specialty markets. The Company’s core product, a windshield protective film, is a film for automotive vehicles equipped with advanced driver assistance systems. The Company also uses its technology to develop multi-spectral camouflage applications for use in the defense industry. The Company has two subsidiaries: Neverfrost Inc. and Neverfrost USA Inc.

2. Material accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, such as convertible loans and stock-based compensation, which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

Going concern

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company reported a net loss of \$5,634,616 for the year ended December 31, 2025 (December 31, 2024: \$2,771,388) and net cash flows used in operating activities of \$3,669,610 (December 31, 2024: \$2,475,126). The Company’s ability to continue as a going concern is dependent upon the Company’s ability to successfully generate profit from operations, or to finance its cash requirements through equity or debt financing.

These events and conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business.

Should the Company be unable to operate as a going concern in the foreseeable future, adjustments would have to be made relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary. These consolidated financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenue, and expenses and the statement of financial position classification used if the Company was unable to continue operations in accordance with this assumption. Such adjustments could be material.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Alchemy Labs Inc. and its subsidiaries as at December 31, 2025. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements.
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

The consolidated financial statements of the Company include the following, wholly owned and controlled subsidiaries:

Entity	Functional currency
Neverfrost Inc.	CAD
Neverfrost USA Inc.	USD

2.3 Summary of accounting policies

The following are the material accounting policies applied by the Company in preparing its consolidated financial statements:

a) Current versus non-current classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
 - Held primarily for the purpose of trading.
 - Expected to be realized within 12 months after the reporting period.
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

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A liability is current when:

- It is expected to be settled in the normal operating cycle.
 - It is held primarily for the purpose of trading.
 - It is due to be settled within 12 months after the reporting period.
- Or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting periods.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Fair value measurement

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, are described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which inputs are based on quoted prices for identical or similar instruments in markets that are not active, quoted prices for similar instruments in active markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset or liability;
- Level 3: techniques which use inputs that have a significant effect on the recognized fair value that require the Company to use its own assumptions about market participant assumptions.

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. The Company performs a variety of procedures to assess the reasonableness of its fair value determinations including the use of third parties. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

c) Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Items included in the consolidated financial statements of each of the legal entities are measured using its respective functional currency (Note 2.2), being the currency of the primary economic environment in which the entity operates. The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

(ii) Translation

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rate for the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income (loss) ("OCI"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

d) Cash and cash equivalents

Bank balances, including any highly liquid investment accounts that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, are presented under cash and cash equivalents. An investment account normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash and excluded from current assets.

e) Inventories

Inventories, representing finished goods to be sold to customers, are valued at the lower of cost and net realizable value with cost assigned using the weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not fully recoverable. The amount of any write-downs of inventories to net realizable value are recognized as an expense, and included in cost of sales, in the period the write-down occurs. The factors the Company considers in determining the provision for slow moving, obsolete and other unsaleable inventory include estimated shelf life, planned product discontinuances, price changes, aging of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all of these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of a changed economic circumstance, the amount of write-down is reversed in the period of change to the extent of the increase in value.

f) Property, plant and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use.

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Property and equipment are depreciated over their estimated useful lives using the straight-line method and over their expected useful lives as follows:

Lab equipment	3 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	Term of lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives by using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statements of loss and comprehensive loss in the expense category consistent with the function of the intangible assets.

Intangible assets are derecognized either on their disposal or where no future economic benefits are expected from their use. Any gain or loss arising on such derecognition is included in the consolidated statements of loss and comprehensive loss and is measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of derecognition

Research and development costs

The Company expenses research costs as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale,
- Its intention to complete and its ability and intention to use or sell the asset,
- How the asset will generate future economic benefits,
- The availability of resources to complete the asset, and
- The ability to measure reliably the expenditure during development.

Development expenditure is capitalized when the criteria for recognizing an asset are met. Capitalized development costs are amortized from the date they are available for use.

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A summary of the policies applied to the Company's intangible assets is, as follows:

	Capitalized development costs	Patents	Computer Software
Useful lives	Finite (3.5-5 years)	Finite (15 years)	Finite (3.5 years of term of license)
Amortization method used	Amortized on a straight-line basis over the period of the useful life. Tested for impairment when indicators exist.	Amortized on a straight-line basis over the period of the useful life. Tested for impairment when indicators exist.	Amortized on a straight-line basis over the period of the useful life. Tested for impairment when indicators exist
Internally generated or acquired	Internally generated	Acquired	Acquired

h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset, or its cash generating unit ("CGU"), is required, the Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value-in-use; or (ii) fair value less cost to sell. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset or CGU (or group of CGUs) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss unless the asset is carried at a revalued amount, in which case it is treated as a revaluation increase.

i) Leases

Company as a lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. A right-of-use asset and lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term and the estimated useful lives of the assets, which is 5 years of total lease term with 1.5 years remaining for the buildings.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

j) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

k) Units issued

The Company issues Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a share purchase warrant. The Company allocates the proceeds from each Unit to the common share and warrant components based on their relative fair values using the Black-Scholes pricing model. Transaction costs arising on the issuance of Units are recognized in equity as a reduction of the proceeds allocated to share capital and warrants, on a pro rata basis.

l) Dividends

Dividends are recognized when declared during the financial year and no longer at the discretion of the company.

m) Taxes

(i) Current income tax

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on taxable income or loss. 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 jurisdictions where the Company operates and generates taxable income.

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.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized in the foreseeable future.

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The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that they will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that their realization is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 at the reporting date.

All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

n) Financial instruments

Financial assets

On initial recognition, a financial asset is classified as measurement at: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and whether the financial assets' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding. All of the Company's financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss ("FVTPL"), transaction costs that are attributable to the acquisition of the financial asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the Company has transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets have transferred. Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and all debt instruments not held at FVTPL are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of financial assets

The expected credit loss ("ECL") impairment model applies to financial assets not held at FVTPL. For the Company, the ECL model applies to accounts receivable, for which the simplified approach has been elected. Therefore, the Company does not track changes in credit risk but instead recognizes an allowance for expected credit loss based on lifetime ECLs measured on initial recognition of the receivable and at each reporting date.

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Financial liabilities

Financial liabilities are classified, at initial recognition, as at amortized cost or at FVTPL. All financial liabilities are recognized initially at fair value and, in the case of those at amortized cost, net of directly attributable transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. The EIR amortization is included as finance expense in the consolidated statements of loss and comprehensive loss. The Company's financial liabilities at amortized cost include trade and other payables, long-term debt and lease liabilities.

A financial liability is derecognized when its contractual obligations are discharged or expire.

Convertible loans

Convertible loans are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible loan requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible loan in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including: contractual future cash flows, discount rates and volatility.

Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

o) Government assistance and investment tax credits

Government assistance and investment tax credits are presented within the net balance of 'Other operating expenses' in the consolidated statements of loss and comprehensive loss as long as there is reasonable assurance that the assistance will be realized.

The Company qualifies for investment tax credits related to qualifying scientific research and experimental development ("SR&ED") expenditures. These tax credits require approval from both the technical and financial reviewers of the Canada Revenue Agency. Investment tax credits are recorded when the qualifying expenditures are made and there is reasonable assurance that the credits will be realized. Tax credits earned for current expenditures on qualified research and experimental development activities are included in the net balance of 'Other operating expenses' on consolidated statements of loss and comprehensive loss.

p) Stock-based compensation

The Company maintains the Alchemy Labs Inc. Stock Option Plan (the "Plan"), which provides for the granting of stock options to employees, directors, and consultants in exchange for services (equity-settled transactions). The Plan allows for the issuance of both time-based and performance-based stock options.

Stock-based compensation expense is recognized based on the fair value of the stock options granted, measured at the grant date, and recognized over the requisite service period of the award. The fair value of stock options is estimated using the Black-Scholes option pricing model, which incorporates assumptions such as expected term, volatility based on comparable companies, dividend yield, and the risk-free interest rate.

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The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the stock-based compensation benefit as at the date of modification.

Time-based options

Time-based options contain a service condition and acceleration clause upon change of control event. For these options, the Company recognized compensation expense systematically over the 12-month vesting period, using the graded vesting method as required under IFRS 2 Share-based Payment. If a Change of Control occurs, all unrecognized expenses must be immediately recognized, which could have a material impact on the financial statements. However, as the Company does not anticipate a Change of Control within the vesting period, regular monitoring is performed.

Performance-based options

Performance-based options have a non-market performance condition. For these options, the Company recognized compensation expenses based on the expected vesting period, which is from the grant date through December 2025, when one of the performance conditions is expected to be met.

q) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration. There are no significant elements of variable consideration included in the Company's contracts. When contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis to each performance obligation. The Company typically determines standalone selling price based on observable selling prices of individually sold products and services.

Product-related revenues

Revenue from the sale of products is recognized when control of the asset is transferred to the customer, which occurs on delivery to the customer or when the customer collects the goods from the Company's warehouse based on the arrangement with the customer. The normal credit term is 30–90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Shipping revenues are recognized at the point when the product has been shipped.

Rendering of services

Revenue from service-related revenue streams is recognized over time. Revenue is recognized on a systematic basis over the service period, reflecting the transfer of services to the customer. The revenue is recognized as the services are performed, ensuring that the amount of revenue recognized reflects the extent of services provided at any given time. The service-related revenue streams include the training program and extended warranty sales. Revenue from these streams is recognized over the duration of the service period, aligning with the delivery of the respective services.

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When, in addition to the regular warranty coverage, an extended warranty coverage is sold with the purchase of the product, a portion of the revenue representing the value of the extended warranty is deferred. The value deferred is based on the stand-alone selling price of the extended warranty given. The deferred revenue is then recognized over the extended warranty coverage period.

r) Provisions

Provisions represent liabilities for which the amount or timing of payment is uncertain. Provisions are recorded in the consolidated statements of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Additionally, provisions are recorded for contracts under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received.

Provisions are measured at each period end at the best estimate of the expenditure required to settle the obligation. The main provision of the Company is described in more detail below:

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Determining the lease term of contracts with renewal options - as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has several lease contracts that include extension options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

Incremental borrowing rate (lease liabilities)

The Company cannot generally readily determine the interest rates implicit in its leases; therefore, it uses incremental borrowing rates ("IBRs") to measure the lease liabilities. The IBRs are the rates the Company would have to pay over a similar term, with similar security, to borrow the funds necessary to obtain assets of similar value to the right-of-use assets in a similar economic environment.

Development costs

The Company capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits. At December 31, 2025, the carrying amount of internally generated capitalized development costs was \$1,628,486 (December 31, 2024: \$1,072,007).

Useful lives of intangible assets

The Company reviews the expected useful lives of intangible assets periodically as well as when other changes occur. In particular, it considers the impact of sales projections of each product in its assessment of expected useful lives.

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Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing.

The determination of the recoverable amount involves significant estimates and assumptions. Value-in-use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. Fair value less costs to sell is determined using market multiples. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change.

Functional currency assessment

In the consolidated financial statements, the functional currency is determined at the level of each subsidiary within a group. After considering all the indicators, where the functional currency is still not be obvious, judgement is required in determining the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. In exercising that judgement, management gave priority to the primary indicators and secondary indicators before considering additional factors.

Stock-based compensation, warrants and derivative liabilities

The Company estimates fair value for stock-based compensation transactions, warrants and derivative liabilities, which requires determination of the most appropriate valuation model, depending on the terms and conditions of the arrangement. The fair value of stock options, warrants and derivative liabilities are estimated using the Black-Scholes-Merton formula. Several assumptions are used in the underlying calculation of these fair values, including the probability of a public stock listing, market value of the underlying shares, expected life, stock price volatility based on comparable companies, forfeiture rates, expected dividend yield and risk-free interest rates.

Equity and liability classification

The Company makes estimates and utilizes assumptions in determining whether warrants issued by the Company as part of a Unit should be classified as an equity instrument or a liability.

4. Standards issued but not yet effective

IFRS 18 - Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued a new standard IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

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IFRS 19 - Subsidiaries without Public Accountability

In May 2024, the IASB issued a new standard IFRS 19 Subsidiaries without Public Accountability. An entity electing to apply IFRS 19 applies the requirements in other IFRS Accounting Standards, except for the disclosure requirements, and instead applies the requirements in IFRS 19 with certain exceptions.

An entity may elect to apply this Standard in its consolidated, separate or individual financial statements if, and only if, at the end of the reporting period:

- it is a subsidiary;
- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standard is effective for annual reporting period beginning on or after January 1, 2027. Early adoption is permitted but will need to be disclosed. The Company does not expect this standard to have an impact on its operations or consolidated financial statements.

5. Capital Management

For the Company's capital management, capital includes share capital, and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or obtain additional financing from a related party or financial institution.

No changes were made in the objectives, policies, or processes for managing capital during the years ended December 31, 2025 and 2024.

The Company monitors capital on an ongoing basis based on expected receipt of receivables and the due dates of financial liabilities.

6. Financial instruments

The Company has assessed that the fair values of financial assets and financial liabilities approximate their carrying amounts, largely due to the short-term maturities of these instruments, except for the item noted below.

The Company's financial instrument measured at fair value as at December 31, 2025 is as follows:

	<u>Classification</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Derivative liability	FVTPL	\$3,270,442	\$3,270,442	Level 3

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Convertible Loan Agreements

NameSilo Loan: On December 18, 2024, the Company entered into a convertible loan agreement with NameSilo Technologies Corp. ("NameSilo") for a non-revolving drawdown facility of up to \$500,000, subsequently amended to increase the facility to \$1,350,000. As at December 31, 2025, the Company had drawn the full \$1,350,000 under this agreement. The principal and accrued interest are convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026. The number of shares (rounded down to the nearest whole number) to be issued to NameSilo shall be equal to the principal and accrued interest of the Loan at the time of conversion divided by 75% of the greater of the issue price of (a) the securities issued pursuant to the last equity financing of the Company prior to the listing and (b) any equity securities issued pursuant to or in connection with the listing.

Additional Convertible Loans: During the year ended December 31, 2025, the Company entered into additional convertible loan agreements with third parties totaling \$6,501,000 between the July 1 to September 30, 2025. The number of shares (rounded down to the nearest whole number) to be issued to any third-party due amounts under these additional convertible loan agreements shall be equal to the principal and accrued interest of the Loan at the time of conversion divided by the lesser of: (a) 75% of the listing event share price and (b) \$1.25.

The principal and accrued interest under these convertible loan agreements are automatically convertible into common shares of the Company upon the occurrence of a listing event. These loans mature between July 17, 2027, and October 10, 2027.

Derivative Liability Classification

The conversion features of the above convertible loans are considered embedded derivatives and are classified as derivative liabilities on the balance sheet and measured at fair value through profit or loss. These instruments are categorized as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs.

Valuation Methodology

The fair value of the derivative liability was determined using a probability-weighted option pricing model based on the Black-Scholes-Merton framework. The valuation incorporates: probability of occurrence of a listing event (80%), expected timing of the listing event (2026), expected volatility (61%-65%), expected conversion terms, contractual interest rates (3.68%-4.47%), most recent arm's length financing price (\$0.85 per share).

Given the contingent nature of the listing event, management applied significant judgment in estimating probabilities and timing assumptions.

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There were no financial instruments classified as Level 1 or Level 2, and there were no transfers between Level 1 and Level 2 during the year ended December 31, 2025 (December 31, 2024 – nil).

	Derivative Liability	
January 1, 2024	\$	-
Additions		124,342
Changes in fair value recognized in other expenses		507
December 31, 2024		124,849
Additions		2,826,717
Changes in fair value recognized in other expenses		318,876
December 31, 2025	\$	3,270,442
Current	\$	3,270,442
Non-current		-

The following table provides information about how the fair value of this financial liability is determined (in particular, the valuation technique and inputs used).

Financial instrument	Valuation technique	Inputs used
Derivative liability	Weighted probability	Estimates of listing event and non-listing event; last financing price.

7. Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash at bank	\$ 131,540	\$ 127,222
Online payment platforms	2,606	5,325
Corporate cards	-	10,636
Short-term investments of less than 90 days	2,130,884	-
	\$ 2,265,030	\$ 143,183

As at December 31, 2025, cash and cash equivalents include short-term investments maturing between March 4, 2026 and March 11, 2026 with interest rates of 2.13%-2.22%. These investments are considered highly liquid and are readily convertible to known amounts of cash with an insignificant risk of changes in value.

8. Short term investments

	December 31, 2025	December 31, 2024
Short term investments greater than 90 days	\$ 1,004,435	\$ -

As at December 31, 2025, the Company had purchased short term investment notes with a term of more than ninety-days maturing between February 10, 2026 and March 12, 2026 with interest rates of 2.13%-2.46%.

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9. Trade and other receivables

As at December 31, 2025, the Company has government remittances receivable of \$94,343 within other receivables (December 31, 2024: \$33,825).

	December 31, 2025	December 31, 2024
Trade receivables	\$ 7,085	\$ 50,865
Goods and services tax receivable	94,343	33,825
Allowance for expected credit losses	-	-
	\$ 101,428	\$ 84,690

As at December 31, 2025, the Company has not recorded any allowance for expected credit losses relating to its accounts receivable (December 31, 2024: \$nil).

10. Inventories

	December 31, 2025	December 31, 2024
Raw materials	\$ 381,814	\$ 113,061
Work in process	18,782	73,816
Finished goods	340,690	517,959
	\$ 741,286	\$ 704,836

During the year ended December 31, 2025, inventories of \$1,021,452 (December 31, 2024: \$1,252,505) were expensed and reported in 'Cost of sales'.

Included in this amount are inventory write-offs during the year ended December 31, 2025 amounting to \$164,863 (December 31, 2024: \$nil).

11. Other assets

	December 31, 2025	December 31, 2024
Prepayments	\$ 235,091	\$ 157,079
Investment tax credits	289,350	176,000
	\$ 524,441	\$ 333,079
Current	\$ 434,143	\$ 270,267
Non-current	\$ 90,298	\$ 62,812

During the year ended December 31, 2025, the Company accrued \$289,350 (December 31, 2024: \$176,000) of investment tax credits related to the Company's SR&ED claims. These tax credits have been recognized in the net balance of 'Other operating expenses' on the consolidated statements of loss and comprehensive loss.

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12. Property, plant, and equipment

	Lab equipment	Office equipment	Production equipment in progress	Computer equipment	Leasehold Improvements	Total
Cost						
Balance, January 1, 2024	\$ 123,418	\$ 15,807	\$ -	\$ -	\$ -	\$ 139,225
Additions	-	-	157,103	-	-	157,103
Disposals	-	-	-	-	-	-
Balance December 31, 2024	123,418	15,807	157,103	-	-	296,328
Additions	10,933	17,786	248,923	21,617	94,461	393,720
Disposals	-	-	-	-	-	-
Balance December 31, 2025	\$ 134,351	\$ 33,593	\$ 406,026	\$ 21,617	\$ 94,461	\$ 690,048
Depreciation and impairment						
Balance, January 1, 2024	\$ 63,979	\$ 7,287	\$ -	\$ -	\$ -	\$ 71,266
Depreciation	39,309	2,825	-	-	-	42,134
Disposals	-	-	-	-	-	-
Balance December 31, 2024	103,288	10,112	-	-	-	113,400
Depreciation	20,130	4,940	-	3,603	10,486	39,159
Disposals	-	-	-	-	-	-
Balance December 31, 2025	\$ 123,418	\$ 15,052	\$ -	\$ 3,603	\$ 10,486	\$ 152,559
Net book value						
December 31, 2024	\$ 20,130	\$ 5,695	\$ 157,103	\$ -	\$ -	\$ 182,928
December 31, 2025	\$ 10,933	\$ 18,541	\$ 406,026	\$ 18,014	\$ 83,975	\$ 537,489

Depreciation expenses are included in 'Research and development expenses' and 'General and administrative' expenses.

No depreciation expense has been recorded on production equipment as its installation and testing is still in process.

13. Leases

Set out below are the carrying amounts of right-of-use assets and lease liabilities in relation to leases held by the Company, and the movements during the year.

	Buildings	Computer Equipment	Total
As at January 1, 2024	\$ 74,506	\$ -	\$ 74,506
Depreciation	(74,506)	-	(74,506)
As at December 31, 2024	-	-	-
Additions	1,371,890	14,429	1,386,319
Depreciation	(171,487)	(3,894)	(175,381)
As at December 31, 2025	\$ 1,200,403	\$ 10,535	\$ 1,210,938
Net Book Value			
December 31, 2024	\$ -	\$ -	\$ -
December 31, 2025	\$ 1,200,403	\$ 10,535	\$ 1,210,938

Depreciation expenses are included in 'General and administrative' expenses.

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Set out below are the carrying amounts of lease liabilities and the movements during the period:

	For the year ended December 31:	
	2025	2024
Opening, January 1	\$ -	\$ 68,442
Additions	1,337,383	-
Accretion of interest	60,782	684
Payments	(74,760)	(69,126)
Closing, December 31	\$ 1,323,405	\$ -
Current	\$ 214,982	\$ -
Non-current	\$ 1,108,423	\$ -

Reconciliation of lease liabilities arising from financing activities:

	For the year ended December 31:	
	2025	2024
Opening, January 1	\$ -	\$ 68,442
Additions	1,337,383	-
Accretion of interest	60,782	684
Cash flows	(74,760)	(69,126)
Closing, December 31	\$ 1,323,405	\$ -
Current	\$ 214,982	\$ -
Non-current	\$ 1,108,423	\$ -

The following amounts are recognized in the consolidated statements of loss and comprehensive loss as lease expense:

	For the year ended December 31:	
	2025	2024
Depreciation expense on right-of-use assets	\$ 175,381	\$ 74,506
Interest on lease liabilities (included in finance costs)	60,782	684
Short term lease expense	-	82,951
Total net expenses	\$ 236,163	\$ 158,141

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14. Intangible assets

	Capitalized development costs	Patents	Computer Software	Total
Cost				
Balance, January 1, 2024	\$ 630,983	\$ -	\$ -	\$ 630,983
Additions	441,024	19,669	-	460,693
Balance, December 31, 2024	\$ 1,072,007	\$ 19,669	\$ -	\$ 1,091,676
Additions	556,479	-	8,668	565,147
Balance, December 31, 2025	\$ 1,628,486	\$ 19,669	\$ 8,668	\$ 1,656,823
Amortization and impairment				
Balance, January 1, 2024	\$ -	\$ -	\$ -	\$ -
Amortization	-	109	-	109
Balance, December 31, 2024	\$ -	\$ 109	\$ -	\$ 109
Amortization	-	1,311	3,973	5,284
Balance December 31, 2025	\$ -	\$ 1,420	\$ 3,973	\$ 5,393
Net book value				
December 31, 2024	\$ 1,072,007	\$ 19,560	\$ -	\$ 1,091,567
December 31, 2025	\$ 1,628,486	\$ 18,249	\$ 4,695	\$ 1,651,430

Amortization expenses are included in 'Research and development expenses'.

15. Trade and other payables

	December 31, 2025	December 31, 2024
Trade payables	\$ 337,162	\$ 275,076
Accrued expenses	246,272	193,722
Other liabilities	129,328	289,518
	\$ 712,762	\$ 758,316

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be reasonable approximations of their fair values, due to their short-term nature.

Included in the 'Other liabilities' above is \$36,434 of bank indebtedness related to corporate credit cards at December 31, 2025 (December 31, 2024: \$17,038).

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16. Debt

	December 31, 2025	December 31, 2024
Current portion of long-term debt	\$ 5,889,311	\$ 71,280
Long-term debt	575,894	366,559
	\$ 6,465,205	\$ 437,839
As at January 1	\$ 437,839	\$ 286,605
Additions, net of transaction costs	8,070,910	393,311
Accretion expense	991,113	5,309
Derivative liability reclassification	(2,826,707)	(137,776)
Repayments	(207,950)	(109,610)
As at December 31	\$ 6,465,205	\$ 437,839

Total interest and accretion expense on long-term debt for the year ended December 31, 2025, was \$1,070,364 (December 31, 2024: \$36,201). Transaction costs on long-term debt for the year ended December 31, 2025 were \$25,500 (December 31, 2025: \$15,000).

Convertible loans

Current debt includes convertible loans with a face value of \$7,851,000 as at December 31, 2025 (December 31, 2024: \$250,000) issued under the NameSilo Loan and Additional Convertible Loan agreements (refer to Note 6). The interest rate on all of these loans is 12% per year. The maturity date of the NameSilo Loan is December 18, 2026. The maturity date of the Additional Convertible Loans ranges between July 17, 2027, and October 10, 2027.

Early settlement could be required by the Lenders should certain events of default occur, such as bankruptcy, a change of control, default on this or any other of the Company's debt arrangements or other breach of the terms of the loan agreement. As of December 31, 2025, and the date of these financial statements, the Company is in full compliance with the covenants under this agreement.

These loans have been recognized in two parts: a liability component and an embedded derivative, which is classified as a liability and measured at fair value. The embedded derivative exists and is classified as a liability because at the time the loan was issued, the conversion price was not fixed but included a discount and fluctuates in response to changes in the market price of the Company's shares. In accordance with IFRS 9, the embedded derivative was measured first at its estimated fair value and the residual of the proceeds received from the loan less the fair value of the embedded derivative and a commitment fee of \$25,500, settled in shares, paid to secure the facility was assigned to the loan component. Refer to Note 6 for related fair value measurement disclosures.

BSP Loan

In May 2024, the Company entered into an agreement ("BSP Loan") for maximum borrowing available of \$1.8 million with Federal Economic Development Agency for Southern Ontario via Business Scale-up and Productivity stream ("BSP"). The loan is interest-free until maturity, at which point interest on overdue amounts will accrue in accordance with the federal *Interest and Administrative Charges Regulation*. The facility's drawdowns are recognized at fair value with effective interest rates ranging from 5.89% to 8.04%, resulting in grant income of \$145,649 being recognized in the net balance of 'Other operating expenses' in the year ended December 31, 2025, calculated as the difference between the fair value of the loans and their face value. The maturity date is December 1, 2032. The outstanding balance pursuant to this loan was \$619,933 at December 31, 2025 and its carrying amount is \$541,636 (December 31, 2024: \$181,226 and \$108,164 respectively).

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The BSP Loan was provided to help fund the commercialization of a new product and to expand the Company's manufacturing facilities in Kitchener, Ontario (the "Project"). Under the terms of the loan agreement, early repayment may be required at the option of the lender should an event of default occur, such as bankruptcy or insolvency, non-payment of amounts due under the agreement, failure to meet the objectives or milestones of the Project, dissolution of the Company or otherwise ceasing to conduct business, or other non-compliance with the terms of the agreement. As of December 31, 2025 and the date of these financial statements, the Company is in full compliance with the covenants under the BSP Loan Agreement.

CDAP Loan

In April 2024, the Company entered into a \$50,000 interest-free loan agreement ("CDAP Loan") with Business Development Bank of Canada ("BDC"). The interest-free loan is considered government assistance and was recognized at fair value with an effective interest rate of 8.32%, resulting in grant income of \$12,335 being recognized in the net balance of 'Other operating expenses' in the year ended December 31, 2024, calculated as the difference between the fair value of the loans and their face value. The maturity date is March 17, 2030. The outstanding balance pursuant to the CDAP Loan is \$42,330 at December 31, 2025 and its carrying amount is \$35,525 (December 31, 2024: \$50,000 and \$39,949 respectively). As of December 31, 2025 and the date of these financial statements, the Company is in full compliance with the covenants under the CDAP Loan Agreement.

BDC Loans

In April 2021, the Company entered into a \$120,000 loan agreement ("BDC Loan 120K") with BDC. The interest rate on the BDC Loan 120K is based on BDC's floating interest rate plus a variance of 1.45% per year. The maturity date was March 1, 2027. The outstanding balance pursuant to this loan is \$30,000 at December 31, 2025 (December 31, 2024: \$54,000). For the year ended December 31, 2025, the interest rate on this loan was 8.00% (December 31, 2024: 9.50%).

In May 2020, the Company entered into a \$230,000 loan agreement ("BDC Loan 230K") with BDC. The interest rate on the BDC Loan 230K is based on BDC's floating interest rate minus a variance of 1.75% per year. The loan agreement was amended on January 31, 2023 – extending the maturity date to April 1, 2026. The outstanding balance pursuant to this loan is \$15,715 at December 31, 2025 (December 31, 2024: \$62,995). For the year ended December 31, 2025, the interest rate on this loan was 4.80% (December 31, 2023: 5.80%).

The Company has provided collateral security on all of its personal property and assets to BDC. As of December 31, 2025 and the date of these financial statements, the Company is in full compliance with the covenants under the BDC Loan Agreement.

CEBA Loan

In March 2020, the Company entered into a \$40,000 term loan agreement ("CEBA Term Loan") with Canadian Emergency Business Account ("CEBA"). The interest rate on the CEBA Term Loan is 0% per annum during initial term ended December 31, 2022 and 5% per annum during extended term ending December 31, 2025, with the first payment to be made on January 31, 2023. The maturity date is December 31, 2026. The term loan agreement was amended in 2021, increasing the loan amount from \$40,000 to \$60,000. The outstanding balance pursuant to this loan is \$60,000 at December 31, 2025 (December 31, 2024: \$60,000). As of December 31, 2025 and the date of these financial statements, the Company is in full compliance with the covenants under the CEBA Loan Agreement.

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17. Share capital

	December 31, 2025	December 31, 2024
Common shares	\$ 11,488,499	\$ 11,462,999
	\$ 11,488,499	11,462,999

Authorized share capital

As at December 31, 2025, the Company has authorized an unlimited number of common and preferred shares, of which 27,840,561 common shares were issued and outstanding.

Issued and fully paid

During the year ended December 31, 2025, 30,000 common shares at \$0.85 per share were issued to NameSilo Technologies for an aggregate value of \$25,500 in consideration for the \$1,100,000 in additional convertible loans extended to the Company during the year (see note 16). During the year ended December 31, 2024, 2,864,636 common shares were issued by the Company for aggregate proceeds of \$2,153,656.

There are 27,840,561 and 27,810,561 common shares issued and outstanding as at December 31, 2025 and December 31, 2024, respectively.

Dividends paid

There were no cash dividends on common shares declared and paid during the years ended December 31, 2025 and 2024.

18. Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2025 and 2024, respectively:

	Number of Warrants	Weighted Average Exercise Price
As at January 1, 2024	-	-
Issued	1,176,470	\$ 0.85
Exercised	-	-
Expired	-	-
Balance, December 31, 2025 and 2024	1,176,470	\$ 0.85

Expiry date	Number of Warrants	Exercise Price
April 16, 2026	1,176,470	\$ 0.85
	1,176,470	\$ 0.85

During the year ended December 31, 2024, the Company issued 1,176,470 units ("Units"). Each Unit consists of one common share and one common share purchase warrant, entitling the holder to purchase one additional common share of the Company. Each warrant is exercisable for the later of eighteen months following the date of issuance or six months following the Company's listing on a stock exchange, if the Company lists on a stock exchange within eighteen months following the date of issuance, at an exercise price of \$0.85. The warrants were assigned a relative fair value of \$245,282 using the Black-Scholes option model with the following assumptions: share price of \$0.85, dividend yield of 0%, expected volatility of 63.78% based on comparable companies, risk-free interest rate of 4.05% and an expected life of 1.5 years.

The weighted average life of the outstanding warrants at December 31, 2025 is 4.5 months.

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19. Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the years ended December 31:			
	2025		2024	
Type of goods or services				
Product related	\$	1,487,567	\$	2,196,366
Rendering of services		145,300		69,052
Total revenue from contracts with customers	\$	1,632,867	\$	2,265,418
Timing of revenue recognition				
Goods and services transferred at a point in time	\$	1,487,567	\$	2,196,366
Goods and services transferred over time		145,300		69,052
Total revenue from contracts with customers	\$	1,632,867	\$	2,265,418

Set out below is the Company's revenue from contracts with customers in each of its major market:

	For the years ended December 31:			
	2025		2024	
Geographical Markets				
Canada	\$	305,300	\$	283,772
United States		989,030		1,354,478
Rest of world		338,537		627,168
Total revenue	\$	1,632,867	\$	2,265,418

Contract Liabilities

Contract liabilities principally relate to customer advances received before the Company fulfills its performance obligations. Revenues of \$60,626 and \$82,130 were recognized during the fiscal years ended December 31, 2025 and 2024, which were included in the balance of contract liabilities at the beginning of each respective period.

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20. Expenses

	For the years ended December 31:	
	2025	2024
Depreciation and amortization are included in:		
Research and development costs	\$ 21,442	\$ 39,418
General and administrative	198,381	77,331
	\$ 219,823	\$ 116,749
Employee benefits are included in:		
Sales and marketing	\$ 1,330,375	\$ 998,714
General and administrative	694,817	663,895
Research and development	268,055	203,551
Product development	156,174	220,750
Other operating expenses	546,088	387,271
	\$ 2,995,509	\$ 2,474,181

21. Stock-based compensation

The expense recognized for employee services received during the year ended December 31, 2025 and 2024 is shown in the following table:

	For the years ended December 31:	
	2025	2024
Expense arising from equity-settled share-based compensation transactions		
Time-based stock options	\$ 292,365	\$ 377,762
Performance-based stock options	59,196	47,448
	\$ 351,561	\$ 425,210

Time-based stock options

During the year ended December 31, 2024, the Company granted an additional 373,500 time-based stock options with a weighted average grant date fair value of \$0.72 and weighted average exercise price of \$0.85. Additionally, 40,625 options were exercised at a weighted average exercise price of \$0.25, 61,406 options were forfeited at a weighted average exercise price of \$0.77, and 325,578 options expired with a weighted average exercise price of \$0.43.

As at December 31, 2024, a total of 1,077,057 time-based stock options remained outstanding, with a weighted average grant date fair value of \$0.73, weighted average exercise price of \$0.77, and a remaining contractual life of approximately 8.51 years.

During the year ended December 31, 2025, the Company granted an additional 1,524,935 time-based stock options with a weighted average grant date fair value of \$0.74 and weighted average exercise price of \$0.85. Additionally, 608,068 options were forfeited at a weighted average exercise price of \$0.85, and 120,485 options expired with a weighted average exercise price of \$0.67.

As at December 31, 2025, a total of 1,873,439 time-based stock options remained outstanding, with a weighted average grant date fair value of \$0.74, weighted average exercise price of \$0.81, and a remaining contractual life of approximately 5.95 years.

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The expense recognised for time-based stock options during the year ended December 31, 2025 and December 31, 2024 respectively is \$292,365 and \$377,762, respectively.

Performance-based stock options

During the year ended December 31, 2023, the Company granted 200,000 performance-based stock options with a weighted average grant date fair value of \$0.59 and weighted average exercise price of \$0.85. No performance-based stock options were exercised, forfeited, or expired during the year.

As at December 31, 2025, the 200,000 granted performance-based stock options remained outstanding with a weighted average grant date fair value of \$0.59 and weighted average exercise price of \$0.85.

An expense of \$47,448 has been recognised for performance-based stock options during the year ended December 31, 2024 and \$59,197 has been recognized during the year ended December 31, 2025.

Movements during the year

The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, time-based stock options during the year:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2024	1,131,166	\$ 0.71	\$ 0.62	8.62 years
Granted	373,500	0.72	0.85	
Exercised	(40,625)	0.69	0.25	
Forfeiture	(61,406)	0.73	0.77	
Expired	(325,578)	0.67	0.43	
Outstanding as at December 31, 2024	1,077,057	\$ 0.73	\$ 0.77	8.51 years
Exercisable as at December 31, 2024	883,810		\$0.76	

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2025	1,077,057	\$ 0.73	\$ 0.77	8.51 years
Granted	1,524,935	0.74	0.85	
Exercised	-	-	-	
Forfeiture	(608,068)	0.74	0.85	
Expired	(120,485)	0.74	0.67	
Outstanding as at December 31, 2025	1,873,439	\$ 0.74	\$ 0.81	5.95 years
Exercisable as at December 31, 2025	709,914		\$0.74	

The weighted average remaining contractual life for the share options outstanding as at December 31, 2025 was 5.95 years (December 31, 2024: 8.51 years).

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The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, performance-based stock options during the year:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2025	200,000	\$ 0.59	\$ 0.85	9.5 years
Granted	-	-	-	
Exercised	-	-	-	
Expired	-	-	-	
Outstanding as at December 31, 2025	200,000	\$ 0.59	\$ 0.85	8.5 years

The following tables list the inputs to the model used for the Stock Options Plan for the years ended December 31, 2025 and 2024, respectively:

	December 31, 2025	December 31, 2024
Stock price	\$ 0.85	\$ 0.85
Dividend yield	0%	0%
Historical volatility	65%	110 to 120%
Risk-free rate	3.67% to 4.13%	4.12% to 4.43%
Expected term	5 to 7 years	5 to 7 years

22. Income tax expenses

The Company's income tax expenses for the years ended December 31, 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
<i>Income tax</i>		
Current tax	\$ 2,721	\$ -
Deferred tax	-	-
Aggregate income tax	\$ 2,721	\$ -

Reconciliation of tax expense and the accounting loss multiplied by the Company's tax rate for 2025 and 2024:

	For the years ended December 31:	
	2025	2024
Accounting loss before income tax	\$ (5,637,337)	\$ (2,771,388)
At the Company's statutory income tax rate of 26.5% (2024:26.5%)	\$ (1,493,894)	\$ (734,418)
Non-deductible and non-taxable items	97,538	69,096
Prior year true-up	(3,344)	-
Change in unrecognized deferred tax assets	1,396,795	677,219
Tax rates of subsidiaries operating in other jurisdictions	1,285	(7,564)
Other	(1,101)	(4,333)
At the effective income tax rate	\$ (2,721)	\$ -

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

The Company is subject to tax rates applicable in Canada and the United States. The combined federal and provincial rate for 2025 and 2024. The Company's subsidiaries are in tax jurisdictions that have tax rates ranging from 21% to 26.5% (2024: 21% to 26.5%).

The Company has deferred tax assets relating to carry-forward losses and other temporary differences which have not been recognized because the recovery of the deferred tax assets in the foreseeable future is not probable.

At December 31, 2025, the Company had net operating loss carryforwards of \$12,902,206, which begin to expire in December 31, 2035.

The Company had other unrecognized deferred tax assets related to net timing differences of \$741,775 as at December 31, 2025 (December 31, 2024: \$312,598).

23. Financial instruments and risk management

Financial assets and financial liabilities

The carrying values of cash and cash equivalents, short term investments, trade and other receivables, trade and other payables and long term debt approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its trade accounts receivable. To mitigate this risk, the Company limits the amount of credit it extends to a limited number of customers and carries out regular credit evaluations of these customers relative to their history of on-time payment and the maturity date of any balances outstanding. An impairment analysis is performed at each reporting date to measure ECLs. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

As at December 31, 2025 and 2024, the maximum exposure to credit risk relating to accounts receivable is represented by the carrying values of the asset on the Company's statements of financial position. Credit quality of a customer is assessed based on a credit rating assessment and individual credit limits are defined and approved in accordance with this assessment.

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. The Company is exposed to interest rate risk on its variable rate interest bearing debt consisting of bank indebtedness and bank loans. The Company does not use derivative financial instruments to mitigate interest rate risk.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes sales and purchase transactions in USD and therefore is subject to gains or losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to mitigate foreign exchange risk. The carrying amounts of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	December 31, 2025	December 31, 2024
Cash and cash equivalents	\$ 147,688	\$ 42,396
Trade and other receivables	7,085	50,863
Trade and other payables	(283,195)	(192,422)
	\$ (128,422)	\$ (99,163)

Foreign exchange risk sensitivity analysis

A 10% change of CAD strengthening against USD applied to the Company's \$128,422 net USD monetary liability position as at December 31, 2025 (December 31, 2024: \$99,163) would have decreased net loss by \$12,842 (December 31, 2024: decreased net loss by \$9,916), assuming all other variables, in particular interest rates, remained constant.

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 adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities:

As at December 31, 2025	< 1 year	1 – 5 years	> 5 years	Total
Trade and other payables	\$ 712,762	\$ -	\$ -	\$ 712,762
Contract liabilities	232,158	-	-	232,158
Debt	7,960,966	509,808	148,495	8,619,269
Lease liabilities	286,782	1,197,745	77,527	1,562,054
	\$ 9,192,668	\$ 1,707,553	\$ 226,022	\$11,126,243
As at December 31, 2024	< 1 year	1 – 5 years	> 5 years	Total
Trade and other payables	\$ 758,316	\$ -	\$ -	\$ 758,316
Contract liabilities	122,606	-	-	122,606
Debt	147,769	378,674	36,245	562,688
Lease Liabilities	-	-	-	-
	\$ 1,028,691	\$ 378,674	\$ 36,245	\$ 1,443,610

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Capital risk management

The Company is subject to certain financing arrangements and covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the years ended December 31, 2025 and 2024.

There has been no change to the capital risk management policy during the years ended December 31, 2025 and 2024.

24. Related party disclosures

The following transactions occurred with related parties:

	For the years ended December 31:	
	2025	2024
Interest expense on loan payable	\$ 148,845	1,151
Share issuance to NameSilo Technologies Corp.	25,500	215,000
Share-based compensation	-	19,979
	\$ 174,345	\$ 236,130

The following total balances are outstanding with related parties:

	December 31, 2025	December 31, 2024
Convertible loan payable to:		
NameSilo Technologies	\$ 988,535	\$ 112,731
Maxcroft Holdings Inc.	115,160	-
Off the Grid Ventures Fund 1, LLC	76,113	-

The President and Chief Executive Officer of NameSilo Technologies Corp. is also a director of the Company and NameSilo is also a common minority shareholder of the Company.

Maxcroft Holdings Inc. is wholly owned by the Company's Chief Financial Officer.

Off-The-Grid (OTG) Ventures lead principal is the Chair of the Company's Board of Directors. OTG Ventures is also a common minority shareholder of the Company.

The amount is classified as 'Long term debt' (Note 16).

Transactions with key management personnel

Short-term employee benefits of key management personnel of the Company:

	December 31, 2025	December 31, 2024
Short-term benefits	\$ 404,318	\$ 252,868
Share-based compensation	94,251	170,232
Total	\$ 498,569	\$ 423,100

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. There are no long-term incentive plans for senior management personnel.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

25. Segment information

The Chief Operating Decision Maker (CODM) has been identified as the Chief Executive Officer. The CODM evaluates the Company's performance and makes resource allocation decisions based on internal reporting, which includes monthly management accounts and budget summary analyses.

In determining the Company's operating segments, management has considered the level of information which is regularly reviewed by the CODM. Information regularly reviewed by the Chief Executive Officer is at a consolidated group level only, with some limited disaggregated revenue information provided for the geographical regions of the Canada, United States and the Rest of the World. Although pricing strategies are determined by country, the CODM does not assess performance or make resource allocation decisions based on regional or market-specific data. Instead, such decisions are based on the overall consolidated performance of the Company. Accordingly, management has determined that the Company operates as a single operating segment at the group level.

Note 19 sets out the Company's revenue in the key geographic markets in which customers are located.

26. Loss per share

Basic loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the effects of potentially dilutive share options.

The following table sets forth the calculation of basic and diluted loss per share:

	For the years ended December 31:	
	2025	2024
Weighed average number of common shares outstanding:		
Basic and diluted	27,818,428	25,834,180
Net loss attributable to common shareholders	\$ (5,634,616)	\$ (2,771,388)
Basic and diluted loss per share attributable to shareholders	\$ (0.20)	\$ (0.11)

For the year ended December 31, 2025, 1,873,439 share options (December 31, 2024: 1,077,057) and 1,176,470 warrants were anti-dilutive (December 31, 2024: 1,176,470).

27. Subsequent events

On February, 5, 2026, The Company received an additional \$126,932 in funding from the Federal Economic Development Agency for Southern Ontario in respect of its participation in Business Scale-up and Productivity stream (Note 16).

On March 3, 2026, the Company issued 200,000 time-based stock options to employees with an exercise price of \$0.85.

On March 25, 2026, the Company issued 300,000 time-based stock options to employees with an exercise price of \$0.85.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

On April 15, 2026, NameSilo Technologies agreed to amend the terms of their convertible loan agreements from all principal and accrued interest being convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026 to being fully convertible into common shares of the Company upon the occurrence of a listing event.

On April 16, 2026, 1,176,470 new common shares were issued upon the exercise of the same number of warrants detailed above in note 18 at a price of \$0.85 per common share warrant for net proceeds of \$999,999.50.

The Company has filed a prospectus with the securities regulators to offer a minimum of \$10,000,000 units and a maximum of \$15,000,000 units at a price of \$1.00 per unit. Each unit consists of one common share and one-half of one warrant. Each warrant will entitle the holder to purchase one common share at a price of \$1.50 for a period of twenty-four months after the closing date.

Alchemy Labs Inc.

Consolidated Financial Statements for the years ended
December 31, 2024 and 2023
(Amounts expressed in CAD)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alchemy Labs Inc.

Opinion

We have audited the consolidated financial statements of Alchemy Labs Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years 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 December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit 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 audit 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

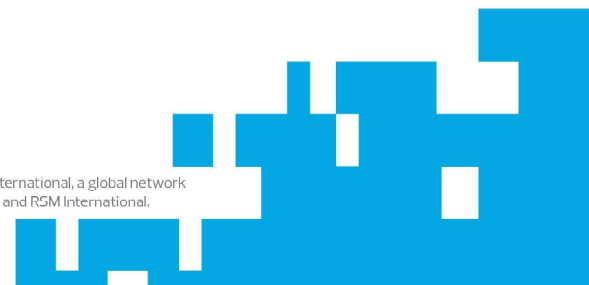
We draw attention to Note 2.1 in the Consolidated financial statements, which indicates that the Company incurred a net loss of \$2,771,388 during the year ended December 31, 2025 (2023 - \$1,997,283) and, as of that date, the Company's current assets exceeded its current liabilities by \$250,774. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, 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.

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 as issued by the IASB, 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 group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
June 25, 2026
Toronto, Ontario

Alchemy Labs Inc.

Consolidated Statements of Financial Position

As at December 31, 2024 and 2023

(in Canadian dollars)

	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	7	\$ 143,183	\$ 622,592
Trade and other receivables	8	84,690	100,915
Inventories	9	704,836	365,556
Other current assets	10	270,267	342,297
Total current assets		1,202,976	1,431,360
Non-current assets			
Property and equipment, net	11	182,928	67,959
Right-of-use assets	12	-	74,506
Intangible assets	13	1,091,567	630,983
Other non-current assets	10	62,812	-
Total non-current assets		1,337,307	773,448
Total assets		\$ 2,540,283	\$ 2,204,808
Liabilities and equity			
Current liabilities			
Trade and other payables	14	\$ 758,316	\$ 560,826
Contract liabilities	18	122,606	85,856
Current portion of long-term debt	15	71,280	80,484
Current portion of lease liabilities	12	-	68,442
Total current liabilities		952,202	795,608
Non-current liabilities			
Long term debt	15	366,559	206,121
Derivative liability	6	124,849	-
Lease liabilities	12	-	-
Total non-current liabilities		491,408	206,121
Total liabilities		1,443,610	1,001,729
Equity			
Share capital	16	11,462,999	9,309,343
Warrants	17	245,282	-
Contributed surplus	20	828,217	403,007
Deficit		(11,192,422)	(8,421,034)
Foreign currency translation reserve		(247,403)	(88,237)
Total equity		1,096,673	1,203,079
Total liabilities and equity		\$ 2,540,283	\$ 2,204,808
Commitments (Note 24)			
Segment information (Note 25)			
Subsequent events (Note 27)			
Description of business and going concern (Note 2.1)			

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2024 and 2023
(in Canadian dollars)

	Notes	2024	2023
Revenue	18	\$ 2,265,418	\$ 2,062,182
Cost of sales	9	(1,694,424)	(1,614,044)
Gross profit		570,994	448,138
Expenses			
Sales and marketing		(1,518,209)	(1,004,167)
General and administrative		(1,342,460)	(1,069,390)
Research and development expenses		(277,333)	(276,147)
Product development		(221,874)	(161,783)
Other operating (expenses) income		(83,200)	62,898
Operating loss		(2,872,082)	(2,000,451)
Finance expense		(31,689)	(18,260)
Foreign exchange gain		132,890	51,262
Other expenses		(507)	-
Loss before tax		(2,771,388)	(1,967,449)
Income tax expenses	21	-	(29,834)
Net loss		\$ (2,771,388)	\$ (1,997,283)
Other comprehensive loss			
<i>Items that may be recycled subsequently to net earnings (loss):</i>			
Currency translation of foreign operations, net of tax		(159,166)	(88,237)
Other comprehensive loss for the year, net of tax		\$ (159,166)	\$ (88,237)
Total comprehensive loss		\$ (2,930,554)	\$ (2,085,520)
Weighted average number of common shares outstanding	26	25,834,180	23,267,842
Basic and diluted loss per share attributable to shareholders	26	(0.11)	(0.09)

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Consolidated Statements of Changes in Equity

As at December 31, 2024 and 2023

(in Canadian dollars)

	Notes	Share capital	Warrants	Contributed surplus	Deficit	Foreign currency translation reserve	Total Equity
Balance at January 1, 2023		\$ 7,703,181	\$ -	\$ 140,275	\$ (6,423,751)	\$ -	\$ 1,419,705
Net loss		-	-	-	(1,997,283)	-	(1,997,283)
Other comprehensive income (loss):							
Currency translation of foreign operations, net of tax		-	-	-	-	(88,237)	(88,237)
Stock-based compensation	20	-	-	262,732	-	-	262,732
Share issuance	16	1,606,162	-	-	-	-	1,606,162
Balance at December 31, 2023		\$ 9,309,343	\$ -	\$ 403,007	\$ (8,421,034)	\$ (88,237)	\$ 1,203,079
Net loss		-	-	-	(2,771,388)	-	(2,771,388)
Other comprehensive income (loss):							-
Currency translation of foreign operations, net of tax		-	-	-	-	(159,166)	(159,166)
Stock-based compensation	20	-	-	425,210	-	-	425,210
Share issuance	16	2,153,656	-	-	-	-	2,153,656
Warrants issuance	17	-	245,282	-	-	-	245,282
Balance at December 31, 2024		\$ 11,462,999	\$ 245,282	\$ 828,217	\$ (11,192,422)	\$ (247,403)	\$ 1,096,673

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023
(in Canadian dollars)

	Notes	2024	2023
Operating activities			
Net loss		(2,771,388)	(1,997,283)
Adjustments:			
Amortization of property and equipment	11	42,134	41,078
Amortization of intangibles assets	13	109	-
Amortization of right-of-use assets	12	74,506	149,011
Stock-based compensation	20	425,210	262,732
Unrealized foreign exchange loss (gain)		(150,365)	(92,452)
Interest expense, net		22,888	22,475
Current income tax expense		-	29,834
Interest paid		(43,819)	(19,756)
Interest received		5,196	9,907
Income taxes paid		-	(29,834)
Changes in operating asset and liability balances:			
Trade and other receivables		16,225	275,835
Inventories		(339,280)	(84,204)
Other current and non-current assets		9,218	(29,067)
Trade and other payables		197,490	(36,488)
Contract liabilities		36,750	(1,758)
Net cash flows used in operating activities		(2,475,126)	(1,499,970)
Investing activities			
Purchase of property and equipment	11	(157,103)	(19,340)
Purchases of internally generated intangible assets	13	(460,693)	(571,460)
Net cash flows used in investing activities		(617,796)	(590,800)
Financing activities			
Proceeds from share subscriptions or share issuance	16	2,153,656	1,606,162
Proceeds from warrants issuance	17	245,282	-
Principal payments of lease liabilities	12	(69,126)	(163,486)
Proceeds from debt	15	393,311	-
Repayment of debt	15	(109,610)	(78,530)
Net cash flows provided by financing activities		2,613,513	1,364,146
Net increase (decrease) in cash and cash equivalents		(479,409)	(726,624)
Cash and cash equivalents, beginning of year		622,592	1,349,216
Cash and cash equivalents, end of year		143,183	622,592

See accompanying notes to the consolidated financial statements.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(in Canadian dollars)

1. Corporate information

The consolidated financial statements of Alchemy Labs Inc. and its subsidiaries (collectively “the Company” or “Alchemy”) for the years ended December 31, 2024 and 2023 and the Statement of Financial Position as at December 31, 2024 and 2023 were authorized for issue in accordance with a resolution passed by the Board of Directors on June 25, 2026. The Company is incorporated under the Business Corporations Act (British Columbia) and is headquartered in Kitchener, Ontario, Canada.

Alchemy is a nanotechnology company that develops and commercializes protective coatings for niche and specialty markets. The Company’s core product, a windshield protective film, is a film for automotive vehicles equipped with advanced driver assistance systems. The Company also uses its technology to develop multi-spectral camouflage applications for use in the defense industry. The Company has two subsidiaries: Neverfrost Inc. and Neverfrost USA Inc.

2. Material accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, such as convertible loans and stock-based compensation, which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

Going concern

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company reported a loss of \$2,771,388 for the year ended December 31, 2024 (December 31, 2023: \$1,997,283) and net cash flows used in operating activities of \$2,475,126 (December 31, 2023: \$1,499,970). The Company’s ability to continue as a going concern is dependent upon the Company’s ability to successfully generate profit from operations, or to finance its cash requirements through equity or debt financing.

These events and conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business.

Should the Company be unable to operate as a going concern in the foreseeable future, adjustments would have to be made relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary. These consolidated financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenue, and expenses and the statement of financial position classification used if the Company was unable to continue operations in accordance with this assumption. Such adjustments could be material.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Alchemy Labs Inc. and its subsidiaries as at December 31, 2024. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(in Canadian dollars)

- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements.
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

The consolidated financial statements of the Company include the following, wholly owned and controlled subsidiaries:

Entity	Functional currency
Neverfrost Inc.	CAD
Neverfrost USA Inc.	USD

2.3 Summary of accounting policies

The following are the material accounting policies applied by the Company in preparing its consolidated financial statements:

a) Current versus non-current classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
 - Held primarily for the purpose of trading.
 - Expected to be realized within 12 months after the reporting period.
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
 - It is held primarily for the purpose of trading.
 - It is due to be settled within 12 months after the reporting period.
- Or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting periods.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(in Canadian dollars)

b) Fair value measurement

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, are described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which inputs are based on quoted prices for identical or similar instruments in markets that are not active, quoted prices for similar instruments in active markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset or liability;
- Level 3: techniques which use inputs that have a significant effect on the recognized fair value that require the Company to use its own assumptions about market participant assumptions.

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. The Company performs a variety of procedures to assess the reasonableness of its fair value determinations including the use of third parties. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

c) Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Items included in the consolidated financial statements of each of the legal entities are measured using its respective functional currency (Note 2.2), being the currency of the primary economic environment in which the entity operates. The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

(ii) Translation

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rate for the period. The exchange differences arising on translation for consolidation are recognized

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in other comprehensive income (loss) ("OCI"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

d) Cash and cash equivalents

Bank balances, including any highly liquid investment accounts that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, are presented under cash and cash equivalents. An investment account normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash and excluded from current assets.

e) Inventories

Inventories, representing finished goods to be sold to customers, are valued at the lower of cost and net realizable value with cost assigned using the weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not fully recoverable. The amount of any write-downs of inventories to net realizable value are recognized as an expense, and included in cost of sales, in the period the write-down occurs. The factors the Company considers in determining the provision for slow moving, obsolete and other unsaleable inventory include estimated shelf life, planned product discontinuances, price changes, aging of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all of these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of a changed economic circumstance, the amount of write-down is reversed in the period of change to the extent of the increase in value.

f) Property, plant and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use.

Property and equipment are depreciated over their estimated useful lives using the straight-line method and over their expected useful lives as follows:

Lab equipment	3 years
Office equipment	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives by using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as

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appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statements of loss and comprehensive loss in the expense category consistent with the function of the intangible assets.

Intangible assets are derecognized either on their disposal or where no future economic benefits are expected from their use. Any gain or loss arising on such derecognition is included in the consolidated statements of loss and comprehensive loss and is measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of derecognition

Research and development costs

The Company expenses research costs as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale,
- Its intention to complete and its ability and intention to use or sell the asset,
- How the asset will generate future economic benefits,
- The availability of resources to complete the asset, and
- The ability to measure reliably the expenditure during development.

Development expenditure is capitalized when the criteria for recognizing an asset are met. Capitalized development costs are amortized from the date they are available for use.

A summary of the policies applied to the Company's intangible assets is, as follows:

	Capitalized development costs	Patents
Useful lives	Finite (3.5-5 years)	Finite (15 years)
Amortization method used	Amortized on a straight-line basis over the period of the useful life. Tested for impairment when indicators exist.	Amortized on a straight-line basis over the period of the useful life. Tested for impairment when indicators exist.
Internally generated or acquired	Internally generated	Acquired

h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset, or its cash generating unit ("CGU"), is required, the Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value-in-use; or (ii) fair value less cost to sell. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset or CGU (or group of CGUs) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized

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for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss unless the asset is carried at a revalued amount, in which case it is treated as a revaluation increase.

i) Leases

Company as a lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. A right-of-use asset and lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term and the estimated useful lives of the assets, which is 5 years of total lease term with 1.5 years remaining for the buildings.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

j) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

k) Units issued

The Company issues Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a share purchase warrant. The Company allocates the proceeds from each Unit to the common share and warrant components based on their relative fair values using the Black-Scholes pricing model. Transaction costs arising on the issuance of Units are recognized in equity as a reduction of the proceeds allocated to share capital and warrants, on a pro rata basis.

l) Dividends

Dividends are recognized when declared during the financial year and no longer at the discretion of the company.

m) Taxes

(i) Current income tax

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or directly in equity.

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Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on taxable income or loss. 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 jurisdictions where the Company operates and generates taxable income.

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.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that they will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that their realization is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 at the reporting date.

All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

n) Financial instruments

Financial assets

On initial recognition, a financial asset is classified as measurement at: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and whether the financial assets' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding. All of the Company's financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss ("FVTPL"), transaction costs that are attributable to the acquisition of the financial asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the Company has transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets have transferred. Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and all debt instruments not held at FVTPL are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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Impairment of financial assets

The expected credit loss (“ECL”) impairment model applies to financial assets not held at FVTPL. For the Company, the ECL model applies to accounts receivable, for which the simplified approach has been elected. Therefore, the Company does not track changes in credit risk, but instead recognizes an allowance for expected credit loss based on lifetime ECLs measured on initial recognition of the receivable and at each reporting date.

Financial liabilities

Financial liabilities are classified, at initial recognition, as at amortized cost or at FVTPL. All financial liabilities are recognized initially at fair value and, in the case of those at amortized cost, net of directly attributable transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. The EIR amortization is included as finance expense in the consolidated statements of loss and comprehensive loss. The Company’s financial liabilities at amortized cost include trade and other payables, long-term debt and lease liabilities.

A financial liability is derecognized when its contractual obligations are discharged or expire.

Convertible loans

Convertible loans are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible loan requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible loan in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including: contractual future cash flows, discount rates and volatility.

Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

o) Government assistance and investment tax credits

Government assistance and investment tax credits are presented as government grants and credits in the consolidated statements of loss and comprehensive loss, as long as there is reasonable assurance that the assistance will be realized.

The Company qualifies for investment tax credits related to qualifying scientific research and experimental development (“SR&ED”) expenditures. These tax credits require approval from both the technical and financial reviewers of the Canada Revenue Agency. Investment tax credits are recorded when the qualifying expenditures are made and there is reasonable assurance that the credits will be realized. Tax credits earned for current expenditures on qualified research and experimental development activities are included in the ‘Other operating (expenses) income’ on consolidated statements of loss and comprehensive loss.

p) Stock-based compensation

The Company maintains the Alchemy Labs Inc. Stock Option Plan (the “Plan”), which provides for the granting of stock options to employees, directors, and consultants in exchange for services (equity-settled transactions). The Plan allows for the issuance of both time-based and performance-based stock options.

Stock-based compensation expense is recognized based on the fair value of the stock options granted, measured at the grant date, and recognized over the requisite service period of the award. The fair value of

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stock options is estimated using the Black-Scholes option pricing model, which incorporates assumptions such as expected term, volatility based on comparable companies, dividend yield, and the risk-free interest rate.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the stock-based compensation benefit as at the date of modification.

Time-based options

Time-based options contain a service condition and acceleration clause upon change of control event. For these options, the Company recognized compensation expense systematically over the 12-month vesting period, using the graded vesting method as required under IFRS 2 Share-based Payment. If a Change of Control occurs, all unrecognized expenses must be immediately recognized, which could have a material impact on the financial statements. However, as the Company does not anticipate a Change of Control within the vesting period, regular monitoring is performed.

Performance-based options

Performance-based options have a non-market performance condition. For these options, the Company recognized compensation expenses based on the expected vesting period, which is from the grant date through September 2025, when one of the performance conditions is expected to be met.

q) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration. There are no significant elements of variable consideration included in the Company's contracts. When contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis to each performance obligation. The Company typically determines standalone selling price based on observable selling prices of individually sold products and services.

Product-related revenues

Revenue from the sale of products is recognized when control of the asset is transferred to the customer, which occurs on delivery to the customer or when the customer collects the goods from the Company's warehouse based on the arrangement with the customer. The normal credit term is 30–90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Shipping revenues are recognized at the point when the product has been shipped.

Rendering of services

Revenue from service-related revenue streams is recognized over time. Revenue is recognized on a systematic basis over the service period, reflecting the transfer of services to the customer. The revenue is recognized as the services are performed, ensuring that the amount of revenue recognized reflects the extent of services provided at any given time. The service-related revenue streams include the training program and extended warranty sales. Revenue from these streams is recognized over the duration of the service period, aligning with the delivery of the respective services.

When, in addition to the regular warranty coverage, an extended warranty coverage is sold with the purchase of the product, a portion of the revenue representing the value of the extended warranty is deferred. The value

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deferred is based on the stand-alone selling price of the extended warranty given. The deferred revenue is then recognized over the extended warranty coverage period.

r) Provisions

Provisions represent liabilities for which the amount or timing of payment is uncertain. Provisions are recorded in the consolidated statements of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Additionally, provisions are recorded for contracts under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received.

Provisions are measured at each period end at the best estimate of the expenditure required to settle the obligation. The main provision of the Company is described in more detail below:

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Determining the lease term of contracts with renewal options - as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has several lease contracts that include extension options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

Incremental borrowing rate (lease liabilities)

The Company cannot generally readily determine the interest rates implicit in its leases; therefore, it uses incremental borrowing rates ("IBRs") to measure the lease liabilities. The IBRs are the rates the Company would have to pay over a similar term, with similar security, to borrow the funds necessary to obtain assets of similar value to the right-of-use assets in a similar economic environment.

Development costs

The Company capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits. At December 31, 2024, the carrying amount of capitalized development costs was \$1,091,567 (December 31, 2023: \$630,983).

Useful lives of intangible assets

The Company reviews the expected useful lives of intangible assets at periodically as well as when other changes occur. In particular, it considers the impact of sales projections of each product in its assessment of expected useful lives.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing.

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The determination of the recoverable amount involves significant estimates and assumptions. Value-in-use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. Fair value less costs to sell is determined using market multiples. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change.

Functional currency assessment

In the consolidated financial statements, the functional currency is determined at the level of each subsidiary within a group. After considering all the indicators, where the functional currency is still not be obvious, judgement is required in determining the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. In exercising that judgement, management gave priority to the primary indicators and secondary indicators before considering additional factors.

Stock-based compensation, warrants and derivative liabilities

The Company estimates fair value for stock-based compensation transactions, warrants and derivative liabilities, which requires determination of the most appropriate valuation model, depending on the terms and conditions of the arrangement. The fair value of stock options, warrants and derivative liabilities are estimated using the Black-Scholes-Merton formula. Several assumptions are used in the underlying calculation of these fair values, including the market value of the underlying shares, expected life, stock price volatility based on comparable companies, forfeiture rates, expected dividend yield and risk-free interest rates.

Equity and liability classification

The Company makes estimates and utilizes assumptions in determining whether warrants issued by the Company as part of a Unit should be classified as an equity instrument or a liability.

4. Standards issued but not yet effective

Accounting Standards that have recently been issued or amended which are effective for annual periods beginning on or after January 1, 2025 (unless otherwise stated). These are not yet mandatory and have not been early adopted by the Company for the year ended December 31, 2024. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Company's financial statements.

IFRS 18 - Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued a new standard IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

IFRS 19 - Subsidiaries without Public Accountability

In May 2024, the IASB issued a new standard IFRS 19 Subsidiaries without Public Accountability. An entity electing to apply IFRS 19 applies the requirements in other IFRS Accounting Standards, except for the disclosure requirements, and instead applies the requirements in IFRS 19 with certain exceptions.

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An entity may elect to apply this Standard in its consolidated, separate or individual financial statements if, and only if, at the end of the reporting period:

- it is a subsidiary;
- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standard is effective for annual reporting period beginning on or after January 1, 2027. Early adoption is permitted but will need to be disclosed. The Company does not expect this standard to have an impact on its operations or consolidated financial statements.

5. Capital Management

For the Company's capital management, capital includes share capital, and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or obtain additional financing from a related party or financial institution.

No changes were made in the objectives, policies, or processes for managing capital during the years ended December 31, 2024 and 2023.

The Company monitors capital on an ongoing basis based on expected receipt of receivables and the due dates of financial liabilities.

6. Financial instruments

The Company has assessed that the fair values of financial assets and financial liabilities approximate their carrying amounts, largely due to the short-term maturities of these instruments, except for the item noted below.

The Company's financial instrument measured at fair value as at December 31, 2024 is as follows:

	Classification	Carrying amount	Fair value	Fair value hierarchy
Derivative liability	FVTPL	\$ 124,849	\$ 124,849	Level 3

On December 18, 2024, the Company entered into a convertible loan agreement with Namesilo Technologies Corp. (the "Lender", refer to Note 23) for a non-revolving drawdown facility of up to \$500,000, which can be drawn upon until one year after the effective date of the Agreement (the "Loan"). As of December 31, 2024, the Company had drawn \$250,000 under this agreement, with a further \$250,000 remaining undrawn. The principal plus accrued interest is convertible into common shares of Alchemy Labs Inc. at the Lender's discretion at any point during the period beginning from the date the Company becomes listed on a stock exchange (the "Listing Event") and ending on the maturity date of December 18, 2026.

This feature represents a derivative as its precondition is based on a contingent event within management's control, rather than the control of the holder. The feature is classified as a derivative liability and as Level 3 in the fair value hierarchy. In determining the fair value of the financial instrument, the Company uses the present value of expected cash flows based on the convertible loan's interest rate with weighted probability of the occurrence or non-occurrence of the Listing Event.

There were no financial instruments classified as Level 1 or Level 2 and there were no transfers between Level 1 and Level 2 during the years ended December 31, 2024 and 2023. The following is a reconciliation of Level 3 fair value measurements:

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	Derivative liability
January 1, 2024	\$ -
Additions	124,342
Changes in fair value recognized in other operating expense	507
December 31, 2024	\$ 124,849
Current	\$ -
Non-current	\$ 124,849

The following table provides information about how the fair value of this financial liability is determined (in particular, the valuation technique and inputs used).

Financial instrument	Valuation technique	Inputs used
Derivative liability	Weighted probability	Estimates of listing event and non-listing event; last financing price.

7. Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash at bank	\$ 127,222	\$ 278,138
Online payment platforms	5,325	32,692
Corporate cards	10,636	11,762
Short-term investments	-	300,000
	\$ 143,183	\$ 622,592

As at December 31, 2023, cash and cash equivalents include short-term investments maturing on January 15, 2024 and February 12, 2024 with interest rates of 4.8% - 4.9%. These investments are considered highly liquid and are readily convertible to known amounts of cash with an insignificant risk of changes in value.

8. Trade and other receivables

	December 31, 2024	December 31, 2023
Trade receivables	\$ 50,863	\$ 21,627
Other receivables	33,827	79,288
Allowance for expected credit losses	-	-
	\$ 84,690	\$ 100,915

As at December 31, 2024, the Company has government remittances receivable of \$33,827 within other receivables (December 31, 2023: \$79,288).

As at December 31, 2024, the Company has not recorded any allowance for expected credit losses relating to its accounts receivable (December 31, 2023: \$nil).

9. Inventories

	December 31, 2024	December 31, 2023
Raw materials	\$ 113,061	\$ 72,881
Work in process	73,816	37,814
Finished goods	517,959	254,861
	\$ 704,836	\$ 365,556

During the year ended December 31, 2024, inventories of \$1,694,424 (December 31, 2023: \$1,614,044) were expensed and reported in 'Cost of sales'.

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10. Other assets

	December 31, 2024	December 31, 2023
Prepayments	\$ 157,079	\$ 7,651
Investment tax credits	176,000	334,646
	\$ 333,079	\$ 342,297
Current	\$ 270,267	\$ 342,297
Non-current	\$ 62,812	\$ -

During the year ended December 31, 2024, the Company accrued \$176,000 (December 31, 2023: \$334,646) of investment tax credits related to the Company's SR&ED claims. These tax credits have been recognized in 'Other operating (expenses) income' on the consolidated statements of loss and comprehensive loss and accrued within 'Other current assets' on the consolidated statements of financial position.

11. Property, plant, and equipment

	Lab equipment	Office equipment	Production equipment, in progress	Total
Cost				
Balance, January 1, 2023	\$ 104,078	\$ 15,807	-	\$ 119,885
Additions	19,340	-	-	19,340
Disposals	-	-	-	-
Balance, December 31, 2023	\$ 123,418	\$ 15,807	\$ -	\$ 139,225
Additions	-	-	157,103	157,103
Disposals	-	-	-	-
Balance December 31, 2024	\$ 123,418	\$ 15,807	\$ 157,103	\$ 296,328
Depreciation and impairment				
Balance, January 1, 2023	\$ 26,063	\$ 4,125	-	\$ 30,188
Depreciation	37,916	3,162	-	41,078
Disposals	-	-	-	-
Balance, December 31, 2023	\$ 63,979	\$ 7,287	\$ -	\$ 71,266
Depreciation	39,309	2,825	-	42,134
Disposals	-	-	-	-
Balance December 31, 2024	\$ 103,288	\$ 10,112	\$ -	\$ 113,400
Net book value				
December 31, 2023	\$ 59,439	\$ 8,520	\$ -	\$ 67,959
December 31, 2024	\$ 20,130	\$ 5,695	\$ 157,103	\$ 182,928

Depreciation expenses are included in 'Research and development expenses' and 'General and administrative' expenses.

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12. Leases

Set out below are the carrying amounts of right-of-use assets and lease liabilities in relation to leases held by the Company, and the movements during the year.

	Buildings	Total
As at January 1, 2023	\$ 223,517	\$ 223,517
Depreciation	(149,011)	(149,011)
As at December 31, 2023	74,506	74,506
Depreciation	(74,506)	(74,506)
As at December 31, 2024	\$ -	\$ -

Depreciation expenses are included in 'General and administrative' expenses.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	For the year ended December 31, 2024	2023
January 1	\$ 68,442	\$ 223,517
Accretion of interest	684	8,411
Payments	(69,126)	(163,486)
December 31	\$ -	\$ 68,442
Current	\$ -	\$ 68,442
Non-current	\$ -	\$ -

Reconciliation of lease liabilities arising from financing activities:

	For the year ended December 31, 2024	2023
January 1	\$ 68,442	\$ 223,517
Cash flows	(69,126)	(163,486)
Additions	684	8,411
December 31	\$ -	\$ 68,442
Current	\$ -	\$ 68,442
Non-current	\$ -	\$ -

The following amounts are recognized in the consolidated statements of loss and comprehensive loss as lease expense:

	For the year ended December 31, 2024	2023
Depreciation expense on right-of-use assets	74,506	\$ 149,011
Interest on lease liabilities (included in finance costs)	684	8,411
Short term lease expense	82,951	-
Total net expenses	158,141	\$ 157,422

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13. Intangible assets

	Capitalized development costs		Patents		Total
Cost					
Balance, January 1, 2023	\$	59,523	\$	-	\$ 59,523
Additions		571,460		-	571,460
Balance, December 31, 2023	\$	630,983	\$	-	\$ 630,983
Additions		441,024		19,669	460,693
Balance December 31, 2024	\$	1,072,007	\$	19,669	\$ 1,091,676
Amortization and impairment					
Balance, January 1, 2023 and December 31, 2023	\$	-	\$	-	\$ -
Amortization		-		109	109
Balance December 31, 2024	\$	-	\$	109	\$ 109
Net book value					
December 31, 2023	\$	630,983	\$	-	\$ 630,983
December 31, 2024	\$	1,072,007	\$	19,560	\$ 1,091,567

Amortization expenses are included in 'Research and development expenses'.

14. Trade and other payables

	December 31, 2024	December 31, 2023
Trade payables	\$ 275,076	\$ 256,938
Accrued expenses	193,722	248,156
Other liabilities	289,518	55,732
	\$ 758,316	\$ 560,826

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be reasonable approximations of their fair values, due to their short-term nature.

Included in the 'Other liabilities' above is \$17,038 of bank indebtedness related to corporate credit cards at December 31, 2024 (December 31, 2023: \$5,732).

15. Debt

	December 31, 2024	December 31, 2023
Current portion of long-term debt	\$ 71,280	\$ 80,484
Long-term debt	366,559	206,121
	\$ 437,839	\$ 286,605
As at January 1	\$ 286,605	\$ 365,135
Additions, net of grant benefits and transaction costs	393,311	-
Accretion expense	5,309	-
Derivative liability reclassification	(137,776)	-
Repayments	(109,610)	(78,530)
As at December 31	\$ 437,839	\$ 286,605

Total interest and accretion expense on long-term debt for the year ended December 31, 2024, was \$36,201 (December 31, 2023: \$19,754).

Long-term debt includes \$250,000 at December 31, 2024 (December 31, 2023: \$nil) issued under the Loan agreement (refer to Note 6). The interest rate on the Loan is 12% per year. The maturity date is December 18,

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2026. Early settlement could be required by the Lender should certain events of default occur, such as bankruptcy, a change of control, default on this or any other of the Company's debt arrangements or other breach of the terms of the Loan agreement. As of December 31, 2024 and the date of these financial statements, the Company is in full compliance with the covenants under this agreement and the Loan is classified as a long-term liability.

The Loan has been recognized in two parts, a liability component and an embedded derivative, which is classified as a liability and measured at fair value. The embedded derivative exists and is classified as a liability because at the time the loan was issued, the conversion price was not fixed but includes a discount and fluctuates in response to changes in the market price of the Company's shares. In accordance with IFRS 9, the embedded derivative was measured first at its estimated fair value and the residual of the proceeds received from the loan less the fair value of the embedded derivative and a commitment fee of \$15,000, settled in shares, paid to secure the facility was assigned to the loan component. Refer to Note 6 for related fair value measurement disclosures.

BSP Loan

In May 2024, the Company entered into an agreement ("BSP Loan") for maximum borrowing available of \$1.8 million with Federal Economic Development Agency for Southern Ontario via Business Scale-up and Productivity stream ("BSP"). The loan is interest-free until maturity, at which point interest on overdue amounts will accrue in accordance with the federal *Interest and Administrative Charges Regulation*. The facility's drawdowns are recognized at fair value with effective interest rates ranging from 7.58% to 10.66%, resulting in grant income of \$66,088 being recognized in 'Other operating (expenses) income' in the year ended December 31, 2024, calculated as the difference between the fair value of the loans and their face value. The maturity date is December 1, 2032. The outstanding balance pursuant to this loan was \$181,226 at December 31, 2024 and its carrying amount is \$108,164 (December 31, 2023: \$nil).

The BSP Loan was provided to help fund the commercialization of a new product and to expand the Company's manufacturing facilities in Kitchener, Ontario (the "Project"). Under the terms of the loan agreement, early repayment may be required at the option of the lender should an event of default occur, such as bankruptcy or insolvency, non-payment of amounts due under the agreement, failure to meet the objectives or milestones of the Project, dissolution of the Company or otherwise ceasing to conduct business, or other non-compliance with the terms of the agreement. As of December 31, 2024 and the date of these financial statements, the Company is in full compliance with the covenants under the BSP Loan Agreement.

CDAP Loan

In April 2024, the Company entered into a \$50,000 interest-free loan agreement ("CDAP Loan") with Business Development Bank of Canada ("BDC"). The interest-free loan is considered government assistance and was recognized at fair value with an effective interest rate of 8.32%, resulting in grant income of \$12,335 being recognized in 'Other operating (expenses) income' in the year ended December 31, 2024, calculated as the difference between the fair value of the loans and their face value. The maturity date is March 17, 2030. The outstanding balance pursuant to the CDAP Loan is \$50,000 at December 31, 2024 and its carrying amount is \$39,949 (December 31, 2023: \$nil). As of December 31, 2024 and the date of these financial statements, the Company is in full compliance with the covenants under the CDAP Loan Agreement.

BDC Loans

In April 2021, the Company entered into a \$120,000 loan agreement ("BDC Loan 120K") with BDC. The interest rate on the BDC Loan 120K is based on BDC's floating interest rate plus a variance of 1.45% per year. The maturity date was March 1, 2027. The outstanding balance pursuant to this loan is \$54,000 at December 31, 2024 (December 31, 2023: \$78,000). For the year ended December 31, 2024, the interest rate on this loan was 9.50% (December 31, 2023: 10.75%).

In May 2020, the Company entered into a \$230,000 loan agreement ("BDC Loan 230K") with BDC. The interest rate on the BDC Loan 230K is based on BDC's floating interest rate minus a variance of 1.75% per year. The loan agreement was amended on January 31, 2023 – extending the maturity date to April 1, 2026. The outstanding balance pursuant to this loan is \$62,995 at December 31, 2024 (December 31, 2023: \$110,275). For the year ended December 31, 2024, the interest rate on this loan was 5.80% (December 31, 2023: 7.55%).

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The Company has provided collateral security on all of its personal property and assets to BDC. As of December 31, 2024 and the date of these financial statements, the Company is in full compliance with the covenants under the BDC Loan Agreement.

RRRF Loan

In December 2020, the Company entered into a \$46,000 loan agreement ("RRRF Loan") with Federal Economic Development Agency for Southern Ontario via Regional Relief and Recovery Fund ("RRRF"). The loan is interest-free until maturity, at which point interest on overdue amounts will accrue in accordance with the federal *Interest and Administrative Charges Regulation*. The maturity date is March 1, 2028. The outstanding balance pursuant to this loan was \$nil at December 31, 2024 (December 31, 2023: \$38,330). As of December 31, 2024 and the date of these financial statements, the Company is in full compliance with the covenants under the RRRF Loan Agreement.

CEBA Loan

In March 2020, the Company entered into a \$40,000 term loan agreement ("CEBA Term Loan") with Canadian Emergency Business Account ("CEBA"). The interest rate on the CEBA Term Loan is 0% per annum during initial term ended December 31, 2022 and 5% per annum during extended term ending December 31, 2025, with the first payment to be made on January 31, 2023. The maturity date is December 31, 2025. The term loan agreement was amended in 2021, increasing the loan amount from \$40,000 to \$60,000. The outstanding balance pursuant to this loan is \$60,000 at December 31, 2024 (December 31, 2023: \$60,000). As of December 31, 2024 and the date of these financial statements, the Company is in full compliance with the covenants under the CEBA Loan Agreement.

16. Share capital

	Issued and Fully Paid	
	December 31, 2024	December 31, 2023
Common shares	\$ 11,462,999	\$ 9,309,343
	\$ 11,462,999	\$ 9,309,343

Authorized share capital

As at December 31, 2024, the Company has authorized an unlimited number of common and preferred shares, of which 27,810,931 common shares were issued and outstanding.

Issued and fully paid

During the year ended December 31, 2024, 2,864,636 common shares (December 31, 2023: 1,858,270) were issued for aggregate proceeds of \$2,153,656 (December 31, 2023: \$1,606,162).

There are 27,810,931 and 24,967,177 common shares issued and outstanding as at December 31, 2024 and December 31, 2023, respectively.

Dividends paid

There were no cash dividends on common shares declared and paid during the years ended December 31, 2024 and 2023.

17. Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2024 and 2023, respectively:

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	Number of Warrants	Weighted Average Exercise Price
January 1, 2024	-	\$ -
Issued	1,176,470	0.85
Exercised	-	-
Expired	-	-
Balance, December 31, 2024	1,176,470	\$ 0.85

The issued and outstanding warrants are comprised as follows:

Expiry date	Number of Warrants	Exercise Price
April 16, 2026	1,176,470	\$ 0.85
	1,176,470	\$ 0.85

During the year, the Company issued 1,176,470 units ("Units"). Each Unit consists of one common share and one common share purchase warrant, entitling the holder to purchase one additional common share of the Company. Each warrant is exercisable for the later of eighteen months following the date of issuance or six months following the Company's listing on a stock exchange, if the Company lists on a stock exchange within eighteen months following the date of issuance, at an exercise price of \$0.85. The warrants were assigned a relative fair value of \$245,282 using the Black-Scholes option model with the following assumptions: share price of \$0.85, dividend yield of 0%, expected volatility of 63.78% based on comparable companies, risk-free interest rate of 4.05% and an expected life of 1.5 years.

The weighted average life of the outstanding warrants at December 31, 2024 is 1.29 years.

18. Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the years ended December 31,	
	2024	2023
Type of goods or services		
Product related	\$ 2,196,366	\$ 1,847,777
Rendering of services	69,052	205,214
Revenue from government projects	-	9,191
Total revenue from contracts with customers	\$ 2,265,418	\$ 2,062,182

Timing of revenue recognition

Goods and services transferred at a point in time	\$ 2,196,366	\$ 1,847,777
Goods and services transferred over time	69,052	214,405
Total revenue from contracts with customers	\$ 2,265,418	\$ 2,062,182

Set out below is the Company's revenue from contracts with customers in each of its major market:

	For the years ended December 31,	
	2024	2023
Geographical Markets		
Canada	\$ 283,772	\$ 202,267
United States	1,354,478	1,346,043
Rest of world	627,168	513,872
Total revenue	\$ 2,265,418	\$ 2,062,182

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Contract Liabilities

Contract liabilities principally relate to customer advances received before the Company fulfills its performance obligations. Revenues of \$82,130 and \$78,932 were recognized during the fiscal years ended December 31, 2024 and 2023, which were included in the balance of contract liabilities at the beginning of each respective period.

19. Expenses

	For the years ended December 31,	
	2024	2023
Depreciation and amortization are included in:		
Research and development costs	\$ 39,418	\$ 37,916
General and administrative	77,331	152,173
	\$ 116,749	\$ 190,089
Employee benefits are included in:		
Research and development expenses	\$ 203,551	\$ 179,692
Product development	220,750	97,437
Sales and marketing	998,714	689,229
General and administrative	663,895	679,304
Other operating expenses	387,271	331,956
	\$ 2,474,181	\$ 1,977,618

20. Stock-based compensation

The expense recognized for employee services received during the year ended December 31, 2024 and 2023 is shown in the following table:

	For the years ended December 31,	
	2024	2023
Expense arising from equity-settled share-based compensation transactions		
Time-based stock options	\$ 377,762	\$ 262,732
Performance-based stock options	47,448	-
	\$ 425,210	\$ 262,732

Time-based stock options

During the year ended December 31, 2023, the Company granted 609,985 time-based stock options with a weighted average grant date fair value of \$0.68 and a weighted average exercise price of \$0.54. 170,764 time-based stock options were forfeited with a weighted average grant date fair value of \$0.73 and a weighted average exercise price of \$0.72. 27,010 time-based stock options were expired with a weighted average grant date fair value of \$0.71 and a weighted average exercise price of \$0.69.

As at December 31, 2023, 1,131,166 time-based stock options remained outstanding. During the year ended December 31, 2024, the Company granted an additional 373,500 time-based stock options with a weighted average grant date fair value of \$0.72 and weighted average exercise price of \$0.85. Additionally, 40,625 options were exercised at a weighted average exercise price of \$0.25, 61,406 options were forfeited at a weighted average exercise price of \$0.77, and 325,578 options expired with a weighted average exercise price of \$0.43.

As at December 31, 2024, a total of 1,077,057 time-based stock options remained outstanding, with a weighted average grant date fair value of \$0.73, weighted average exercise price of \$0.77, and a remaining contractual life of approximately 8.51 years.

The expense recognised for time-based stock options during the year ended December 31, 2024 and December 31, 2023 is \$425,210 and \$262,732, respectively.

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Performance-based stock options

During the year ended December 31, 2023, the Company granted 200,000 performance-based stock options with a weighted average grant date fair value of \$0.59 and weighted average exercise price of \$0.85. No performance-based stock options were exercised, forfeited, or expired during the year.

As at December 31, 2024, the 200,000 granted performance-based stock options remained outstanding with a weighted average grant date fair value of \$0.59 and weighted average exercise price of \$0.85.

No expense has been recognised for performance-based stock options during the year ended December 31, 2023 and \$47,448 has been recognized during the year ended December 31, 2024.

Movements during the year

The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, time-based stock options during the year:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2023	718,955	\$ 0.75	\$ 0.72	9.29 years
Granted	609,985	0.68	0.54	
Exercised	-	-	-	
Forfeiture	(170,764)	0.73	0.72	
Expired	(27,010)	0.71	0.69	
Outstanding as at December 31, 2023	1,131,166	\$ 0.71	\$ 0.62	8.62 years
Exercisable as at December 31, 2023	555,599		\$ 0.90	

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2024	1,131,166	\$ 0.71	\$ 0.62	8.62 years
Granted	373,500	0.72	0.85	
Exercised	(40,625)	0.69	0.25	
Forfeiture	(61,406)	0.73	0.77	
Expired	(325,578)	0.67	0.43	
Outstanding as at December 31, 2024	1,077,057	\$ 0.73	\$ 0.77	8.51 years
Exercisable as at December 31, 2024	883,810		\$ 0.76	

The weighted average remaining contractual life for the share options outstanding as at December 31, 2024 was 8.51 years (December 31, 2023: 8.62 years).

The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, performance-based stock options during the year:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1 and December 31, 2023	\$ -	\$ -	\$ -	-
Grant	200,000	0.59	\$ 0.85	9.5 years
Outstanding as at December 31, 2024	\$ 200,000	\$ 0.59	\$ 0.85	9.5 years

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The following tables list the inputs to the model used for the Stock Options Plan for the years ended December 31, 2024 and 2023, respectively:

	December 31, 2024	December 31, 2023
Stock Price	\$ 0.85	\$ 0.85
Dividend Yield	0%	0%
Historical Volatility	110% to 120%	56% to 120%
Risk-free rate	4.12% to 4.43%	3.76% to 4.39%
Expected Term	5 to 7 years	2 to 7 years

21. Income tax expenses

The Company's income tax expenses for the years ended December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
<i>Income tax expense</i>		
Current tax	\$ -	\$ 29,834
Deferred tax	-	-
Aggregate income tax expense	\$ -	\$ 29,834

Reconciliation of tax expense and the accounting loss multiplied by the Company's tax rate for 2023 and 2024:

Accounting loss before income tax expense	\$ (2,771,388)	\$ (1,967,449)
At the Company's statutory income tax rate of 26.5% (2023: 26.5%)	\$ (734,396)	\$ (521,374)
Non-deductible and non-taxable items	69,096	86,448
Change in unrecognized deferred tax assets	677,219	457,690
Tax rates of subsidiaries operating in other jurisdictions	(7,564)	2
Other	(4,355)	7,068
At the effective income tax rate of nil (2023: 2%)	\$ -	\$ 29,834

The Company is subject to tax rates applicable in Canada and the United States. The combined federal and provincial rate for 2024 and 2023 is 26.5% and 26.5%, respectively. The Company's subsidiaries are in tax jurisdictions that have tax rates ranging from 21% to 26.5% (2023: 21% to 26.5%).

Unrecognized deferred tax assets

The Company has deferred tax assets relating to carry-forward losses and other temporary differences which have not been recognized because the recovery of the deferred tax assets in the foreseeable future is not probable.

At December 31, 2024, the Company had net operating loss carryforwards of \$8,052,629, which begin to expire in December 31, 2035.

The Company had other unrecognized deferred tax assets related to net timing differences of \$312,598 as at December 31, 2024 (December 31, 2023: \$577,057).

22. Financial instruments and risk management

Financial assets and financial liabilities

The carrying values of accounts receivable, accounts payable and accrued liabilities, the related party loan and the holdback liability approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

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Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its trade accounts receivable. To mitigate this risk, the Company carries out credit evaluations of its customers on a continuing basis. An impairment analysis is performed at each reporting date to measure ECLs. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

As at December 31, 2024 and 2023 the maximum exposure to credit risk relating to accounts receivable is represented by the carrying values of the asset on the Company's statements of financial position. Credit quality of a customer is assessed based on a credit rating assessment and individual credit limits are defined and approved in accordance with this assessment.

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. The Company is exposed to interest rate risk on its variable rate interest bearing debt consisting of bank indebtedness and bank loans. The Company does not use derivative financial instruments to mitigate interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes sales and purchase transactions in USD, and therefore is subject to gains or losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to mitigate foreign exchange risk. The carrying amounts of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 42,396	\$ 266,168
Trade and other receivable	50,863	6,081
Trade and other payables	(192,422)	(137,128)
Current portion of long-term debt	(9,945)	-
	<u>\$ (109,108)</u>	<u>\$ 135,121</u>

Foreign exchange risk sensitivity analysis

A 10% change of CAD strengthening against USD applied to the Company's \$99,163 net USD monetary liability position as at December 31, 2024 (December 31, 2023: \$135,121) would have decreased net loss by \$9,916 (December 31, 2023: increased net loss by \$13,512), assuming all other variables, in particular interest rates, remained constant.

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 adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities:

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As at December 31, 2024	< 1 year	1 – 5 years	>5 years	Total
Trade and other payables	\$ 758,316	\$ -	\$ -	\$ 758,316
Contract liabilities	122,606	-	-	122,606
Debt and derivative	147,769	378,674	36,245	562,688
Lease Liabilities	-	-	-	-
	\$ 1,028,691	\$ 378,674	\$ 36,245	\$ 1,443,610

As at December 31, 2023	< 1 year	1 – 5 years	>5 years	Total
Trade and other payables	\$ 560,826	\$ -	\$ -	\$ 560,826
Contract liabilities	85,856	-	-	85,856
Debt	94,354	217,303	-	311,657
Lease Liabilities	69,126	-	-	69,126
	\$ 810,162	\$ 217,303	\$ -	\$ 1,027,465

Capital risk management

The Company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the years ended December 31, 2024 and 2023.

There has been no change to the capital risk management policy during the years ended December 31, 2024 and 2023.

23. Related party disclosures

The following transactions occurred with related parties:

	For the year ended	
	December 31, 2024	December 31, 2023
Interest expense on loan payable	\$ 1,151	\$ -
Share issuance to Namesilo Technologies Corp.	\$ 200,000	\$ 250,000
Share-based compensation	\$ 19,979	\$ 85,752

The following total balances are outstanding with related parties:

	December 31, 2024	December 31, 2023
Convertible loan payable to: Namesilo Technologies Corp.	\$ 112,731	\$ -

The amount is classified as 'Long term debt' (Note 15).

Transactions with key management personnel

Short-term employee benefits of key management personnel of the Company:

	For the year ended	
	December 31, 2024	December 31, 2023
Short-term employee benefits	\$ 252,868	\$ 272,125
Share-based compensation	170,232	196,150
	\$ 423,100	\$ 468,275

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. During the year ended December 31, 2024, severance costs amounted to \$nil (December 31, 2023: \$66,800), excluded from the table above. There are no long-term incentive plans for senior management personnel.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(in Canadian dollars)

24. Commitments

As at December 31, 2024, the Company's commitment to purchase property, plant and equipment is approximately USD \$109,012 (December 31, 2023: \$nil), which is expected to be incurred over the next 12 months.

25. Segment information

The Chief Operating Decision Maker (CODM) has been identified as the Chief Executive Officer. The CODM evaluates the Company's performance and makes resource allocation decisions based on internal reporting, which includes monthly management accounts and budget summary analyses.

In determining the Company's operating segments, management has considered the level of information which is regularly reviewed by the CODM. Information regularly reviewed by the Chief Executive Officer is at a consolidated group level only, with some limited disaggregated revenue information provided for the geographical regions of the Canada, United States and the Rest of the World. Although pricing strategies are determined by country, the CODM does not assess performance or make resource allocation decisions based on regional or market-specific data. Instead, such decisions are based on the overall consolidated performance of the Company. Accordingly, management has determined that the Company operates as a single operating segment at the group level.

Note 18 sets out the Company's revenue in the key geographic markets in which customers are located.

26. Loss per share

Basic loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the effects of potentially dilutive share options.

The following table sets forth the calculation of basic and diluted loss per share:

	For the years ended December 31,	
	2024	2023
Weighted average number of common shares outstanding:		
Basic and diluted	25,834,180	23,267,842
Net loss attributable to common shareholders	(2,771,388)	(1,997,283)
Basic and diluted loss per share attributable to shareholders	(0.11)	(0.09)

For the year ended December 31, 2024, 1,077,057 share options (December 31, 2023: 1,131,166) and 1,179,470 of warrants were anti-dilutive (December 31, 2023: nil).

27. Subsequent events

On February 3, 2025 and April 14, 2025, the Company issued 2,500 and 10,000 time-based stock options to employees with an exercise price of \$0.85. These options have an expiry date of January 1, 2033 and April 1, 2035 respectively.

Alchemy Labs Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(in Canadian dollars)

On March 26, 2025, the Company issued 580,000 time-based stock options to employees, expiring on March 26, 2035. The exercise price is contingent on the timing and outcome of an equity financing:

- If exercised before the completion of an equity financing, or if no financing is completed by December 31, 2025, the exercise price will be \$0.85 per option.
- If exercised after an equity financing completed by December 31, 2025, the exercise price will be the lower of \$0.85 or the issue price of the securities issued in that equity financing

On February 4, 2025, the Company amended the Loan to increase the facility to a maximum of \$750,000. This was followed by further amendments on March 25, 2025, to increase the facility to a maximum of \$1,000,000, and again on June 10, 2025, to raise the maximum to \$1,350,000. The Company has drawn the entire \$1,350,000 available under this facility and received funds between December 2024 and June 2025. The Company incurred \$40,500 of financing costs related to these amendments.

Between April, 2025, and September, 2025, the Company received additional funds from various investors totaling \$6,501,000 in respect of unsecured convertible notes.

On March 25, 2025, the Company entered into new lease agreement commencing May 1, 2025 for six years with annual lease payments in range of \$277,116 - \$310,106.

On August 1, 2025, the Company issued 842,435 time-based stock options with an exercise price of \$0.85. These options have an expiry date of August 1, 2035.

On February 2, 2026, the Company issued 90,000 time-based stock options with an exercise price of \$0.85. These options have an expiry date of November 1, 2035.

On March 3, 2026, the Company issued 200,000 time-based stock options with an exercise price of \$0.85. These options have an expiry date of March 1, 2035. On March 25, 2026, the Company issued 300,000 time-based stock options with an exercise price of \$0.85. These options have an expiry date of March 1, 2035.

On March 25, 2026, the Company issued 300,000 time-based stock options to employees with an exercise price of \$0.85.

On April 15, 2026, NameSilo Technologies agreed to amend the terms of their convertible loan agreements from all principal and accrued interest being convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026 to being automatically convertible into common shares of the Company upon the occurrence of a listing event.

On April 16, 2026, 1,176,470 new common shares were issued upon the exercise of the same number of warrants detailed above in note 18 at a price of \$0.85 per common share warrant for net proceeds of \$999,999.50.

Tariffs

Effective March 4, 2025, the United States imposed tariffs on imports from a number of countries, including goods from Canada. The Government of Canada, other nations, and subnational governments announced or threatened certain retaliatory measures, including counter tariffs. The impact of tariffs or other measures, once implemented, is subject to a number of factors, including the duration of such tariffs or measures, changes in the amount, scope and nature of the tariffs or measures in the future, any further counter measures that may be taken, and any mitigating actions that may become available. The introduction of tariffs or non-tariff measures could cause some volatility for the Company and some purchased materials could be impacted, through price increases and/or reduced availability. Efforts would be made to mitigate these impacts by purchasing from alternative sources or by passing these escalated costs on to customers. Additionally, some customers could be impacted by tariffs or non-tariff measures, resulting in less spending on the Company's products. Higher supplies' costs brought about by tariffs or other measures, or delayed or cancelled orders could have a material adverse effect on the Company's future earnings and financial position.



Condensed Interim Consolidated Financial Statements of Alchemy Labs Inc.

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

The accompanying notes are an integral part of the unaudited consolidated financial statements

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ALCHEMY LABS INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at March 31, 2026 (unaudited) and December 31, 2025 (audited)

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

	Notes	March 31, 2026	December 31, 2025
ASSETS			
CURRENT			
Cash and cash equivalents	7	\$ 1,914,916	\$ 2,265,030
Short term investments	8	-	1,004,435
Trade and other receivables	9	186,980	101,428
Inventory	10	822,613	741,286
Other current assets	11	462,675	434,143
		3,387,184	4,546,322
NON CURRENT ASSETS			
Property and equipment, net	12	639,604	537,489
Right-of use assets	13	1,171,113	1,210,938
Intangible assets	14	1,859,216	1,651,430
Other assets	11	70,744	90,298
		3,740,677	3,490,155
TOTAL ASSETS		\$ 7,127,861	\$ 8,036,477
LIABILITIES and EQUITY			
CURRENT			
Trade and other payables	15	\$ 896,096	\$ 712,762
Contract liabilities	19	122,537	232,158
Derivative liabilities	6	3,350,169	3,270,442
Current portion of long term debt	16	6,421,347	5,889,311
Current portion of lease liabilities	13	217,503	214,982
		11,007,652	10,319,655
NON CURRENT LIABILITIES			
Long term debt	16	679,763	575,894
Lease liabilities	13	1,072,508	1,108,423
		1,752,271	1,684,317
TOTAL LIABILITIES		12,759,923	12,003,972
SHAREHOLDERS' EQUITY			
Share capital	17	11,488,499	11,488,499
Warrants	18	245,282	245,282
Contributed surplus	21	1,412,916	1,179,778
Deficit		(18,621,631)	(16,827,038)
Foreign currency translation reserve		(157,128)	(54,016)
TOTAL SHAREHOLDERS' EQUITY		(5,632,062)	(3,967,495)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 7,127,861	\$ 8,036,477

Nature and description of the Company (Note 1)

Material Accounting policies and going concern (Note 2)

Subsequent events (Note 25)

See accompanying notes to the consolidated financial statements.

The accompanying notes are an integral part of the unaudited consolidated financial statements

ALCHEMY LABS INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**

For the three month periods ended March 31, 2026, and 2025

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

		Three months ended March 31:	
	Notes	2026	2025
Revenue	19	\$ 400,253	\$ 622,527
Cost of sales	10	261,566	394,738
Gross profit		138,687	227,789
Expenses	20		
Sales and marketing		565,456	454,271
General and administrative		791,774	488,220
Research and development		39,014	45,890
Product development		35,113	62,322
Other operating expenses (income)		(58,750)	71,612
Total operating expenses		1,372,607	1,122,315
Operating loss		(1,233,920)	(894,526)
Finance expense	16	579,015	53,734
Foreign exchange gain		(98,069)	(236,222)
Other expenses	6	79,727	9,531
Total other expense (income)		560,673	(172,957)
Net loss		(1,794,593)	(721,569)
Other comprehensive loss			
Items that may be recycled subsequently to net loss:			
Currency translation of foreign operations, net of tax		(103,112)	(246,202)
Other comprehensive loss for the period, net of tax		(103,112)	(246,202)
Total comprehensive loss		\$ (1,897,705)	\$ (967,771)
Weighted average number of shares outstanding for basic and diluted calculation		27,840,561	27,813,438
Basic and diluted loss per share		\$ (0.06)	\$ (0.03)

The accompanying notes are an integral part of the unaudited consolidated financial statements

ALCHEMY LABS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of the three month period ended March 31, 2026

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

	Notes	Share Capital	Warrants Reserve	Contributed Surplus	Deficit	Foreign currency translation reserve	Total
Balance, January 1, 2025		\$ 11,462,999	\$ 245,282	\$ 828,217	\$ (11,192,422)	\$ (247,403)	\$ 1,096,673
Net loss for the period					(721,569)		(721,569)
Other comprehensive loss:							
Currency translation of foreign operations, net of tax						(246,202)	(246,202)
Stock-based compensation				51,653			51,653
Share issuance	17	15,000					15,000
Balance, March 31, 2025		\$ 11,477,999	\$ 245,282	\$ 879,870	\$ (11,913,991)	\$ (493,605)	\$ 195,555
Balance, January 1, 2026		\$ 11,488,499	\$ 245,282	\$ 1,179,778	\$ (16,827,038)	\$ (54,016)	\$ (3,967,495)
Net loss for the period					(1,794,593)		(1,794,593)
Other comprehensive loss:							
Currency translation of foreign operations, net of tax						(103,112)	(103,112)
Stock-based compensation	21			233,138			233,138
Balance, March 31, 2026		\$ 11,488,499	\$ 245,282	\$ 1,412,916	\$ (18,621,631)	\$ (157,128)	\$ (5,632,062)

The accompanying notes are an integral part of the unaudited consolidated financial statements

ALCHEMY LABS INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three month periods ended March 31, 2026, and 2025

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

		For the three months ended March 31:	
	Notes	2026	2025
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Net loss for the period		\$ (1,794,593)	\$ (721,569)
Add (deduct) items:			
Amortization of property and equipment	12	9,025	10,724
Amortization of intangibles assets	14	1,407	328
Amortization of right-of-use assets	13	39,825	801
Stock-based payments	21	233,138	51,653
Unrealized foreign exchange gain (loss)		(108,850)	(243,273)
Interest expense	16	579,015	53,734
Interest received		11,612	263
Interest paid		(1,730)	(8,693)
Loss on derivative liability		79,727	9,531
Other		(11,613)	13,436
		(963,037)	(833,065)
Changes in non-cash working capital:			
Increase in trade and other receivables		(85,552)	(99,943)
Decrease (increase) in inventory	10	(81,327)	66,176
Increase in other current and non-current assets	11	(8,978)	(81,298)
Increase (decrease) in trade and other payables	15	183,334	191,156
Decrease in contract liabilities	19	(109,621)	(88,710)
		(102,144)	(12,619)
Net cash flows used in operating activities		(1,065,181)	(845,684)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Redemption of short term investments	8	1,004,435	-
Purchase of property and equipment	12	(111,140)	(7,963)
Right-of use assets	13	-	(14,429)
Purchase of internally generated intangible assets	14	(209,193)	(82,976)
Net cash flows used in investing activities		684,102	(105,368)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments of lease liabilities	13	(47,064)	(878)
Proceeds from debt	16	98,339	957,975
Repayment of debt		(20,310)	(17,820)
Net cash flows provided by financing activities		30,965	939,277
Net change in cash		(350,114)	(11,775)
Cash and cash equivalents, beginning of the period		2,265,030	143,183
Cash and cash equivalents, end of the period		\$ 1,914,916	\$ 131,408

The accompanying notes are an integral part of the unaudited consolidated financial statements

ALCHEMY LABS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended March 31, 2026 and 2025 and as at December 31, 2025

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

1. Nature and description of the Company

The condensed interim consolidated financial statements of Alchemy Labs Inc. and its subsidiaries (collectively the “Company” or “Alchemy”) for the three months ended March 31, 2026 (“YTD”) , including the condensed interim consolidated comparative information for the three months ended March 31, 2025, and the condensed interim consolidated statement of financial position as at December 31, 2025, were authorized for issuance by the Board of Directors on June 25, 2026.

The Company is incorporated under the Business Corporations Act (British Columbia) and is headquartered in 265 Breithaupt Street, Unit 5, Kitchener, Ontario, Canada N2H 5H3.

Alchemy is a nanotechnology company that develops and commercializes protective coatings for niche and specialty markets. The Company’s core product, a windshield protective film, is a film for automotive vehicles equipped with advanced driver assistance systems. The Company also uses its technology to develop multi-spectral camouflage applications for use in the defence industry.

The Company has two wholly-owned subsidiaries:

- Neverfrost Inc.
- Neverfrost USA Inc.

The Company’s fiscal year ends on December 31.

On March 27, 2026, the Company filed a prospectus with the securities regulators to offer a minimum of 10,000,000 units and a maximum of 15,000,000 units at a price of \$1.00 per unit. Each unit consists of one common share and one-half of one warrant. Each warrant will entitle the holder to purchase one common share at a price of \$1.50 for a period of twenty-four months after the closing date.

2. Material accounting policies and going concern

These condensed interim consolidated financial statements for the three months ended March 31, 2026 have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”).

These interim condensed consolidated financial statements do not include all of the information and disclosures required for full annual consolidated financial statements prepared in accordance with IFRS Accounting Standards and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2025 (“FY 2025”).

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, including convertible loans, derivative liabilities and stock-based compensation arrangements, which are measured at fair value.

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

ALCHEMY LABS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended March 31, 2026 and 2025 and as at December 31, 2025

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

Going concern

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

For the three months ended March 31, 2026, the Company reported a net loss of \$1,794,593 (three months ended March 31, 2025: \$721,569).

For the three months ended March 31, 2026, the Company reported a net comprehensive loss of \$1,897,705 (three months ended March 31, 2025: \$967,771) and net cash flows used in operating activities of \$1,065,181 (three months ended March 31, 2025: \$845,684).

As at March 31, 2026, the Company had an accumulated deficit of \$18,621,631 (December 31, 2025: \$16,827,038) and shareholders' deficit of \$5,632,062 (December 31, 2025: deficit of \$3,967,495).

The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from operations or obtain additional financing through equity or debt financing.

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of operations.

These interim condensed consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that would be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

2.2 Material accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the Company's audited consolidated financial statements for the year ended December 31, 2025.

Standards issued but not yet effective have been reviewed and are not expected to have a material impact on the Company.

3. Significant accounting judgements, estimates and assumptions

The preparation of the condensed interim consolidated financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities.

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

There have been no significant changes in the Company's critical accounting judgments and estimates from those disclosed in the audited consolidated financial statements for the year ended December 31, 2025, except as noted below.

ALCHEMY LABS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended March 31, 2026 and 2025 and as at December 31, 2025

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

4. Standards issued but not yet effective

IFRS 18 - Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued a new standard IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

5. Capital Management

For the Company's capital management purposes, capital includes share capital and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Company's capital management is to ensure that it maintains sufficient capital resources to support its business operations and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it after considering changes in economic conditions, operating performance and financing requirements. To maintain or adjust the capital structure, the Company may issue new shares, issue debt instruments, adjust dividend payments, obtain additional financing from related parties or financial institutions.

The Company monitors capital on an ongoing basis based on expected receipt of receivables and the due dates of its financial liabilities.

There were no changes in the Company's objectives, policies or processes for managing capital during the three months ended March 31, 2026.

6. Financial Instruments

The Company has assessed that the fair values of financial assets and financial liabilities approximate their carrying amounts, largely due to the short-term maturities of these instruments, except for the item noted below.

The Company's financial instrument measured at fair value as at March 31, 2026, is as follows:

	<u>Classification</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Derivative liability	Fair value through profit or loss	\$3,350,169	\$3,350,169	Level 3

ALCHEMY LABS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended March 31, 2026 and 2025 and as at December 31, 2025

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

Convertible Loan Agreements

NameSilo Loan: On December 18, 2024, the Company entered into a convertible loan agreement with NameSilo Technologies Corp. ("NameSilo") for a non-revolving drawdown facility of up to \$500,000, subsequently amended to increase the facility to \$1,350,000. As at March 31, 2026, the Company had drawn the full \$1,350,000 under this agreement. The principal and accrued interest are convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026. The number of shares (rounded down to the nearest whole number) to be issued to NameSilo shall be equal to the principal and accrued interest of the Loan at the time of conversion divided by 75% of the greater of the issue price of (a) the securities issued pursuant to the last equity financing of the Company prior to the listing and (b) any equity securities issued pursuant to or in connection with the listing.

Additional Convertible Loans: During the year ended December 31, 2025, the Company entered into additional convertible loan agreements with third parties totaling \$6,501,000 between the July 1 to September 30, 2025. The number of shares (rounded down to the nearest whole number) to be issued to any third party due amounts under these additional convertible loan agreements shall be equal to the principal and accrued interest of the Loan at the time of conversion divided by the lesser of: (a) 75% of the listing event share price and (b) \$1.25.

The principal and accrued interest under these agreements are automatically convertible into common shares of the Company upon the occurrence of a listing event. These loans mature between July 17, 2027, and October 10, 2027.

Derivative Liability Classification

The conversion features of the above convertible loans are considered embedded derivatives and are classified as derivative liabilities and measured at fair value through profit or loss. These instruments are categorized as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs.

Valuation Methodology

The fair value of the derivative liability was determined using a probability-weighted option pricing model based on the Black-Scholes-Merton framework. The valuation incorporates: probability of occurrence of a listing event (80%), expected timing of the listing event (2026), expected volatility (61%-65%), expected conversion terms, contractual interest rates (3.68%-4.21%), most recent arm's length financing price (\$0.85 per share).

Given the contingent nature of the listing event, management applied significant judgment in estimating probabilities and timing assumptions.

There were no financial instruments classified as Level 1 or Level 2, and there were no transfers between Level 1 and Level 2 during the three-month period ended March 31, 2026 (December 31, 2025 – nil).

ALCHEMY LABS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the three-month period ended March 31, 2026 and 2025 and as at December 31, 2025**

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

	Derivative Liability
January 1, 2025	\$ 124,849
Additions	2,826,717
Changes in fair value recognized in other expenses	318,876
December 31, 2025	3,270,442
Additions	-
Changes in fair value recognized in other expenses	79,727
March 31, 2026	3,350,169
Current	3,350,169
Non-current	-

The following table provides information about how the fair value of this financial liability is determined (in particular, the valuation technique and inputs used).

Financial instrument	Valuation technique	Inputs used
Derivative liability	Weighted probability	Estimates of listing event and non-listing event; last financing price

7. Cash and cash equivalents

	March 31, 2026	December 31, 2025
Cash at bank	\$ 21,873	\$ 131,540
Online payment platforms	26,237	2,606
Short-term investments of less than 90 days	1,866,806	2,130,884
	\$ 1,914,916	\$ 2,265,030

As of March 31, 2026, cash and cash equivalents include short-term investments of \$1,866,806 with interest rates of 2.1%-2.5% (December 31, 2025: \$2,130,884 with interest rate of 2.13%-2.22%). These investments are considered highly liquid and are readily convertible to known amounts of cash with an insignificant risk of changes in value.

8. Short term investments

As at December 31, 2025, the Company had purchased a total of \$1,004,435 in short term investment notes with a term of more than ninety-days that matured between February 10, 2026 and March 12, 2026 with interest rates of 2.13%-2.46%.

ALCHEMY LABS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the three-month period ended March 31, 2026 and 2025 and as at December 31, 2025**

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

9. Trade and other receivables

	March 31, 2026	December 31, 2025
Trade receivables	\$ 24,255	\$ 7,085
Goods and services tax receivable	162,725	94,343
	\$ 186,980	\$ 101,428

As at March 31, 2026, the Company has government remittances receivable of \$162,725 (December 31, 2025: \$94,343).

As at March 31, 2026, the Company has not recorded any allowance for expected credit losses relating to its accounts receivable (December 31, 2025: \$nil).

10. Inventories

	March 31, 2026	December 31, 2025
Raw materials	\$ 231,250	\$ 381,814
Work in process	409,658	18,782
Finished goods	181,705	340,690
	\$ 822,613	\$ 741,286

For the three months ended March 31, 2026, inventories of \$176,309 (March 31, 2025: \$341,183) were expensed and reported in 'Cost of sales'.

During the three months ended March 31, 2026, the Company recorded \$nil in terms of inventory allowances and write-offs (December 31, 2025: \$164,863).

11. Other assets

	March 31, 2026	December 31, 2025
Prepayments	\$ 244,069	\$ 235,091
Investment tax credits	289,350	289,350
	\$ 533,419	\$ 524,441
Current	\$ 462,675	\$ 434,143
Non-current	70,744	90,298

ALCHEMY LABS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the three-month period ended March 31, 2026 and 2025 and as at December 31, 2025**

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

12. Property, plant, and equipment

	Lab equipment	Office equipment	Production equipment in progress	Computer equipment	Leasehold improvements	Total
Cost						
Balance, January 1, 2025	\$ 123,418	\$ 15,807	\$ 157,103	\$ -	\$ -	\$ 296,328
Additions	10,933	17,786	248,923	21,617	94,461	393,720
Balance, December 31, 2025	134,351	33,593	406,026	21,617	94,461	690,048
Additions	24,117	6,066	49,896	1,467	29,594	111,140
Balance, March 31, 2026	\$ 158,468	\$ 39,659	\$ 455,922	\$ 23,084	\$ 124,055	\$ 801,188
Depreciation and impairment						
Balance, January 1, 2025	\$ 103,288	\$ 10,112	\$ -	\$ -	\$ -	\$ 113,400
Depreciation	20,130	4,940	-	3,603	10,486	39,159
Balance, December 31, 2025	123,418	15,052	-	3,603	10,486	152,559
Depreciation	1,000	2,250	-	1,800	3,975	9,025
Balance, March 31, 2026	\$ 124,418	\$ 17,302	\$ -	\$ 5,403	\$ 14,461	\$ 161,584
Net book value						
December 31, 2025	\$ 10,933	\$ 18,541	\$ 406,026	\$ 18,014	\$ 83,975	\$ 537,489
March 31, 2026	\$ 34,050	\$ 22,357	\$ 455,922	\$ 17,681	\$ 109,594	\$ 639,604

Depreciation expenses are included in 'Research and development' expenses and 'General and administrative' expenses.

Depreciation will commence on production equipment once it is fully tested and put into regular commercial use.

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(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

13. Leases

Set out below are the carrying amounts of right-of-use assets in relation to leases held by the Company, and movements during the periods.

	Buildings	Computer Equipment	Total
As at January 1, 2025	\$ -	\$ -	\$ -
Additions	1,371,890	14,429	1,386,319
Depreciation	(171,487)	(3,894)	(175,381)
As at December 31, 2025	1,200,403	10,535	1,210,938
Depreciation	(38,108)	(1,717)	(39,825)
As at March 31, 2026	\$ 1,162,295	\$ 8,818	\$ 1,171,113
Net Book Value			
December 31, 2025	\$ 1,200,403	\$ 10,535	\$ 1,210,938
March 31, 2026	\$ 1,162,295	\$ 8,818	\$ 1,171,113

The Company entered into a new office and production facility lease agreement for 13,136 square feet of space which commenced on May 1, 2025 and expires on April 30, 2031. The monthly lease payments per square foot range from \$21.00 to \$23.50 over the term of the lease and includes the Company's proportionate share of realty taxes, operating costs, maintenance, building insurance and management fees. The lease is being amortized over the term of the lease.

Depreciation expenses are included in "General and administrative" expenses.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	For the three months ended March 31:	
	2026	2025
Opening balance	\$ 1,323,405	\$ -
Additions	-	14,429
Accretion of interest	13,670	157
Payments	(47,064)	(878)
Ending balance	\$ 1,290,011	\$ 13,708
Current	\$ 217,503	\$ 4,302
Non-current	\$ 1,072,508	\$ 9,406

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(Unaudited)

Reconciliation of lease liabilities arising from financing activities:

	For the three months ended March 31:	
	2026	2025
Opening balance	\$ 1,323,405	\$ -
Additions	-	14,429
Accretion of interest	13,670	157
Cash flows	(47,064)	(878)
Ending balance	\$ 1,290,011	\$ 13,708
Current	\$ 217,503	\$ 4,302
Non-current	\$ 1,072,508	\$ 9,406

The following amounts are recognized in the consolidated financial statements of loss and comprehensive loss as lease expense for the three months ended March 31:

	For the three months ended March 31:	
	2026	2025
Depreciation expense on right-of-use assets	\$ 39,825	\$ 801
Interest on lease liabilities (included in finance costs)	13,670	157
Short term lease expense	-	-
Total net expenses	\$ 53,495	\$ 958

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(Unaudited)

14. Intangible assets

	Capitalized development costs	Patents	Computer Software	Total
<u>Cost</u>				
Balance, January 1, 2025	\$ 1,072,007	\$ 19,669	\$ -	\$ 1,091,676
Additions	694,760	-	8,668	703,428
Contract materials reimbursement	(138,281)			(138,281)
Balance, December 31, 2025	1,628,486	19,669	8,668	1,656,823
Additions	192,230	16,963	-	209,193
Balance, March 31, 2026	\$ 1,820,716	\$ 36,632	\$ 8,668	\$ 1,866,016
<u>Amortization and impairment</u>				
Balance, January 1, 2025	\$ -	\$ 109	\$ -	\$ 109
Amortization	-	1,311	3,973	5,284
Balance, December 31, 2025	-	1,420	3,973	5,393
Amortization	-	327	1,080	1,407
Balance, March 31, 2026	\$ -	\$ 1,747	\$ 5,053	\$ 6,800
<u>Net book value</u>				
December 31, 2025	\$ 1,628,486	\$ 18,249	\$ 4,695	\$ 1,651,430
March 31, 2026	\$ 1,820,716	\$ 34,885	\$ 3,615	\$ 1,859,216

Capitalized development costs are not currently available for use and so amortization has not commenced.

15. Trade and other payables

	March 31, 2026	December 31, 2025
Trade payables	\$ 495,084	\$ 337,162
Accrued expenses	235,589	246,272
Other liabilities	165,423	129,328
	\$ 896,096	\$ 712,762

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be reasonable approximations of their fair values, due to their short-term nature.

Included in 'Other liabilities' above is \$43,556 of bank indebtedness related to corporate credit cards at March 31, 2026 (December 31, 2025: \$36,434).

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(Unaudited)

16. Debt

	March 31, 2026		December 31, 2025	
Current portion of long-term debt	\$	6,421,347	\$	5,889,311
Long-term debt		679,763		575,894
	\$	7,101,110	\$	6,465,205
Opening balance	\$	6,465,205	\$	437,839
Additions, net of transaction costs		98,338		8,070,910
Accretion expense		557,877		991,113
Derivative liability reclassification		-		(2,826,707)
Repayments		(20,310)		(207,950)
Ending balance	\$	7,101,110	\$	6,465,205

Total interest and accretion expense on long-term debt for the three- months ended March 31, 2026, was \$579,015 (March 31, 2025: \$53,734).

Convertible Loans

Current debt includes convertible loans with a face value of \$7,851,000 as at March 31, 2026 (December 31, 2025: \$7,851,000) issued under the NameSilo Loan and Additional Convertible Loan agreements (refer to Note 6). The interest rate on all of these Loans is 12% per year. The maturity date of the NameSilo Loan is December 18, 2026. The maturity date of the Additional Convertible Loans ranges between July 17, 2027, and October 10, 2027.

Early settlement could be required by the Lenders should certain events of default occur, such as bankruptcy, a change of control, default on this or any other of the Company's debt arrangements or other breach of the terms of the Loan agreement. As of March 31, 2026, and the date of these financial statements, the Company is in full compliance with the covenants under this agreement.

These loans have been recognized in two parts: a liability component and an embedded derivative, which is classified as a liability and measured at fair value. The embedded derivative exists and is classified as a liability because at the time the loan was issued, the conversion price was not fixed but included a discount and fluctuates in response to changes in the market price of the Company's shares. In accordance with IFRS 9, the embedded derivative was measured first at its estimated fair value and the residual of the proceeds received from the loan less the fair value of the embedded derivative and a commitment fee of \$25,500, settled in shares in fiscal 2025 and paid to secure the facility was assigned to the loan component. Refer to Note 6 for related fair value measurement disclosures.

ALCHEMY LABS INC.

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(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

BSP Loan

In May 2024, the Company entered into an agreement ("BSP Loan") for maximum borrowing available of \$1.8 million with Federal Economic Development Agency for Southern Ontario via Business Scale-up and Productivity stream ("BSP"). The loan is interest-free until maturity, at which point interest on overdue amounts will accrue in accordance with the federal *Interest and Administrative Charges Regulation*.

The facility's drawdowns are recognized at fair value with effective interest rates ranging from 6-10.6%, resulting in grant income of \$28,593 being recognized in the net balance of 'Other operating expenses' in the three- months ended March 31, 2026 (three- months ending March 31, 2025: \$34,108), calculated as the difference between the fair value of the loans and their face value. The maturity date is December 1, 2032. The outstanding balance pursuant to this loan was \$746,865 at March 31, 2026 (December 31, 2025: \$619,933) and its carrying amount is \$649,969 (December 31, 2025: \$541,636).

The BSP Loan was provided to help fund the commercialization of a new product and to expand the Company's manufacturing facilities in Kitchener, Ontario (the "Project"). Under the terms of the loan agreement, early repayment may be required at the option of the lender should an event of default occur, such as bankruptcy or insolvency, non-payment of amounts due under the agreement, failure to meet the objectives or milestones of the Project, dissolution of the Company or otherwise ceasing to conduct business, or other non-compliance with the terms of the agreement. As of March 31, 2026 and the date of these financial statements, the Company is in full compliance with the covenants under the BSP Loan Agreement.

CDAP Loan

In April 2024, the Company entered into a \$50,000 interest-free loan agreement ("CDAP Loan") with Business Development Bank of Canada ("BDC"). The interest-free loan is considered government assistance and was recognized at fair value with an effective interest rate of 8.36%, resulting in accretion expense of \$720 and \$2,482 being recognized in finance expense in the three- months ended March 31, 2026 (three months ended March 31, 2025: \$829), calculated as the difference between the fair value of the loans and their face value. The maturity date is March 17, 2030. The outstanding balance pursuant to the CDAP Loan is \$39,840 at March 31, 2026 and its carrying amount is \$33,755 (December 31, 2025: \$35,525). As of March 31, 2026 and the date of these financial statements, the Company is in full compliance with the covenants under the CDAP Loan Agreement.

BDC Loans

In April 2021, the Company entered into a \$120,000 loan agreement ("BDC Loan 120K") with BDC. The interest rate on the BDC Loan 120K is based on BDC's floating interest rate plus a variance of 1.45% per year. The maturity date is March 1, 2027. The outstanding balance pursuant to this loan is \$24,000 at March 31, 2026 (December 31, 2025: \$30,000). For the three months ended March 31, 2026, the interest rate on this loan was 8.00% (December 31, 2025: 8.0%).

In May 2020, the Company entered into a \$230,000 loan agreement ("BDC Loan 230K") with BDC. The interest rate on the BDC Loan 230K is based on BDC's floating interest rate minus a variance of 1.75% per year. The loan agreement was amended on January 31, 2023 with extending the maturity date to April 1, 2026. The outstanding balance pursuant to this loan is \$3,895 as at March 31, 2026 (December 31, 2025: \$15,715) and was fully repaid as of April 1, 2026. For the three months ended March 31, 2026, the interest rate on this loan was 4.80% (December 31, 2025: 4.80%).

The Company has provided collateral security on all of its personal property and assets to BDC. As of March 31, 2026 and the date of these financial statements, the Company is in full compliance with the covenants under the BDC Loan Agreement.

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(Unaudited)**CEBA Loan**

In March 2020, the Company entered into a \$40,000 term loan agreement (“CEBA Term Loan”) with Canadian Emergency Business Account (“CEBA”). The interest rate on the CEBA Term Loan is 0% per annum during the initial term ending December 31, 2022 and 5% per annum during the extended term ending December 31, 2025, with the first payment to be made on January 31, 2023. The maturity date is December 31, 2026. The term loan agreement was amended in 2021, increasing the loan amount from \$40,000 to \$60,000. The outstanding balance pursuant to this loan is \$60,000 on March 31, 2026 (December 31, 2025: \$60,000). As of March 31, 2026, and the date of these financial statements, the Company is in full compliance with the covenants under the CEBA Loan Agreement.

17. Share Capital

	Issued and Fully Paid	
	March 31, 2026	December 31, 2025
Common shares	\$ 11,488,499	\$ 11,488,499
	\$ 11,488,499	11,488,499

Authorized share capital

As at March 31, 2026, the Company has authorized an unlimited number of common and preferred shares, of which 27,840,561 common shares were issued and outstanding.

Issued and fully paid

During the three months ended March 31, 2026, the Company issued no common shares (December 31, 2025: 30,000 at \$0.85 per share) for aggregate proceeds of \$nil (2025: \$25,500) in settlement of debt.

As at March 31, 2026, there were 27,840,561 common shares issued and outstanding (December 31, 2025: 27,840,561).

Dividends paid

For the 3 months ended March 31, 2026, \$nil (December 31, 2025: \$nil) dividends were declared and paid.

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18. Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2026:

	Number of Warrants	Weighted Average Exercise Price
As at January 1, 2025	1,176,470	\$ 0.85
Issued	-	-
Exercised	-	-
Expired	-	-
Balance, December 31, 2025 and March 31, 2026	1,176,470	\$ 0.85

Expiry date	Number of Warrants	Exercise Price
April 16, 2026	1,176,470	\$ 0.85

19. Revenue from contracts with customers**Disaggregated revenue information**

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the three months ended March 31:	
	2026	2025
Type of goods or services		
Product related	\$ 297,415	\$ 548,065
Rendering of services	102,838	74,462
Total revenue from contracts with customers	\$ 400,253	\$ 622,527

Timing of revenue recognition		
Goods and services transferred at a point in time	\$ 297,415	\$ 548,065
Goods and services transferred over time	102,838	74,462
Total revenue from contracts with customers	\$ 400,253	\$ 622,527

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(Unaudited)

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the three months ended March 31:	
	2026	2025
Geographical Markets		
Canada	\$ 14,507	\$ 63,263
United States	225,186	369,551
Rest of world	160,560	189,713
Total revenue	\$ 400,253	\$ 622,527

Contract Liabilities

Contract liabilities principally relate to customer advances received before the Company fulfills its performance obligations. Revenues of \$86,168 were recognized during the three months ended March 31, 2026 (March 31, 2025- \$44,153), which were included in the balance of contract liabilities at the beginning of each respective period.

20. Expenses

The following expenses are presented for the three--month periods ended March 31, 2026 and March 31, 2025, consistent with the presentation of the interim condensed statements of loss in accordance with **IAS 34 – Interim Financial Reporting**.

	For the three months ended March 31:	
	2026	2025
Depreciation and amortization are included in:		
Research and development costs	\$ 1,327	\$ 10,152
General and administrative	48,930	1,701
	\$ 50,257	\$ 11,853
Employee benefits are included in:		
Sales and marketing	\$ 374,683	\$ 305,641
General and administrative	347,473	114,833
Research and development	74,920	72,183
Product development	31,747	56,566
Other operating expenses	184,800	119,211
	\$ 1,013,623	\$ 668,434

ALCHEMY LABS INC.

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(Unaudited)

21. Stock-based compensation

The expense arising from equity-settled share-based compensation transaction for the three month period ended March 31 are as follows:

	For the three months ended March 31:	
	2026	2025
Expense arising from equity-settled share-based compensation transactions		
Time-based stock options	\$ 233,138	\$ 37,057
Performance-based stock options	-	14,596
	\$ 233,138	\$ 51,653

Movements during the period

The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, time-based stock options during the three months ended March 31, 2026:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2026	1,873,439	\$ 0.74	\$ 0.81	5.95 years
Granted	500,000	0.73	0.85	
Exercised	-	-	-	
Forfeiture	(10,000)	0.74	0.74	
Expired	-			
Outstanding as at March 31, 2026	2,363,439	\$ 0.71	\$ 0.79	5.90 years
Exercisable as at March 31, 2026	1,070,539		\$0.78	

The following table illustrates the number and weighted average exercise prices, fair values of, and movements in, time-based stock options during the year ended December 31, 2025:

	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of January 1, 2025	1,077,057	\$ 0.73	\$ 0.77	8.51 years
Granted	1,524,935	0.74	0.85	
Exercised	-	-	-	
Forfeiture	(608,068)	0.74	0.85	
Expired	(120,485)	0.74	0.67	
Outstanding as at December 31, 2025	1,873,439	\$ 0.74	\$ 0.81	5.95 years
Exercisable as at December 31, 2025	709,914		\$0.74	

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(Unaudited)

The following tables list the inputs to the model used for the Stock Options Plan for the three months ended March 31, 2026, and the fiscal year ended December 31, 2025, respectively:

	March 31, 2026	December 31, 2025
Stock price	\$ 0.85	\$ 0.85
Dividend yield	0%	0%
Historical volatility	65%	65%
Risk-free rate	3.50% to 3.60%	3.67% to 4.13%
Expected term	5 to 7 years	5 to 7 years

22. Financial instruments and risk management**Financial assets and financial liabilities**

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and long term debt approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its trade accounts receivable. To mitigate this risk, the Company limits the amount of credit it extends to a limited number of customers and carries out regular credit evaluations of these customers relative to their history of on-time payment and the maturity date of any balances outstanding. An impairment analysis is performed at each reporting date to measure ECLs. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

As at March 31, 2026 and December 31, 2025, the maximum exposure to credit risk relating to accounts receivable is represented by the carrying values of the asset on the Company's statements of financial position. Credit quality of a customer is assessed based on a credit rating assessment and individual credit limits are defined and approved in accordance with this assessment.

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. The Company is exposed to interest rate risk on its variable rate interest-bearing debt consisting of bank indebtedness and bank loans. The Company does not use derivative financial instruments to mitigate interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes sales and purchase transactions in USD, and therefore is subject to gains or losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to mitigate foreign exchange risk. The carrying amounts of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

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(Unaudited)

	March 31, 2026	December 31, 2025
Cash and cash equivalents	\$ 33,357	\$ 147,688
Trade and other receivables	22,385	7,085
Trade and other payables	(371,362)	(283,195)
	\$ (315,620)	\$ (128,422)

Foreign exchange risk sensitivity analysis

A 10% change of CAD strengthening against USD applied to the Company's \$315,620 net USD monetary liability position as at March 31, 2026 would have decreased net loss by \$31,562, assuming all other variables, in particular interest rates, remained constant.

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 adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities:

As at March 31, 2026	< 1 year	1 – 5 years	> 5 years	Total
Trade and other payables	\$ 896,096	\$ -	\$ -	\$ 896,096
Contract liabilities	122,537	-	-	122,537
Debt	7,960,966	756,792	148,495	8,866,253
Lease liabilities	217,503	1,072,508	-	1,290,011
	\$ 9,197,102	\$ 1,829,300	\$ 148,495	\$11,174,897

As at December 31, 2025	< 1 year	1 – 5 years	> 5 years	Total
Trade and other payables	\$ 712,762	\$ -	\$ -	\$ 712,762
Contract liabilities	232,158	-	-	232,158
Debt	7,960,966	509,808	148,495	8,619,269
Lease liabilities	214,982	1,030,896	77,527	1,323,405
	\$ 9,120,868	\$ 1,540,704	\$ 226,022	\$10,887,594

Capital risk management

The Company is subject to certain financing arrangements, covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the three months ended March 31, 2026 and the year ended December 31, 2025.

There have been no changes to the Company's capital risk management policy for the three months ended March 31, 2026 and the year ended December 31, 2025.

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(Unaudited)

23. Related party disclosures

The following transactions occurred with related parties:

	For the three months ended March 31:	
	2026	2025
Interest expense on loan payable	\$ 49,932	19,315
Share issuance to NameSilo Technologies Corp.	-	15,000
	\$ 49,932	\$ 34,315

The following total balances are outstanding with related parties:

	For the three months ended March 31:	
	2026	2025
<i>Convertible loan payable to:</i>		
NameSilo Technologies	\$ 1,125,215	\$ 515,199
Maxcroft Holdings Inc.	160,083	-
Off the Grid Ventures Fund 1, LLC	105,849	-

These amounts are classified as current (Note 16).

Short-term employee benefits of key management personnel of the Company for the three-month period ended March 31:

	For the three months ended March 31:	
	2026	2025
Short-term benefits	\$ 94,616	\$ 85,385
Share-based compensation	30,928	20,859
Total	\$ 125,544	\$ 106,244

The amounts disclosed above are the amounts recognized as an expense during the reporting period related to key management personnel. There are no long-term incentive plans for senior management personnel.

24. Segment information

The Chief Operating Decision Maker (CODM) has been identified as the Chief Executive Officer. The CODM evaluates the Company's performance and makes resource allocation decisions based on internal reporting, which includes monthly management accounts and budget summary analyses.

In determining the Company's operating segments, management has considered the level of information which is regularly reviewed by the CODM. Information regularly reviewed by the Chief Executive Officer is at a consolidated group level only, with some limited disaggregated revenue information provided for the geographical regions of the Canada, United States and the Rest of the World. Although pricing strategies are determined by country, the CODM does not assess performance or make resource allocation decisions based on regional or market-specific data.

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Instead, such decisions are based on the overall consolidated performance of the Company. Accordingly, management has determined that the Company operates as a single operating segment at the group level.

Note 19 sets out the Company's revenue in the key geographic markets in which customers are located.

25. Subsequent Events

On April 15, 2026, NameSilo Technologies agreed to amend the terms of their convertible loan agreements from all principal and accrued interest being convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026 to being fully convertible into common shares of the Company upon the occurrence of a listing event.

On April 16, 2026, 1,176,470 new common shares were issued upon the exercise of the same number of warrants detailed above in note 18 at a price of \$0.85 per common share warrant for net proceeds of \$999,999.50.

SCHEDULE "B"
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis for the Company
for the years ended December 31, 2025, December 31, 2024 and December 31, 2023
and for the interim periods ended March 31, 2026 and March 31, 2025.**

(See attached)



ALCHEMY LABS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2025

(With comparative information for the year ended December 31, 2024)

To be read in conjunction with the audited financial statements
(Expressed in Canadian dollars)

Dated June 25, 2026

Alchemy Labs Inc.

Management's Discussion and Analysis

For the year ended December 31, 2025

(with comparative figures from year ended 2024)

INTRODUCTION

This Management's Discussion and Analysis (the "MD&A") for Alchemy Labs Inc. ("Alchemy" or the "Company"), dated June 25, 2026, relates to the Company's financial performance and condition for the year ended December 31, 2025. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2025 and 2024.

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Company's board of directors, on the recommendation of the audit committee, has approved the content of this MD&A.

All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

FORWARD-LOOKING INFORMATION

This MD&A contains statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations up to the date of this MD&A.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual performance or achievements to differ materially from anticipate results, performance or achievements expressed or implied by such forward looking statements. The risks and uncertainties that affect forward-looking statements include, but are not limited to:

- Our limited operating history;
- our negative operating cash flows and history of losses;
- our requirement for, and our ability to obtain, future financing on favorable terms or at all;
- an investment in the Company's shares is highly speculative due to the nature of the Company's business;
- our projected financial position and estimated cash burn rate;
- our ability to attract and retain key personnel;
- our ability to manage growth
- our ability to continue as a going concern;
- consumer demand of our products;
- our ability to successfully develop, market and commercialize our products;
- our ability to protect against data and security breaches;
- our ability to successfully compete in our targeted markets;
- our ability to adequately protect proprietary information and technology from competitors;
- our ability on receiving the necessary regulatory approvals for our products.

Alchemy Labs Inc.

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For the year ended December 31, 2025

(with comparative figures from year ended 2024)

A number of factors and assumptions could cause actual events, performance, or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Material factors and assumptions that could cause actual events, performance, or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain the Company as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development, and commercialization of our products;
- the ability of the Company to retain qualified personnel to continue the operation, development and/or upgrades to the our products;
- the ability to generate market acceptance of the Company's product suite; and
- the increase in operating costs resulting from additional development and commercialization costs and increased staff.

Forward-looking statements in this MD&A may also include future-oriented financial information and financial outlook information ("FOFI") regarding the Company and its prospective results of operations, cash flows and components thereof. The FOFI contained in this MD&A is subject to the same assumptions, risk factors, limitations and qualifications set forth in this MD&A relating to other forward-looking statements. The FOFI contained in this MD&A is provided for the purpose of providing information regarding management's assessment of the Company's anticipated business operations and may not be appropriate for other purposes.

Forward-looking statements, including FOFI, contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

OVERVIEW

Alchemy Labs Inc. ("Alchemy" or the "Company") is a nanotechnology company based in Kitchener, Ontario that is researching, developing and commercializing protective nanocomposite coatings for the automotive and defence markets.

Nanocomposite coatings are engineered to provide cost-effective functional surface coatings. The unique characteristics of nanocomposite coatings include enhanced mechanical strength, weight reduction and improved barrier properties, as well as increased heat, wear, impact and scratch resistance.

The Company's automotive division offers a range of windshield protection film (WPF) and paint protection film (PPF) products marketed under the ExoShield tradename. The Company's defence unit, marketed under the Crypsis tradename, is focused on developing nanoparticle-based thermal signature management (TSM) solutions for use in the defence industry.

Alchemy Labs Inc.

Management's Discussion and Analysis

For the year ended December 31, 2025

(with comparative figures from year ended 2024)

Automotive Solutions - ExoShield

The Company currently offers a range of windshield protection film and paint protection film products under the ExoShield brand name.

Windshield Protection Products

The Company currently offers 3 windshield protection film (WPF) products designed to give superior impact and abrasion resistance while maintaining high optical clarity and durability.

- (a) **ExoShield GT3+:** ExoShield GT3+ is a PET based film with the Company's proprietary nanoceramic hard-coat. GT3+ is the most optically clear WPF on the market and is virtually invisible once installed. GT3+ is designed for installation by professional installers. Using the Company's Endurance Class nanocoating technology with stronger bonds between film layers, GT3+ has virtually no delamination risk, requires no regular maintenance, and offers high impact and abrasion resistance, high UV stability, and a longer usable lifetime.
- (b) **ExoShield Ultra:** ExoShield Ultra is a PET based film designed for off-road and heavy-duty vehicles. ExoShield Ultra offers the same nanoceramic hard-coat, clarity, UV stability and low delamination risk as GT3+. Thicker than GT3+, ExoShield Ultra is ideal for heavy duty glass and offers higher impact resistance than that of GT3+. ExoShield Ultra is offered in DIY kits specifically designed for specific vehicles and can be installed in less than 1 hour by the vehicle owner.
- (c) **ExoShield Sprint:** ExoShield Sprint is a TPU based film designed for weekend drivers and specialty track vehicles. Designed to be used by professional installers, ExoShield Sprint offers a quicker installation time than GT3+, but has a shorter life expectancy (up to 12 months) than GT3+ and Ultra (up to 36 months).

GT3+ and Sprint are designed for professional installation and are sold to detailing and other automotive care providers. ExoShield Ultra is currently only offered in DIY kits for specific offroad vehicles that are sold directly by the Company to consumers. However, the Company expects to expand the Ultra WPF kit products for various selected new consumer and commercial vehicle models starting in the second quarter of 2026.

Paint Protection Products

The Company currently offers 2 paint protection film (PPF) products that apply the Company's expertise to protecting a vehicle's paint.

- (a) **ExoShield Mach 12:** ExoShield Mach 12 is a premium, high-gloss, durable PPF that not only restores paint to a "like-new" brilliance, but also provides formidable protection, stain resistance and hydrophobicity.
- (b) **ExoShield Mach S:** ExoShield Mach S is a satin paint protection film that provides a sleek matte finish designed to complement the vehicle's OEM matte paint or transform a glossy finish. Utilizing the latest self-healing technology, Mach S mends minor scratches when exposed to heat, and provides long lasting defence against rock chips, scruffs and daily wear.

Mach 12 and Mach S are designed for professional installation and are sold to detailing and other automotive care providers.

Alchemy Labs Inc.

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(with comparative figures from year ended 2024)

Defence Solutions - Crypsis

The Company's defence solutions division, marketed under the tradename Crypsis, is focused on developing nanoparticle-based TSM solutions for use in the defence industry. The Company's Crypsis Class nanoparticles deliver lightweight, passively adaptive and long-lasting thermal camouflage solutions.

Every object emits thermal infrared radiation. Thermal cameras and sensors can both detect and target humans and assets on the battlefield. Traditional camouflage patterns effectively mask visible signatures to avoid enemy detection but fail to provide protection against thermal cameras and sensors. All humans and equipment emit thermal infrared (TIR) radiation, making them susceptible to electronic detection.

The Company's patent-pending Crypsis Class nanoparticle technology behaves like nanoscale thermal mirrors, reflecting incident thermal radiation from the surrounding environment in a diffused manner to adaptively blend into the environment. In addition, thermal radiation emitted by the subject asset is reflected inwards, towards the subject, and reducing its thermal signature.

The use of the Company's Crypsis technology in coated textiles has been developed and field validated in cooperation with the Canadian Department of National Defence (DND) over 6 years. Other applications, such as vehicle coatings, films and paints, remain in early-stage development. The Company's current Crypsis development efforts operate as a partner-funded development model aimed at integrating the Company's technologies with defence primes and sub-primes. The Company intends to be an enabling technology provider rather than a direct supplier to end-users. This model minimizes capital intensity while driving parallel development across different applications and platforms.

OVERALL PERFORMANCE

Fiscal 2025 was characterized by continued investment in the Company's growth initiatives amid a challenging macroeconomic and industry environment. The Company faced headwinds from constrained capital markets, increasing commoditization within the paint protection film sector, and a broader slowdown in the automotive market driven by higher interest rates and increased vehicle ownership costs. Further, the erratic and punitive nature of some international tariffs instituted by the United States government as of April 2025 negatively impacted the Company's overall product gross margins on its Sprint and Mach films.

Despite these challenges, the Company advanced several key strategic initiatives. In the automotive segment, the Company continued to invest in its patent-pending manufacturing process for its new Ultra Pro WPF kits and scaling its sales infrastructure. The Company also continued to focus on improving production consistency and advancing relationships with contract manufacturing partners, including efforts to establish additional production capacity.

In the defence segment, increased global focus on thermal signature management has led to growing interest in the Company's Crypsis technology, resulting in new discussions and potential development opportunities. In 2025, the Company's defense division was focused on the development of nanoparticle-based TSM solutions. Through its Crypsis technology platform, the Company is developing materials intended to reduce or alter thermal detection signatures for defense and security applications.

Alchemy continues to advance its product development, commercialization efforts, and strategic partnerships across both its automotive and defense segments.

During 2025, the Company continued its preparations for a potential public listing in 2026, including the completion of IFRS audits for fiscal 2023 and 2024 and enhancements to internal financial reporting processes.

Alchemy Labs Inc.

Management's Discussion and Analysis

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(with comparatives figures from year ended 2024)

Financial Performance

The Company earns revenue from the sale of its automotive products to auto detailers and professional installers as well as direct sales to consumers of its ExoShield Ultra DIY kits. The Company also earns revenue from non-recurring engineering (NRE) contracts with government agencies and defence contractors for the development of its defence products.

In fiscal 2025, the Company recorded total revenues of \$1,632,867 (2024 - \$2,265,418) comprised of automotive product sales of \$1,557,489(2024 - \$2,152,422) and support sales of \$75,378 (2024 - \$112,996):

Products	2025	2024
ExoShield GT3+	\$714,196	\$1,385,496
ExoShield Ultra	263,849	314,509
ExoShield Mach	319,620	356,662
ExoShield Sprint	259,824	95,755
Other (includes training, shipping, warranty)	75,378	112,996
Total	\$1,632,867	\$2,265,418

The decline in revenue was primarily attributable to several operational and market-related factors during the period. These included (in order of impact):

- Customers electing to purchase the new TPU-based ExoShield Sprint product instead of ExoShield GT3+ during the first half of 2025. Customers elected to purchase ExoShield Sprint over ExoShield GT3+ due to the ease of installing ExoShield Sprint over Exoshield GT3+. This resulted in a decrease in sales of ExoShield GT3+ during the period. However, by the second half of 2025, the Company began to sell less ExoShield Sprint as customers came to better understand the trade-offs between ease of installation and lower durability associated with that product.
- Tariff impacts, particularly the implementation of significant U.S. tariffs on Chinese imports, which temporarily restricted sales of certain products, including Exoshield Mach PPF and Sprint WPF, into the U.S. market.
- Product quality issues with contract manufacturing partners, which limited available inventory and resulted in the deferral of certain international orders. In one instance, the abrasion resistance of ExoShield GT+ and Ultra were below the Company's specifications. In the second instance, the manufacturer had optical defects in the production. The disruption occurred in mid-June 2025 and carried through to February 2026.

As the Company sells its products by purchase orders rather than long-term sales contracts, it is not possible to quantify the exact impact of each factor on the Company's decline in sales, revenue and cash flow from 2024 to 2025 as the Company is not able to speculate as to purchase orders that would have otherwise been received.

ExoShield GT3+ sales were negatively impacted in 2025 by the Exoshield Sprint product mix shift and product quality issues with contract manufacturers which led to inventory shortages. Thus, the Company was not able to fulfill international sales orders in the last quarter of 2025 and was forced to sell mostly 33-foot rolls of GT3+ during this period instead of its standard 100-foot rolls its customers. These issues combined with the impact of the market shift earlier in the year to Exoshield Sprint meant that Exoshield GT3+ sales fell by 48% in 2025 compared to the previous year.

ExoShield Ultra kit sales experienced a slight decrease in 2025 compared to 2024. However, the product quality issues with contract manufacturers in the latter half of 2025 also impacted the availability of Exoshield Ultra roll sales and curtailed the Company's ability to promote and market Ultra kit sales in the last quarter

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of 2025.

Exoshield Mach sales had a strong start in 2025 only to be met with significant competition as the year progressed due to the maturing and rapidly commoditized nature of the market. Cheaper film imports from overseas put downward pressure on both market prices and margins.

Sales of the TPU-based Exoshield Sprint WPF also got off to a strong start early in 2025 but slowed down as the year progressed as both customers and partners experienced the inherent trade-off in durability versus ease of installation associated with TPU films.

As tariffs charged on the Company's Sprint and Mach automotive products shipped to the United States began to negatively impact the gross margins of these products, the Company chose to de-emphasize the sales of these products, also impacting the volume of Sprint and Mach product sales in the United States in the latter half of 2025. The Company paid approximately \$100,000 in tariffs on its Sprint and Mach products shipped to the United States.

As a result of the above noted product quality issues and due to limited capital in the first half of 2025 to purchase inventory, the Company had limited inventory to pursue sales of ExoShield GT3+ and Ultra PET products from mid June 2025 to February 2026. The product quality issues were a one-time occurrence. Although the Company will work with its manufacturers to rectify any product quality issues, the failure to receive a product that meets specifications may hinder the Company's ability to fulfill purchase orders, result in reduced sales and damage customer relationships and could have a material adverse affect on the Company's operating results, financial condition and cash flows.

In response to the product quality issues, the Company implemented the following key measures: (i) establishing bi-weekly operational meetings with its manufacturers to review product volumes, demand forecasts, quality performance and potential supply risks, (ii) implementation of a rolling twelve month forecast to provide improved visibility of future demand and supply capacity; (iii) formalization of a sales, inventory and operations planning process to align demand forecasts, inventory requirements and production capacity, (iv) routine inventory monitoring, and (v) establishment of procedures to address production quality or supply concerns.

A primary reason for the decrease in support sales revenue was the Company's decision to focus more outward on its approach to training customers on how to properly handle and install its products. This led to the Company sending its own staff to customer facilities to train their installers as opposed to having the customers pay for training sessions at a Company sponsored facility.

As the Company continues to work on developing its business, it is actively seeking new customers for its automotive products, including automobile manufacturers, and is actively preparing and submitting proposals to defence agencies and contractors for development projects integrating the Company's defence projects.

Financing Activities

During 2025, the Company continued to raise capital through a combination of equity and debt financings to support operations, product development initiatives, and working capital requirements.

Equity financing

During the year ended December 31, 2025, 29,998 common shares at \$0.85 per share were issued to NameSilo for an aggregate value of \$25,500 as a commitment fee in partial consideration for the \$1,100,000 in additional convertible loans extended to the Company during the year (see below). During the year ended December 31, 2024, 2,864,636 common shares were issued by the Company for aggregate proceeds of \$2,153,656.

Alchemy Labs Inc.

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Subsequent to the year end, on April 16, 2026, 1,176,470 new common shares were issued upon the exercise of the same number of warrants at a price of \$0.85 per common share warrant for net proceeds of approximately \$1 million.

Debt financing

On December 18, 2024, the Company entered into a loan agreement with NameSilo Technologies Corp. ("NameSilo") for \$500,000 and later amended to \$1.35 million (the "NameSilo Loan"). All proceeds from this agreement were drawn between December 2024 and June 2025. The loan bears interest at 12% per annum and matures on December 18, 2026.

The NameSilo Loan included a conversion feature that allows the lender to convert the outstanding principal and accrued interest into common shares of the Company at the discretion of NameSilo, up and until maturity and generally in connection with a public listing event at a conversion price equal to 75% of the issue price of any equity securities issued in connection with the public listing event. On April 15, 2026, NameSilo agreed to amend the terms of the NameSilo Loan such that all outstanding principal and accrued interest will automatically convert into common shares of the Company upon the occurrence of a public listing event.

During the period, the Company also issued convertible notes for an aggregate principal amount of \$6,501,000. These notes bear interest at 12% per annum and mature two years from issuance. Upon completion of a public listing, the notes, including accrued interest, will automatically convert into common shares at a price equal to the lesser of (i) 75% of the issue price of any securities issued in connection with the public listing event and (ii) \$1.25 per share.

Summary

These financing activities significantly increased the Company's available liquidity during the period. However, the increased use of debt financing has resulted in higher interest expense and introduces potential dilution to existing shareholders upon conversion of outstanding debt instruments.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2025 was \$2,022,348 (2024-\$617,796). The increase in investing activities primarily reflects:

- continued investment in product development, including internally generated capitalized development costs; and
- expenditures on property and equipment, including production equipment and systems to support manufacturing and operational scaling.

In addition, in February 2025, the Company entered into a new office and production facility lease, resulting in the recognition of a right-of-use asset. While this did not result in a significant cash outflows at inception, it represents a key investment in the Company's infrastructure to support future growth.

Corporate Activities

Since January 1, 2025, the Company has experienced the following additional corporate developments:

- On August 1, 2025, the Company appointed Rahul Petkar as a director of the Company.
- On March 25, 2026, Peter Hatges and Michel-Henri St-Louis were elected as directors of the Company.

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Continued Development of Crypsis Products

The Company continues to work on completing the development and launch of textile-based solutions integrated with its Crypsis technology. The Company will also begin work on its \$2.0M NRE with the Canadian DND once it has been approved by the appropriate regulatory bodies within the Government of Canada, which is anticipated to be approved in the second half of 2026. In addition, the Company will continue to pursue additional NRE contracts with European, Canadian, and United States based defence manufacturers and other defence agencies.

The Company also anticipates taking the following additional initiatives in support of its research and development efforts in defence products:

- Expanding the Company's research and development and business development teams, hiring specialized engineers and defence sales personnel.
- Constructing internal testing facilities for in-house testing, validation and refinement of the Company's defence solutions.
- Extending ExoShield Ultra applications to defence and government vehicle fleets.
- Seeking further intellectual property protections for the Company's defence related technologies in key NATO and major non-NATO allies.

The above research and development activities will be a continuation of existing activities of the Company. The current research & development activities have been funded under existing NRE agreements. Although the Company will continue to fund these activities under NRE agreements, the Company will use \$1,200,000 of the proceeds of its initial public offering to further advance its research and development objectives on its defence products. The Company anticipates that this business objective will be reached in the first half of 2027.

The Company's research and development of textile-based solutions will be validated through government affiliated laboratory tests and field evaluations. The main barriers to complete the milestone are the retention of skilled employees in order to advance the Company's research and development efforts.

SELECTED ANNUAL AND QUARTERLY INFORMATION

Selected Annual Information

The following selected financial information for the years ended December 31, 2025 and 2024 has been prepared with the accounting principles in accordance with IFRS. All amounts are in Canadian dollars.

	Year ended Dec. 31, 2025	Year ended Dec. 31, 2024
Total Revenue	\$1,632,867	\$2,265,418
Net Profit (Loss)	(5,634,616)	(2,771,388)
Total Current Assets	4,546,322	1,202,976
Total Assets	8,036,477	2,540,283
Total Non-Current Financial Liabilities	10,319,655	1,007,051
Total Liabilities	12,003,972	1,443,610
Dividends	nil	nil

The significant change in net loss from December 31, 2025 and previous years is principally due to an increase in sales and marketing costs, general and administrative costs as the Company was expanding operations and services. Further, the 12% interest rate on all convertible notes and the NameSilo Loan as

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(with comparative figures from year ended 2024)

described above drove the Company's finance expense to increase from \$31,689 in 2024 to \$1,070,364 in 2025.

Total assets increased significantly to \$8,036,477 as at December 31, 2025 (December 31, 2024 – \$2,540,283), driven primarily by increases in cash balances from \$143,183 (2024) to \$2,265,030 (2025), capitalized development costs from \$1,091,567 to \$1,651,430, and right-of-use assets associated with new lease arrangements increasing from nil to \$1,210,938.

As at December 31, 2025, total assets also consisted of inventory of \$741,286, of which \$174,565 of inventory or 23.5% relates to products subject to tariffs. Due to product quality issues with its third party manufacturer, the Company's inventories of non-tariff product, being Exoshield GT 3+ and Ultra, were low resulting in a higher percentage of product subject to tariffs.

Total liabilities increased to \$12,003,972 (December 31, 2024 – \$1,443,610), reflecting the debt financing arrangements under the convertible notes of \$6,501,000 and the NameSilo Loan of \$1,350,000, including accrued interest thereon and current and long-term lease liabilities increasing from nil to \$1,323,405.

RESULTS OF OPERATIONS

Year Ended December 31, 2025

During the year ended December 31, 2025, the Company's net loss increased 103% from \$2,771,388 in 2024 to \$5,634,616. Net loss comprised of revenues of \$1,632,867 (2024 - \$2,265,418), cost of sales of \$1,576,194 (2024 - \$1,694,424), expenses of \$4,079,828 (2024 - \$3,443,076) and certain other items.

Revenue and Gross Profit

Revenue for the year ended December 31, 2025, was \$1,632,867 compared to \$2,265,418 for the year ended December 31, 2024, representing a decrease of \$632,551, or 28%.

The decrease in revenue was primarily driven by:

- ExoShield GT3+ sales being negatively impacted in 2025 by the Exoshield Sprint product mix shift and product quality issues with contract manufacturers which led to inventory shortages;
- the Company's inability to fulfill international sales orders in the last quarter of 2025 due to ExoshieldGT3+ inventory shortages; and
- Product quality issues with contract manufacturers in the latter half of 2025 that also impacted the availability of Exoshield Ultra roll sales and curtailed the Company's ability to promote and market Ultra kit sales in the last quarter of 2025.

This decline was partially offset by an increase in ExoShield Sprint product sales.

Cost of sales for the year ended December 31, 2025 was \$1,576,194 compared to \$1,694,424 in the prior year, representing a decrease of \$118,230, or 6.8%, consistent with the overall decrease in revenue after considering the additional negative impact of tariffs, particularly the implementation of significant U.S. tariffs on Chinese imports, which added to the cost of shipments of Exoshield Mach PPF and Sprint WPF into the U.S. market. The 2025 cost of sales figure also includes a \$164,863 inventory write-down for Exoshield GT3+ and Ultra film that did not meet the Company's quality standards. The Company is working with the supplier to reach an amicable cost settlement on this sub-standard stock but as of December 31, 2025 no such agreement had been reached. Tariffs have been applied to products manufactured in China at a rate of 60%,

Gross profit decreased to \$56,673 in 2025 from \$570,994 in 2024, representing a decrease of \$514,321, or 90.0% which was both the result of the proportionate increase in the sale of lower margin products, such as,

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(with comparatives figures from year ended 2024)

its PPF product, ExoShield Mach, and TPU WPF product, ExoShield Sprint, as well the increased cost of international tariffs on such products. In particular, the product quality issue with its third party manufacturers caused the Company's gross profit to decrease by \$164,863, which was the amount written down for the inventory of the Exoshield GT3+ and Ultra film. Accordingly, the gross profit margin would have been 13.6% if the product quality issue had not occurred. This assumes no additional sales of product.

The Company did not earn any revenue from the sale of its Crypsis products in 2025 and 2024. As the Crypsis nanoparticles are produced in United States, they are not subject to tariffs.

The Company's exposure relating to products produced in China is as follows:

- Revenue of \$579,444, or 35.5% of total revenue, during December 31, 2025, compared to \$452,417, or 20.0% of total revenue, during December 31, 2024.
- Cost of sales of \$430,439, or 27.3% of total cost of sales, during December 31, 2025, compared to \$279,905, or 17.8% of total cost of sales, during December 31, 2024.

Net Loss

The Company recorded a net loss of \$5,634,616 for the year ended December 31, 2025 compared to \$2,771,388 in 2024, representing an increase of \$2.863,228, or 103%.

The increase in net loss reflects the Company's continued investment in scaling its commercial operations, advancing its strategic initiatives, including public company readiness as well as the finance expense of all of its convertible debt.

Operating Expenses

During the year ended December 31, 2025, the Company recorded sales and marketing expenses of \$1,629,245 compared to \$1,312,525 for the year ended December 31, 2024. Sales and marketing expenses increased in 2025 as the Company ramped up spending in an effort to increase sales. In particular, the Company hired additional sales representatives, all of whom are based in the United States and positioned in key regional market areas, to better actively interface and support the Company's customers in what is the Company's most important geographic market.

During the year ended December 31, 2025, the Company recorded general and administrative expenses of \$1,632,161 compared to \$1,396,649 for the year ended December 31, 2024. The primary driver of this increase in expense was consulting, accounting and audit costs required to help the Company prepare for its plan to engage in a public listing of its shares in 2026.

Research and development expenses decreased during the year ended December 31, 2025 at \$196,274 compared to \$277,333 for the year ended December 31, 2024 as additional expense and resources were capitalized as internally generated intangible assets in respect of the Company's Ultra and Crypsis technologies.

Product development expenses during the year ended December 31, 2025 decreased to \$177,209 compared to \$221,874 for the year ended December 31, 2024 as the Company focused on its existing automotive products.

Other operating expenses during the year ended December 31, 2025 decreased modestly to \$47,962 compared to \$83,200 for the year ended December 31, 2024.

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(with comparatives figures from year ended 2024)

Fourth Quarter Ended December 31, 2025

Revenue for the three months ended December 31, 2025 was \$156,493 compared to \$450,665 for the same period in 2024, representing a decrease of \$294,172, or 65.3%.

The decrease in revenue was primarily attributable to the temporary production disruptions affecting GT3+ and Ultra WPF product availability. These issues were fundamentally resolved by the start of 2026.

Cost of sales for the three months ended December 31, 2025 was \$335,114 compared to \$388,378 for the three months ended December 31, 2024. The decrease in cost of sales reflects the corresponding decrease in revenue during the relevant periods as well as a \$161,348 inventory write-down for Exoshield GT3+ and \$3,513 for Exoshield Ultra film that did not meet the Company's quality standards. The Company is working with the supplier to reach an amicable cost settlement on this sub-standard stock but as of December 31, 2025 no such agreement had been reached.

Gross profit for the three months ended December 31, 2025 was a loss of \$178,622 compared to a gain of \$62,287 for the three months ended December 31, 2024. The decrease in gross profit was in line with the corresponding decrease in revenue as well as the gross profit mix of the automotive products sold during the relevant periods as higher margin sales of GT3+ suffered a bigger decline than those of Mach and Sprint which have a lower overall margin. It also reflects the inventory write-down noted above.

LIQUIDITY AND CAPITAL RESOURCES

	Dec. 31, 2025	Dec. 31, 2024
	(\$)	(\$)
Cash and cash equivalents	\$2,265,030	143,183
Working capital	(\$5,773,333)	125,925

As of December 31, 2025, the Company had cash and cash equivalents of \$2,265,030 and a working capital deficit of \$5,773,333, compared to cash and cash equivalents of \$143,183 and a working capital surplus of \$125,925 as at December 31, 2024. The balance of current liabilities includes the entire sum of convertible notes and the NameSilo Loan plus their accrued interest of \$9,052,772. However, this sum of convertible notes and the NameSilo Loan, including all outstanding principal amount and accrued interest, will be converted into common shares of the Company upon its forthcoming public listing event. On a proforma basis, the Company's working capital surplus as of December 31, 2025 was \$3,279,439 assuming the conversion of all of the convertible notes and the NameSilo Loan.

The increase in cash reflects its 2025 financing activities which in total, significantly increased the Company's available liquidity during the period.

	Dec. 31, 2025	Dec. 31, 2024
	(\$)	(\$)
Net cash flows used in operations	(3,669,610)	(2,475,126)
Net cash flows used in investing activities	(2,022,243)	(617,796)
Net cash flows provided by financing activities	7,813,700	2,613,513

The Company generated negative cash flows from operations of \$3,669,610 during the year ended December 31, 2025, compared to \$2,475,126 in the prior year. The increase in cash used in operations is consistent with the Company's expanded operating activities and investment in growth initiatives.

The Company's ability to continue operations is dependent on its ability to generate additional revenue and/or obtain additional financing. The Company is completing an initial public offering of a minimum of 10,000,000

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units at a price of \$1.00 per unit for gross proceeds of \$10,000,000 and up to a maximum of 15,000,000 units at a price of \$1.00 per unit for gross proceeds of \$15,000,000. The proceeds of the offering and the automatic conversion of the convertible notes and NameSilo Loan will permit the Company to fund its ongoing financial operations and achieve its business objectives over the next twelve months as described in detail in the Company's prospectus (the "Prospectus"). In addition, after completion of the offering, the Company anticipates it will have unallocated working capital of \$2,124,682. The unallocated working capital will be used to satisfy any costs that have not been completed in the Prospectus.

Upon completion of the initial public offering, the Company intends to purchase additional PET product inventory totaling \$400,000 in order to mitigate any future supply issues. As the additional PET product will be purchased with the proceeds of the initial public offering, the Company does not expect its new inventory purchases will have a material effect on the Company's future cash requirements. Currently, the Company maintains PET product inventory of approximately \$16,000. As a result, the additional inventory is a 2,500% increase and will provide an additional 90 to 120 days of PET inventory for the Company.

The Company has not entered into any credit facilities, which it can draw down. Although the offering proceeds will provide sufficient capital to the Company for the next twelve months, the Company may be reliant on new financings to meet its ongoing obligations and growth initiatives.

There can be no assurance that additional financing will be available on terms acceptable to the Company, or at all.

RELATED PARTY TRANSACTIONS

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. Key management personnel include directors and executive officers of the Company.

During the year ended December 31, 2024, NameSilo advanced to the Company the sum of \$250,000 payable on December 18, 2026 and bearing interest at a rate of 12% per annum (the "NameSilo Loan"). In consideration of the NameSilo Loan, the Company paid to NameSilo a commitment fee of \$15,000, paid by the issuance of 17,467 common shares at a deemed price of \$0.85 per share. Paul Andreola, a director of our Company is the CEO, President and a director of NameSilo. NameSilo is listed on the Canadian Securities Exchange.

Pursuant to the terms of the NameSilo Loan, NameSilo further advanced to the Company a total of \$1,100,000 between January 6, 2025 and June 10, 2025. The amounts advanced by NameSilo are unsecured and bear interest at a rate of 12% per annum and mature on December 18, 2026. In addition, the Company paid to NameSilo an additional commitment fee of \$25,500, paid in Common Shares at a deemed price of \$0.85 per share for an additional 29,998 Common Shares.

As part of the \$6,501,000 convertible note financing in 2025, Maxcroft Holdings Inc., a company wholly owned by Doug Lawson, the Company's Chief Financial Officer and Off-The-Grid Ventures whose lead principal is David Mes, the Chair of the Company's Board of Directors, invested \$200,000 and \$137,500 respectively in the convertible note financing.

During the year ended December 31, 2025, short-term employee benefits to key management personnel were as follows:

	Dec. 31, 2025	Dec. 31, 2024
Short-term employee benefits	\$404,318	252,868
Share-based compensation	94,251	170,232
	\$498,569	423,100

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	Short Term Compensation:	
	<u>Employee Benefits</u>	<u>Share Based</u>
Khanjan Desai, President and Chief Executive Officer	141,713	41,789
Douglas Lawson, Chief Financial Officer	136,036	27,664
Danielle Smiley, General Manager, Automotive	126,569	24,798
	<u>\$ 404,318</u>	<u>\$ 94,251</u>

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. There are no long-term incentive plans for senior management personnel.

SUBSEQUENT EVENTS

On February, 5, 2026, The Company received an additional \$126,932 in funding from the Federal Economic Development Agency for Southern Ontario in respect of its participation in Business Scale-up and Productivity program.

On March 3, 2026, the Company issued 200,000 time-based stock options to employees with an exercise price of \$0.85.

On March 25, 2026, the Company issued 300,000 time-based stock options to employees with an exercise price of \$0.85.

On April 15, 2026, NameSilo Technologies agreed to amend the terms of their convertible loan agreements from all principal and accrued interest being convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026 to being fully convertible into common shares of the Company upon the occurrence of a listing event.

On April 16, 2026, 1,176,470 new common shares were issued upon the exercise of the same number of warrants detailed above in note 18 at a price of \$0.85 per common share warrant for net proceeds of \$999,999.50.

The Company has filed a prospectus with the securities regulators to offer a minimum of \$10,000,000 units and a maximum of \$15,000,000 units at a price of \$1.00 per unit. Each unit consists of one common share and one-half of one warrant. Each warrant will entitle the holder to purchase one common share at a price of \$1.50 for a period of twenty-four months after the closing date. During the period, the Company continued to monitor external factors impacting its operations, including the introduction of tariffs on certain imported goods, which may affect input costs and customer demand.

These activities are consistent with the Company's strategy to strengthen its financial position, support growth initiatives, and advance toward a potential public listing.

CHANGES IN ACCOUNTING POLICIES

The Company has prepared consolidated financial statements that comply with IFRS applicable as at December 31, 2025, together with the comparative data for the year ended December 31, 2024.

IFRS 18 - Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued a new standard IFRS 18 Presentation and Disclosure in Financial

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Statements, which replaces IAS 1 Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

IFRS 19 - Subsidiaries without Public Accountability

In May 2024, the IASB issued a new standard IFRS 19 Subsidiaries without Public Accountability. An entity electing to apply IFRS 19 applies the requirements in other IFRS Accounting Standards, except for the disclosure requirements, and instead applies the requirements in IFRS 19 with certain exceptions.

An entity may elect to apply this Standard in its consolidated, separate or individual financial statements if, and only if, at the end of the reporting period:

- it is a subsidiary;
- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standard is effective for annual reporting period beginning on or after January 1, 2027. Early adoption is permitted but will need to be disclosed. The Company does not expect this standard to have an impact on its operations or consolidated financial statements.

FINANCIAL INSTRUMENTS

Our Company is exposed in varying degrees to a number of risks arising from financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of our Company's risk management framework. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Board approves and monitors the risk management process. Please refer to Notes 6 and 23 of our annual audited consolidated financial statements for the year ended December 31, 2025 for additional details on our Financial Instruments and Other Instruments.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

RISKS AND UNCERTAINTIES

Risks Relating to Corporate History

Limited operating history.

The Company has a limited history of operations and is considered an early-stage issuer. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of profitability. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered remote in light of its early stage of operations.

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Negative operating cash flows and history of losses

Although the Company expects to become profitable, there is no assurance that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flows and may continue to have that for the foreseeable future. To date, the Company has not generated operating profits and the Company expects significant capital investment will be required to achieve profitability. The Company expects its net losses from operations to continue in the near future. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to develop, manufacture, market and achieve commercial acceptance of its products. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Additional financing.

The Company anticipates that it will require significant additional financing to continue its operations and achieve its business objectives. There can be no assurance that such financing will be available at all or on favourable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's ability to achieve its business objectives. Additional financing may dilute the ownership interest of the Company's shareholders at the time of the financing and may dilute the value of their investment.

General venture company risks.

An investment in the Company's securities should be considered highly speculative due to the nature of the Company's business, the early stage of its deployment, its current financial position and ongoing requirements for capital. An investment in the Company's securities should only be considered by those persons who can afford a total loss of investment and is not suited to those investors who may need to dispose of their investment in a timely fashion. Investors should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in the Company's securities.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flows. The process for estimating the Company's revenue, net income and cash flows requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Staffing challenges.

The recruitment and retention of qualified professionals to develop products, as well as sales, marketing and financial professionals, is critical to the Company's future success. Employee turnover rates can be high and competition for experienced personnel is high. The Company's failure to attract and retain professionals may prevent or hinder its ability to pursue the business plan and grow its business.

Managing growth.

If the business plan is successful, the Company may experience significant growth in a short period of time

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and encounter potential scaling issues. The Company's financial, management and operating resources may not expand sufficiently to adequately manage growth. Costs may increase disproportionately if rapid growth is not manageable, and future revenues may stop growing or decline and the Company may face dissatisfied customers. Failure to manage growth may adversely impact the Company's business and the value of the shareholders' investment.

Discretion and uncertainty of Use of Available Funds.

Although the Company has set out its intended use of available funds, these intended uses are estimates only and subject to change. While management does not currently contemplate any material variation, management does retain broad discretion in the application of such proceeds. The results and the effectiveness of the application of the funds are uncertain. The failure by the Company to apply these funds effectively could have a material adverse effect on its business, including the Company's ability to achieve its stated business objectives. In addition, the Company may use the funds in ways that a shareholder may not consider desirable.

Risks Relating to the Company's Business and the Industry

Consumer discretionary spending.

The Company's business is affected by general economic conditions as its products are discretionary, and the Company depends, to a significant extent, upon a number of factors relating to discretionary consumer spending. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels and availability of credit.

Development of products.

To execute the business plan, the Company must develop, market and commercialize its products. If the technologies represented by its products are not accepted in the marketplace, or if the Company's products are not brought to market in a timely manner, this could materially and adversely impact the Company.

The Company's future success depends on the ability to maintain a competitive position with respect to technological advances. Competitors may develop products that are more effective or develop products faster, which could in turn render the Company's technology obsolete or non-competitive.

There can be no assurance that there is a market for the Company's products, or of the size of the market or the market's acceptance of our products. Sales outcomes are based upon a variety of factors which cannot be assured. If the Company fails to successfully develop and commercialize the Company's products, or if the products are not accepted by the market, the Company's business prospects will suffer.

Data and security breaches.

During the course of its operations, the Company may collect and have access to confidential and private information, including personally identifiable information. The Company believes that it is taking reasonable steps to protect the security, integrity and confidentiality of the information the Company collects, uses, stores and discloses, but there is no guarantee that inadvertent or unauthorized data access or use will not occur despite prevention efforts. In the future, attempts may be made to disable the Company's systems or breach the security of its systems. It is generally difficult to recognize techniques to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems until they are launched against a target, as they frequently change. As a result, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

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The market perception of the Company's security measures could be harmed if an actual or perceived security breach occurs. A security breach could cause the loss or corruption of data, which could harm the Company's business and business prospects. Any failure to maintain the security of the Company's systems could result in loss of personal information and/or other confidential information, damage to the Company's reputation and relationships with customers and suppliers, early termination of contracts with customers and suppliers and other business losses, indemnification of others, financial penalties, litigation, regulatory investigations and other significant liabilities. In the event of a major third-party security incident, the Company may incur losses in excess of its insurance coverage.

Competing innovations and products.

The Company expects to encounter intense competition from business that provide competing products to those offered by the Company. Many of the Company's competitors have substantially greater financial, technical, research, marketing, sales, service and other resources than the Company, and may develop products that are superior or may gain greater market acceptance than those offered by the Company. Competitors may succeed in obtaining intellectual property protections for their products before the Company obtains protection for its own innovations and inventions. If the Company's competitors develop products that have greater market attraction than the Company's or that render the Company's products obsolete or non-competitive, the Company's business will suffer.

Intellectual Property.

The Company relies on trade secrets, patent and other intellectual property laws of Canada, the United States and the other countries where it intends to do business to protect its intellectual property rights. The Company may be unable to prevent third parties from using its intellectual property without its authorization. The unauthorized use of the Company's intellectual property could reduce any competitive advantage that it has developed, reduce its market share or otherwise harm its business. In the event of unauthorized use of the Company's intellectual property, litigation to protect and enforce the Company's rights could be costly, and the Company may not prevail.

In addition to patents, the Company may rely on unpatented technological innovation and other trade secrets to develop and maintain its competitive position. Although the Company may enter into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements may be of limited in duration, could be breached and may not provide meaningful protection of its trade secrets including in relation to the Company's intellectual property. Adequate remedies may not be available if there is an unauthorized use or disclosure of the Company's trade secrets or expertise. In addition, others may obtain knowledge about the Company's trade secrets through independent development or by legal means. The failure to protect the Company's processes, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on its business by jeopardizing critical intellectual property.

Where product development or processes are kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to such trade secret products or processes. This could have a material adverse effect on the Company's ability to make and sell its products or use such processes and could potentially result in costly litigation in which the Company might not prevail. The Company could face intellectual property infringement claims that could result in significant legal costs and damages and impede its ability to produce key products, which could have a material adverse effect on its business, financial condition, and results of operation.

Regulation of Products.

The Company's products may be subject to significant regulatory approval. Where regulatory approval is

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required, the Company's future profitability may depend on the Company receiving regulatory approval for its product candidates and its ability to successfully manufacture and market approved products. If the Company is not able to obtain regulatory approval if and when such approval is required, the value of the Company and the Company's results of operations could be harmed. Obtaining regulatory approval for the Company's products where required may be a lengthy and expensive process, and the Company's ability to obtain such approval may be uncertain.

Reliance on Third Party Manufacturers

The Company relies on well established large-scale contract manufacturers to produce its WPF and PPF products and to mix and supply the nanoparticles used in the Company's automotive products. In addition, the Company uses one large manufacturer to produce its nanoparticles for its defence products. As these are third parties over which the Company will have little or no control, the failure of such third parties to manufacture or supply these products on a timely basis could have a material adverse effect on the business, financial condition and operating results of the Company. In addition, contracting manufacturers used by the Company could face their own unexpected interruptions in the manufacturing process or they could fail to manufacture products to the Company's specifications, which could have a material adverse effect on the Company's operations.

Although the Company utilizes well established large-scale contract manufacturers and believes that the sources raw materials used to manufacture the Company's products, including nanoparticles, are generally adequate, it is difficult to predict what effects disruptions to the operations of the Company's contract manufacturers or shortages or price increases in raw materials may have in the future. Disruptions to the operations of contract manufacturers, the inability of contract manufacturers to keep up with the Company's needs or disruptions in the supply of raw materials could affect the Company's ability to manage its inventory and meet customer delivery requirements. The Company's inability to fill its supply needs would jeopardize its ability to fulfill its purchase orders, which could, in turn, result in reduced sales and damage to customer relationships, and could have a material adverse effect on the Company's operating results, financial condition, or cash flows.

With respect to the Company's defence products, the Company currently uses a single manufacturer to produce its nanoparticles. As the Company does not currently have alternative suppliers for this business line, the Company's defence related business may be more susceptible to disruptions emanating from the Company's single source supplier, including labour disputes, accidents, acts of god or other interruptions to the supplier's business.

In the future, the Company may seek to implement toll manufacturing for its nanoparticle formulations, including Crypsis. Implementing a toll manufacturing arrangement may provide benefits to the Company, such as greater control over its supply chain and greater flexibility in its ability to customize formulations. However, such an arrangement may come with additional risks. In particular, the Company would be responsible for sourcing raw materials for the manufacture of its nanoparticle formulations, which could result in supply chain disruptions if the Company is not able to find a reliable source of necessary the required raw materials. In addition, because the Company will be responsible for coordinating more parts of the manufacturing process, the Company may not be able to effectively manage this process. Although the Company would expect to enter into confidentiality and non-disclosure arrangements with its toll manufacturers and raw material suppliers, there may be greater risk that proprietary information may be leaked or misused.

Inventory Holdings

Upon completion of the Offering, the Company intends to purchase additional inventory in order to mitigate any potential future supply issues. Although the Company believes that it will ultimately sell all additional inventory, the holding of additional inventory may result in an increase in costs to store the inventory and

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may become obsolete if not sold in a timely manner. These additional costs and the inability to sell the additional inventory may have a negative impact on the financial results of the Company.

No Long-Term Supply Contracts

The Company does not currently have fixed long term supply contracts with its third party manufacturers. This provides the Company with greater flexibility with respect to allocation of resources and sourcing of alternative suppliers. However, this may place the Company at greater risk of negative impacts to its supply chain. In particular, the Company may be at greater risk of arbitrary changes to the terms and conditions attached to the Company's purchases of materials, including price increases. In addition, there may be risks that the Company's suppliers are unwilling or unable to meet the Company's future supply needs.

Tariff and Trade Restriction Risk

Countries may, from time to time, implement, modify, and remove tariffs and other trade restrictions. These actions can negatively affect the Company by increasing the cost to produce or sell its products or otherwise disrupt the supply of its products or limit the Company's ability to sell its products in markets outside Canada.

In 2025, the United States raised tariffs on most goods imported to the United States, prompting Canada to respond with counter-tariffs. However, products covered under the Canada United States-Mexico Agreement ("CUSMA") are not subject to import tariffs. The Company's PET products are manufactured in the United States. The Company's Crypsis nanoparticles are also manufactured in the United States. As such, the Company believes that its PET products and Crypsis nanoparticles are covered under CUSMA and are free from tariffs imposed by the United States. However, there remains a risk that tariffs are nonetheless imposed on these products by government agencies or that customs brokers or other shipping agents may mistakenly charge the Company for tariffs. In addition, the Company's other automotive film products (ExoShield Sprint and ExoShield Mach) are manufactured outside the United States, Mexico and Canada and, as such, are currently subject to tariffs when shipped to the United States. As of the date of this Prospectus, the Company has not increased its prices due to the tariffs which negatively impacts profit. In the future the Company may pass these additional costs onto its customers, which could reduce sales and damage the Company's relationship with its customers.

Notwithstanding the foregoing, CUSMA will be reviewed in 2026. If CUSMA is renegotiated or cancelled, or the United States otherwise determines that tariffs are to be applied to the Company's products sold in the United States regardless of where they are manufactured, the Company may experience lower profit margins on its products or the Company could be required to increase the price of its products, which could negatively impact the Company's sales of those products, including, in both cases, the Company's PET and Crypsis products. Currently, the tariffs on non-compliant CUSMA goods is 10%. In addition, Canada could apply retaliatory tariffs, which could result in the Company being required to pay tariffs on products manufactured in the United States and imported into Canada by the Company for subsequent processing or resale. Tariff rates imposed by the United States, and retaliatory tariffs imposed by Canada, have been subject to significant variance since January 2025, in some cases being as high as 50% depending on the nature of the product targeted, and in some cases changing in the span of months or weeks. As such, the Company is not able to accurately predict the potential impact of tariffs on its business and the Company may have difficulty responding to changes in tariff rates.

Management of Growth

The Company may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its automotive and defence related products. The Company may be subject to growth related risks including capacity constraints at its facility in Kitchener, Ontario and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage

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(with comparative figures from year ended 2024)

its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks Relating to the Company's securities

Market price of Common Shares and volatility.

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

The market price of the Common Shares is affected by many other variables which are not directly related to our success and are, therefore, not within the Company's control. These include other developments that affect the breadth of the public market for the Common Shares, the release or expiration of lock-up or other transfer restrictions on the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Common Share price volatile in the future, which may result in losses to investors.

No active market.

An active public market for the Common Shares might not develop or be sustained. Even if a market develops, there is no assurance that the price of the Common Shares will reflect the prevailing market price of the Common Shares immediately following the Listing Date. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the Common Share price may decline below the initial public offering price.

Dividends.

The Company intends to retain earnings, if any, to finance the growth and development of its business and do not intend to pay cash dividends on the Common Shares in the foreseeable future, if ever. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Substantial number of authorized but unissued shares.

The Company has an unlimited number of Common Shares that may be issued by the Board without further action or approval of the Company's shareholders. While the Board is required to fulfill its fiduciary obligations

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For the year ended December 31, 2025

(with comparative figures from year ended 2024)

in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

Dilution.

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance the Company's operations, development, exploration, acquisitions or other projects. Substantial additional financing may be required by the Company. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in the Company's earnings per Common Share.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Tax Issues.

Income tax consequences in relation to the securities offered will vary according to the circumstances of each purchaser. Prospective purchasers should seek independent advice from their own tax and legal advisers prior to subscribing for the securities.

OTHER INFORMATION

Securities outstanding

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Security	Number Outstanding	Exercise / Conversion Price
Common Shares	29,017,031	N/A
Stock Options	2,573,439	\$0.29 – \$0.85
Convertible Debt	\$7,851,000	\$0.75

Notes:

- Convertible debt is convertible into common shares at \$0.75 per share upon a qualifying event (e.g., public listing). The NameSilo loan includes a conversion feature that allows the lender to convert the outstanding principal and accrued interest into common shares of the Company at the discretion of NameSilo, up and until maturity and generally in connection with a future financing or initial public offering. The additional convertible notes including accrued interest, will automatically convert into common shares upon listing on the TSX Venture Exchange. (See *Debt Financing above*)
- Stock options and warrants are exercisable into common shares in accordance with their respective terms.

ALCHEMY

ALCHEMY LABS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

(With comparative information for the year ended December 31, 2023)

To be read in conjunction with the audited financial statements
(Expressed in Canadian dollars)

Dated June 25, 2026

Alchemy Labs Inc.

Management's Discussion and Analysis
For the year ended December 31, 2024
(with comparative figures from year ended 2023)

INTRODUCTION

This Management's Discussion and Analysis (the "MD&A") for Alchemy Labs Inc. ("Alchemy" or the "Company"), dated June 25, 2026, relates to the Company's financial performance and condition for the year ended December 31, 2024. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2024 and 2023.

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Company's board of directors, on the recommendation of the audit committee, has approved the content of this MD&A.

All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

FORWARD-LOOKING INFORMATION

This MD&A contains statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations up to the date of this MD&A.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual performance or achievements to differ materially from anticipate results, performance or achievements expressed or implied by such forward looking statements. The risks and uncertainties that affect forward-looking statements include, but are not limited to:

- Our limited operating history;
- our negative operating cash flow and history of losses;
- our requirement for, and our ability to obtain, future financing on favorable terms or at all;
- an investment in the Company's shares is highly speculative due to the nature of the Company's business;
- our projected financial position and estimated cash burn rate;
- our ability to attract and retain key personnel;
- our ability to manage growth
- our ability to continue as a going concern;
- consumer demand of our products;
- our ability to successfully develop, market and commercialize our products;
- our ability to protect against data and security breaches;
- our ability to successfully compete in our targeted markets;
- our ability to adequately protect proprietary information and technology from competitors;
- our ability on receiving the necessary regulatory approvals for our products.

A number of factors and assumptions could cause actual events, performance, or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Material factors and assumptions that could cause actual events, performance,

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or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain the Company as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development, and commercialization of our products;
- the ability of the Company to retain qualified personnel to continue the operation, development and/or upgrades to the our products;
- the ability to generate market acceptance of the Company's product suite; and
- the increase in operating costs resulting from additional development and commercialization costs and increased staff.

Forward-looking statements in this MD&A may also include future-oriented financial information and financial outlook information ("FOFI") regarding the Company and its prospective results of operations, cash flows and components thereof. The FOFI contained in this MD&A is subject to the same assumptions, risk factors, limitations and qualifications set forth in this MD&A relating to other forward-looking statements. The FOFI contained in this MD&A is provided for the purpose of providing information regarding management's assessment of the Company's anticipated business operations and may not be appropriate for other purposes.

Forward-looking statements, including FOFI, contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

OVERVIEW

Alchemy Labs Inc. ("Alchemy" or the "Company") is a nanotechnology company based in Kitchener, Ontario that is researching, developing and commercializing protective nanocomposite coatings for the automotive and defence markets.

Nanocomposite coatings are engineered to provide cost-effective functional surface coatings. The unique characteristics of nanocomposite coatings include enhanced mechanical strength, weight reduction and improved barrier properties, as well as increased heat, wear, impact and scratch resistance.

The Company's automotive division offers a range of windshield protection film (WPF) and paint protection film (PPF) products marketed under the ExoShield tradename. The Company's defence unit, marketed under the Crypsis tradename, is focused on developing nanoparticle-based thermal signature management (TSM) solutions for use in the defence industry.

Automotive Solutions - ExoShield

The Company currently offers a range of windshield protection film and paint protection film products under the ExoShield brand name.

Windshield Protection Products

The Company currently offers 3 windshield protection film (WPF) products designed to give superior impact and abrasion resistance while maintaining high optical clarity and durability.

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- (a) **ExoShield GT3+:** ExoShield GT3+ is a PET based film with the Company's proprietary nanoceramic hard-coat. GT3+ is the most optically clear WPF on the market and is virtually invisible once installed. GT3+ is designed for installation by professional installers. Using the Company's Endurance Class nanocoating technology with stronger bonds between film layers, GT3+ has virtually no delamination risk, requires no regular maintenance, and offers high impact and abrasion resistance, high UV stability, and a longer usable lifetime.
- (b) **ExoShield Ultra:** ExoShield Ultra is a PET based film designed for off-road and heavy-duty vehicles. ExoShield Ultra offers the same nanoceramic hard-coat, clarity, UV stability and low delamination risk as GT3+. Thicker than GT3+, ExoShield Ultra is ideal for heavy duty glass and offers higher impact resistance than that of GT3+. ExoShield Ultra is offered in DIY kits specifically designed for specific vehicles and can be installed in less than 1 hour by the vehicle owner.
- (c) **ExoShield Sprint:** ExoShield Sprint is a TPU based film designed for weekend drivers and specialty track vehicles. Designed to be used by professional installers, ExoShield Sprint offers a quicker installation time than GT3+, but has a shorter life expectancy (up to 12 months) than GT3+ and Ultra (up to 36 months)

GT3+ and Sprint are designed for professional installation and are sold to detailing and other automotive care providers. ExoShield Ultra is offered in DIY kits for specific offroad vehicles that are sold directly by the Company to consumers.

Paint Protection Products

The Company currently offers 2 paint protection film (PPF) products that apply the Company's expertise to protecting a vehicle's paint.

- (a) **ExoShield Mach 12:** ExoShield Mach 12 is a premium, high-gloss, durable PPF that not only restores paint to a "like-new" brilliance, but also provides formidable protection, stain resistance and hydrophobicity.
- (b) **ExoShield Mach S:** ExoShield Mach S is a satin paint protection film that provides a sleek matte finish designed to complement the vehicle's OEM matte paint or transform a glossy finish. Utilizing the latest in self-healing technology, Mach S mends minor scratches when exposed to heat, and provides long lasting defence against rock chips, scruffs and daily wear.

Mach 12 and Mach S are designed for professional installation and are sold to detailing and other automotive care providers.

Defence Solutions - Crypsis

The Company's defence solutions division, marketed under the tradename Crypsis, is focused on developing nanoparticle-based TSM solutions for use in the defence industry. The Company's Crypsis Class nanoparticles deliver lightweight, passively adaptive and long-lasting thermal camouflage solutions.

Every object emits thermal infrared radiation. Thermal cameras and sensors can both detect and target humans and assets on the battlefield. Traditional camouflage patterns effectively mask visible signatures to avoid enemy detection but fail to provide protection against thermal cameras and sensors. All humans and equipment emit thermal infrared (TIR) radiation, making them susceptible to electronic detection.

The Company's patent-pending Crypsis Class nanoparticle technology behaves like nanoscale thermal mirrors, reflecting incident thermal radiation from the surrounding environment in a diffused manner to

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adaptively blend into the environment. In addition, thermal radiation emitted by the subject asset is reflected back inwards, towards the subject, and reducing its thermal signature.

The use of the Company's Crypsis technology in coated textiles has been developed and field validated in cooperation with the Canadian Department of National Defence (DND) over 6 years. Other applications, such as vehicle coatings, films and paints, remain in early-stage development. The Company's current Crypsis development efforts operate as a partner-funded development model aimed at integrating the Company's technologies with defence primes and sub-primes. The Company intends to be an enabling technology provider rather than a direct supplier to end-users. This model minimizes capital intensity while driving parallel development across different applications and platforms.

OVERALL PERFORMANCE

Fiscal 2024 was characterized by continued investment in the Company's growth initiatives amid a challenging macroeconomic and industry environment. The Company faced headwinds from constrained capital markets, increasing commoditization within the paint protection film sector, and a broader slowdown in the automotive market driven by higher interest rates and increased vehicle ownership costs.

Despite these challenges, the Company advanced several key strategic initiatives. In the automotive segment, the Company continued to expand its product portfolio and invested in scaling its sales infrastructure. In the defence segment, increased global focus on thermal signature management has led to growing interest in the Company's Crypsis technology, resulting in new discussions and potential development opportunities.

During the latter part of 2024, the Company also initiated preparations for a potential public listing in 2026, including the completion of IFRS audits for fiscal 2023 and 2024 and enhancements to internal financial reporting processes.

Financial Performance

The Company earns revenue from the sale of its automotive products to auto detailers and professional installers as well as direct sales to consumers of its ExoShield Ultra DIY kits. The Company also earns revenue from non-recurring engineering (NRE) contracts with government agencies and defence contractors for the development of its defence products.

In fiscal 2024, the Company recorded total revenues of \$2,265,418 (2023 - \$2,062,182) comprised of product sales of \$2,196,366 (\$1,847,777) and support sales of \$69,052 (2023 - \$214,405):

Products	2024	2023
ExoShield GT	\$1,385,496	\$1,451,432
ExoShield Ultra	\$314,509	\$253,897
ExoShield Mach	\$356,662	\$110,039
ExoShield Sprint	\$95,755	\$-
Other (includes training, shipping, warranty)	\$112,996	\$246,814

The Company experienced a decline in ExoShield GT and other product sales due to supply chain disruption and the launch of ExoShield Sprint. Certain customers elected to purchase the ExoShield Sprint product instead of ExoShield GT resulting in a slightly decrease in sales of ExoShield GT.

As the Company continues to work on developing its business, it is actively seeking new customers for its automotive products, including automobile manufacturers, and is actively preparing and submitting proposals to defence agencies and contractors for development projects integrating the Company's defence projects.

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Financing Activities

Between November 30, 2023 and September 9, 2024, the Company issued a total of 3,461,914 common shares at a price of \$0.85 per share on a private placement basis for total gross proceeds to the Company of \$2,942,626.

On October 16, 2024, the Company sold 1,176,470 units (each a "Unit") at a price of \$0.85 per Unit on a private placement basis for total gross proceeds to the Company of \$1,000,000. Each Unit consisted of one common share and one common share purchase warrant exercisable at a price of \$0.85 per share, expiring on April 16, 2026.

On December 18, 2024, the Company entered into the NameSilo Loan Agreement with NameSilo. Pursuant to the terms of the NameSilo Loan, NameSilo advanced to the Company a total of \$1,350,000 between December 18, 2024 and June 10, 2025. The amounts advanced by NameSilo are unsecured, bear interest at a rate of 12% per annum and mature on December 18, 2026. NameSilo may, at any time prior to the repayment of the NameSilo Loan, convert the principal amount outstanding under the NameSilo Loan and any accrued and unpaid interest thereon, into Common Shares at price of \$0.75 per share (being 75% of the Offering Price). In addition, the Company paid to NameSilo a total commitment fee of \$40,500, paid in Common Shares at a deemed price of \$0.85 per share for a total of 47,645 Common Shares. On April 15, 2026, the Company and NameSilo entered into an amendment agreement whereby the entire principal amount outstanding under the NameSilo Loan and any accrued and unpaid interest thereon, will be automatically convertible into Common Shares at \$0.75 per share on completion of the listing.

Subsequent to the financial year ended December 31, 2025, between July 17, 2025 and October 10, 2025, the Company issued convertible notes (the "Convertible Notes") in the aggregate principal amount of \$6,501,000. The Convertible Notes are unsecured, bear interest at a rate of 12% per annum and mature two (2) years from the date of issuance. Upon completion of the Company's listing on the TSX Venture Exchange, the Convertible Notes, plus all accrued and unpaid interest thereon will be automatically converted, for no additional consideration into Common Shares at a per share price of the lesser of: (a) 75% of the offering price of the initial public offering and (b) \$1.25.

On April 16, 2026, in connection with the exercise of the 2024 Warrants, the Company issued 1,176,470 Common Shares at a price of \$0.85 per Common Share for gross proceeds of \$999,999.50.

Corporate Activities

Since January 1, 2023, the Company has experienced the following additional corporate developments:

- On March 28, 2023, the Company appointed Douglas Lawson as the Chief Financial Officer of the Company.
- On October 27, 2023, Chong Shen resigned as a director of the Company.
- On September 24, 2024, the Company appointed David Mes as a director of the Company.
- On August 1, 2025, the Company appointed Rahul Petkar as a director of the Company.
- On March 25, 2026, Peter Hatges and Michel-Henri St-Louis were elected as directors of the Company.

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SELECTED ANNUAL AND QUARTERLY INFORMATION

Selected Annual Information

The following selected financial information for the years ended December 31, 2024 and 2023 has been prepared with the accounting principles in accordance with IFRS. All amounts are in Canadian dollars.

	Year ended Dec. 31, 2024 (\$)	Year ended Dec. 31, 2023 (\$)
Total Revenue	2,265,418	2,062,182
Net Profit (Loss)	(2,771,388)	(1,997,283)
Total Assets	2,540,283	2,204,808
Total Non-Current Financial Liabilities	491,408	206,121
Dividends	nil	nil

The significant change in net loss from December 31, 2023 and 2024 is principally due to an increase in operation and engineering costs, sales and marketing costs, general and administrative costs as the Company was expanding operations and services. The Company's cash on hand and working capital decreased from \$622,592 and \$635,752, respectively, in 2023 to \$143,183 and \$250,774, respectively, in 2024 due to continue negative cash flow that was partially offset by equity financings completed by the Company.

Summary of Quarterly Financial Results

As the Company is not a reporting issuer, the Company has not prepared interim financial statements for the last eight quarterly periods.

RESULTS OF OPERATIONS

Year Ended December 31, 2024

During the year ended December 31, 2024, the Company's net loss increased 38.7% to \$2,771,388 from \$1,997,283 (2023). Net loss comprised of revenues of \$2,265,418 (2023 - \$2,062,182), cost of sales of \$1,694,424 (2023 - \$1,614,044), operating loss of \$2,872,082 (2023 - \$2,000,451) and certain other items.

Revenue and Gross Profit

Revenue for the year ended December 31, 2024, was \$2,265,418 compared to \$2,062,182 for the year ended December 31, 2023, representing an increase of \$203,236, or 9.9%.

The increase in revenue was primarily driven by:

- Growth in sales of ExoShield Mach products, reflecting expansion of the Company's paint protection film offerings; and
- The introduction and initial sales of ExoShield Sprint.

This growth was partially offset by a decline in ExoShield GT product sales.

Cost of sales for the year ended December 31, 2024 was \$1,694,424 compared to \$1,614,044 in the prior year, representing an increase of \$80,380, or 5.0%, consistent with the overall increase in revenue.

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Gross profit increased to \$570,994 in 2024 from \$448,138 in 2023, representing an increase of \$122,856, or 27.4%. Notwithstanding the increase in gross profit, the gross margin decreased from 28% in 2023 to 23% in 2024 due to the increase of sale of lower margin products, such as, its PPF product, ExoShield Mach, and TPU WPF product, ExoShield Sprint..

Net Loss

The Company recorded a net loss of \$2,771,388 for the year ended December 31, 2024 compared to \$1,967,283 in 2023, representing an increase of \$804,105, or 40.9%.

The increase in net loss reflects the Company's continued investment in scaling its commercial operations, expanding its product offerings, and advancing its strategic initiatives, including public company readiness.

Operating Expenses

During the year ended December 31, 2024, the Company recorded sales and marketing expenses of \$1,518,209 compared to \$1,004,167 for the year ended December 31, 2023. Sales and marketing expenses increased in 2024 as the Company ramped up spending in an effort to increase sales. In particular, the Company hired additional sales representatives, all of whom are based in the United States and positioned in key regional market areas, to better actively interface and support the Company's customers in what is the Company's most important geographic market.

During the year ended December 31, 2024, the Company recorded general and administrative expenses of \$1,342,460 compared to \$1,069,390 for the year ended December 31, 2023. The primary driver of this increase in expense was consulting, accounting and audit costs required to help the Company prepare for its plan to engage in a public listing of its shares in 2026.

Research and development expenses remained relatively consistent during the year ended December 31, 2024 at \$277,333 compared to \$276,147 for the year ended December 31, 2023.

Product development expenses during the year ended December 31, 2024 increased to \$221,874 compared to \$161,783 for the year ended December 31, 2023 as the Company developed and launched its new ExoShield Mach and Sprint product lines. Depending on the funds available to the Company, the Company may increase spending on research and development and product development efforts in the next 12 months.

Fourth Quarter Ended December 31, 2024

Revenue for the three months ended December 31, 2024 was \$450,655 compared to \$879,919 for the same period in 2023, representing a decrease of \$429,386, or 48.8%.

The decrease in revenue was primarily attributable to:

- Temporary production disruptions affecting GT3+ product availability; and
- Organizational changes within the Company's sales function, including a transition in sales leadership and restructuring of regional sales coverage.

These changes impacted short-term revenue performance but are expected to improve sales execution, customer engagement, and long-term revenue growth.

Cost of sales for the three months ended December 31, 2024 was \$388,379 compared to \$668,768 for the three months ended December 31, 2023. The decrease in cost of sales was in line with the corresponding

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decrease in revenue during the relevant periods.

Gross profit for the three months ended December 31, 2024 was \$62,257 compared to \$211,152 for the three months ended December 31, 2023. The decrease in gross profit was in line with the corresponding decrease in revenue as well as the gross profit mix of the automotive products sold during the relevant periods as higher margin sales of GT3+ suffered a bigger decline than those of Mach and Sprint which have a lower overall margin.

LIQUIDITY AND CAPITAL RESOURCES

	Dec. 31, 2024	Dec. 31, 2023
	(\$)	(\$)
Cash and cash equivalents	143,183	622,592
Working capital	250,774	635,752

As at December 31, 2024, the Company had cash and cash equivalents of \$143,183 and working capital of \$250,774, compared to \$622,592 and \$635,752, respectively, as at December 31, 2023.

The decrease in cash and working capital reflects continued investment in operating activities, including sales and marketing expansion, product development, and general corporate expenditures.

	Dec. 31, 2024	Dec. 31, 2023
	(\$)	(\$)
Net cash flows used in operations	(2,475,126)	(1,499,970)
Net cash flows used in investing activities	(617,796)	(590,800)
Net cash flows provided by financing activities	2,613,513	1,364,146

The Company generated negative cash flows from operations of \$2,475,126 during the year ended December 31, 2024, compared to \$1,499,970 in the prior year. The increase in cash used in operations is consistent with the Company's expanded operating activities and investment in growth initiatives.

The Company's ability to continue operations is dependent on its ability to generate additional revenue and/or obtain additional financing. Management is actively evaluating financing alternatives, including equity financings, strategic partnerships, and other capital sources, to support ongoing operations and planned growth initiatives.

There can be no assurance that such financing will be available on terms acceptable to the Company, or at all.

RELATED PARTY TRANSACTIONS

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. Key management personnel include directors and executive officers of the Company.

During the year ended December 31, 2024, NameSilo Technologies Corp. ("NameSilo") subscribed for 235,294 Common Shares at a price of \$0.85 per share. Paul Andreola, a director of our Company is the CEO, President and a director of NameSilo. NameSilo is listed on the Canadian Securities Exchange.

During the year ended December 31, 2024, NameSilo also advanced to the Company the sum of \$250,000 payable on December 18, 2026 and bearing interest at a rate of 12% per annum (the "NameSilo Loan").

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Pursuant to the terms of the NameSilo Loan, NameSilo may convert the outstanding principal plus accrued and unpaid interest into Common Shares at a conversion price equal to 75% of the greater of the issue price of (i) the securities issued pursuant to the last equity financing of the Company completed prior to as listing of the Common Shares on a stock exchange (a "Listing"), and (ii) any equity securities of the Company issued pursuant to or in connection with a Listing. In connection with the advance made under the NameSilo Loan, the Company issued to NameSilo 17,647 Common Shares at a deemed price of \$0.85 as a commitment fee.

During the year ended December 31, 2024, short-term employee benefits to key management personnel were as follows:

	Dec. 31, 2024 (\$)
Short-term employee benefits	252,868
Share-based compensation	170,232
	423,100

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. There are no long-term incentive plans for senior management personnel.

SUBSEQUENT EVENTS

On February 3, 2025 and April 14, 2025, the Company issued 2,500 and 10,000 time-based stock options to employees with an exercise price of \$0.85. These options have an expiry date of January 1, 2033 and April 1, 2035 respectively.

On March 26, 2025, the Company issued 580,000 time-based stock options to an employee, expiring on March 26, 2035. The exercise price is contingent on the timing and outcome of an equity financing:

- If exercised before the completion of an equity financing, or if no financing is completed by December 31, 2025, the exercise price will be \$0.85 per option.
- If exercised after an equity financing completed by December 31, 2025, the exercise price will be the lower of \$0.85 or the issue price of the securities issued in that equity financing.

These options were subsequently forfeited in July 2025 following the resignation of that employee.

On February 4, 2025, the Company amended the NameSilo Loan to increase the facility to a maximum of \$750,000. This was followed by further amendments on March 25, 2025, to increase the facility to a maximum of \$1,000,000, and again on June 10, 2025, to raise the maximum to \$1,350,000. The Company has drawn the entire \$1,350,000 available under this facility and received funds between December 2024 and June 2025. The Company incurred \$40,500 of financing costs related to these amendments.

Between April, 2025, and September, 2025, the Company received additional funds from various investors totaling \$6,501,000 in respect of unsecured convertible notes.

On March 25, 2025, the Company entered into new lease agreement commencing May 1, 2025 for six years with annual lease payments in range of \$277,116 - \$310,106.

On August 1, 2025, the Company issued 842,435 time-based stock options with an exercise price of \$0.85. These options have an expiry date of August 1, 2035.

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On February 2, 2026, the Company issued 90,000 time-based stock options with an exercise price of \$0.85. These options have an expiry date of November 1, 2035.

On March 3, 2026, the Company issued 200,000 time-based stock options with an exercise price of \$0.85. These options have an expiry date of March 1, 2035. On March 25, 2026, the Company issued 300,000 time-based stock options with an exercise price of \$0.85. These options have an expiry date of March 1, 2035.

On April 15, 2026, NameSilo Technologies agreed to amend the terms of their convertible loan agreements from all principal and accrued interest being convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026 to being fully convertible into common shares of the Company upon the occurrence of a listing event.

On April 16, 2026, in connection with the exercise of previously granted warrants, the Company issued 1,176,470 common shares at a price of \$0.85 per common share for gross proceeds of \$999,999.50.

During the period, the Company continued to monitor external factors impacting its operations, including the introduction of tariffs on certain imported goods, which may affect input costs and customer demand.

These activities are consistent with the Company's strategy to strengthen its financial position, support growth initiatives, and advance toward a potential public listing.

CHANGES IN ACCOUNTING POLICIES

The Company has prepared consolidated financial statements that comply with IFRS applicable as at December 31, 2024, together with the comparative data for the year ended December 31, 2023.

Accounting Standards that have recently been issued or amended which are effective for annual periods beginning on or after January 1, 2025 (unless otherwise stated). These are not yet mandatory and have not been early adopted by the Company for the year ended December 31, 2024. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Company's financial statements.

IFRS 18 - Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued a new standard IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity,

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income and expenses.

The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

IFRS 19 - Subsidiaries without Public Accountability

In May 2024, the IASB issued a new standard IFRS 19 Subsidiaries without Public Accountability. An entity electing to apply IFRS 19 applies the requirements in other IFRS Accounting Standards, except for the disclosure requirements, and instead applies the requirements in IFRS 19 with certain exceptions.

An entity may elect to apply this Standard in its consolidated, separate or individual financial statements if, and only if, at the end of the reporting period:

- it is a subsidiary;
- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standard is effective for annual reporting period beginning on or after January 1, 2027. Early adoption is permitted but will need to be disclosed. The Company does not expect this standard to have an impact on its operations or consolidated financial statements.

FINANCIAL INSTRUMENTS

Our Company is exposed in varying degrees to a number of risks arising from financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of our Company's risk management framework. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Board approves and monitors the risk management process. Please refer to Notes 6 and 22 of our annual audited consolidated financial statements for the year ended December 31, 2024 for additional details on our Financial Instruments and Other Instruments.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

RISKS AND UNCERTAINTIES

Risks Relating to Corporate History

Limited operating history.

The Company has a limited history of operations and is considered an early-stage issuer. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of profitability. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered remote in light of its early stage of operations.

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Negative operating cash flow and history of losses

Although the Company expects to become profitable, there is no assurance that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have that for the foreseeable future. To date, the Company has not generated operating profits and the Company expects significant capital investment will be required to achieve profitability. The Company expects its net losses from operations to continue in the near future. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to develop, manufacture, market and achieve commercial acceptance of its products. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Additional financing.

The Company anticipates that it will require significant additional financing to continue its operations and achieve its business objectives. There can be no assurance that such financing will be available at all or on favourable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's ability to achieve its business objectives. Additional financing may dilute the ownership interest of the Company's shareholders at the time of the financing and may dilute the value of their investment.

General venture company risks.

An investment in the Company's securities should be considered highly speculative due to the nature of the Company's business, the early stage of its deployment, its current financial position and ongoing requirements for capital. An investment in the Company's securities should only be considered by those persons who can afford a total loss of investment and is not suited to those investors who may need to dispose of their investment in a timely fashion. Investors should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in the Company's securities.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Staffing challenges.

The recruitment and retention of qualified professionals to develop products, as well as sales, marketing and financial professionals, is critical to the Company's future success. Employee turnover rates can be high and competition for experienced personnel is high. The Company's failure to attract and retain professionals may prevent or hinder its ability to pursue the business plan and grow its business.

Managing growth.

If the business plan is successful, the Company may experience significant growth in a short period of time and encounter potential scaling issues. The Company's financial, management and operating resources may

Alchemy Labs Inc.

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(with comparative figures from year ended 2023)

not expand sufficiently to adequately manage growth. Costs may increase disproportionately if rapid growth is not manageable, and future revenues may stop growing or decline and the Company may face dissatisfied customers. Failure to manage growth may adversely impact the Company's business and the value of the shareholders' investment.

Discretion and uncertainty of Use of Available Funds.

Although the Company has set out its intended use of available funds, these intended uses are estimates only and subject to change. While management does not currently contemplate any material variation, management does retain broad discretion in the application of such proceeds. The results and the effectiveness of the application of the funds are uncertain. The failure by the Company to apply these funds effectively could have a material adverse effect on its business, including the Company's ability to achieve its stated business objectives. In addition, the Company may use the funds in ways that a shareholder may not consider desirable.

Risks Relating to the Company's Business and the Industry

Consumer discretionary spending.

The Company's business is affected by general economic conditions as its products are discretionary, and the Company depends, to a significant extent, upon a number of factors relating to discretionary consumer spending. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels and availability of credit.

Development of products.

To execute the business plan, the Company must develop, market and commercialize its products. If the technologies represented by its products are not accepted in the marketplace, or if the Company's products are not brought to market in a timely manner, this could materially and adversely impact the Company.

The Company's future success depends on the ability to maintain a competitive position with respect to technological advances. Competitors may develop products that are more effective or develop products faster, which could in turn render the Company's technology obsolete or non-competitive.

There can be no assurance that there is a market for the Company's products, or of the size of the market or the market's acceptance of our products. Sales outcomes are based upon a variety of factors which cannot be assured. If the Company fails to successfully develop and commercialize the Company's products, or if the products are not accepted by the market, the Company's business prospects will suffer.

Data and security breaches.

During the course of its operations, the Company may collect and have access to confidential and private information, including personally identifiable information. The Company believes that it is taking reasonable steps to protect the security, integrity and confidentiality of the information the Company collects, uses, stores and discloses, but there is no guarantee that inadvertent or unauthorized data access or use will not occur despite prevention efforts. In the future, attempts may be made to disable the Company's systems or breach the security of its systems. It is generally difficult to recognize techniques to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems until they are launched against a target, as they frequently change. As a result, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

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(with comparative figures from year ended 2023)

The market perception of the Company's security measures could be harmed if an actual or perceived security breach occurs. A security breach could cause the loss or corruption of data, which could harm the Company's business and business prospects. Any failure to maintain the security of the Company's systems could result in loss of personal information and/or other confidential information, damage to the Company's reputation and relationships with customers and suppliers, early termination of contracts with customers and suppliers and other business losses, indemnification of others, financial penalties, litigation, regulatory investigations and other significant liabilities. In the event of a major third-party security incident, the Company may incur losses in excess of its insurance coverage.

Competing innovations and products.

The Company expects to encounter intense competition from business that provide competing products to those offered by the Company. Many of the Company's competitors have substantially greater financial, technical, research, marketing, sales, service and other resources than the Company, and may develop products that are superior or may gain greater market acceptance than those offered by the Company. Competitors may succeed in obtaining intellectual property protections for their products before the Company obtains protection for its own innovations and inventions. If the Company's competitors develop products that have greater market attraction than the Company's or that render the Company's products obsolete or non-competitive, the Company's business will suffer.

Intellectual Property.

The Company relies on trade secrets, patent and other intellectual property laws of Canada, the United States and the other countries where it intends to do business to protect its intellectual property rights. The Company may be unable to prevent third parties from using its intellectual property without its authorization. The unauthorized use of the Company's intellectual property could reduce any competitive advantage that it has developed, reduce its market share or otherwise harm its business. In the event of unauthorized use of the Company's intellectual property, litigation to protect and enforce the Company's rights could be costly, and the Company may not prevail.

In addition to patents, the Company may rely on unpatented technological innovation and other trade secrets to develop and maintain its competitive position. Although the Company may enter into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements may be of limited in duration, could be breached and may not provide meaningful protection of its trade secrets including in relation to the Company's intellectual property. Adequate remedies may not be available if there is an unauthorized use or disclosure of the Company's trade secrets or expertise. In addition, others may obtain knowledge about the Company's trade secrets through independent development or by legal means. The failure to protect the Company's processes, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on its business by jeopardizing critical intellectual property.

Where product development or processes are kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to such trade secret products or processes. This could have a material adverse effect on the Company's ability to make and sell its products or use such processes and could potentially result in costly litigation in which the Company might not prevail. The Company could face intellectual property infringement claims that could result in significant legal costs and damages and impede its ability to produce key products, which could have a material adverse effect on its business, financial condition, and results of operation.

Regulation of products.

The Company's products may be subject to significant regulatory approval. Where regulatory approval is required, the Company's future profitability may depend on the Company receiving regulatory approval for

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For the year ended December 31, 2024

(with comparative figures from year ended 2023)

its product candidates and its ability to successfully manufacture and market approved products. If the Company is not able to obtain regulatory approval if and when such approval is required, the value of the Company and the Company's results of operations could be harmed. Obtaining regulatory approval for the Company's products where required may be a lengthy and expensive process, and the Company's ability to obtain such approval may be uncertain.

Reliance on Third Party Manufacturers

The Company relies on outside sources to manufacture its automotive products, PET films and produce and formulate its nanoparticles for automotive and defence products. As these are third parties over which the Company will have little or no control, the failure of such third parties to provide these products on a timely basis could have a material adverse effect on the business, financial condition and operating results. In addition, manufacturers that the Company rely on could face unexpected interruptions in the manufacturing process that may have a material adverse effect on the Company's operations.

Although the Company believes that sources of supply for raw materials and products are generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. The Company's ability to manage inventory and meet delivery requirements may be constrained by its suppliers' inability to scale production and adjust delivery of long-lead time products during times of volatile demand.

The Company's inability to fill its supply needs would jeopardize its ability to fulfill its purchase orders, which could, in turn, result in reduced sales, and damage to customer relationships, and could have a material adverse effect on our operating results, financial condition, or cash flows.

Tariff and Trade Restriction Risk

Countries may implement, modify, and remove tariffs and other trade restrictions. These actions can negatively affect the Company due to trade disputes and tariffs.

In 2025, the United States implemented tariffs, prompting Canada to respond with counter-tariffs. However, products covered under the Canada United States-Mexico Agreement ("CUSMA") are not subject to import tariffs. Although the Company believes that its PET products meet the criteria under CUSMA, there is a risk that tariffs can be imposed on these products. In addition, the Company's other automotive film products (ExoShield Sprint and ExoShield Mach) are manufactured outside the United States, Mexico and Canada and, as such, are subject to tariffs. As of the date of this MD&A, the Company has not increased its prices due to the tariffs which negatively impacts profit margins. In the future the Company may pass these additional costs onto its customers, which could reduce sales and damage the Company's relationship with its customers.

Notwithstanding the foregoing, CUSMA will be reviewed in 2026. If CUSMA is renegotiated such that tariffs apply to the Company's PET products, the Company's sale of those products could be materially affected.

Management of Growth

The Company may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its automotive and defence related products. The Company may be subject to growth related risks including capacity constraints at its facility in Kitchener, Ontario and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks Relating to the Company's securities

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Management's Discussion and Analysis
For the year ended December 31, 2024
(with comparative figures from year ended 2023)

Market price of Common Shares and volatility.

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

The market price of the Common Shares is affected by many other variables which are not directly related to our success and are, therefore, not within the Company's control. These include other developments that affect the breadth of the public market for the Common Shares, the release or expiration of lock-up or other transfer restrictions on the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Common Share price volatile in the future, which may result in losses to investors.

No active market.

An active public market for the Common Shares might not develop or be sustained. Even if a market develops, there is no assurance that the price of the Common Shares will reflect the prevailing market price of the Common Shares immediately following the Listing Date. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the Common Share price may decline below the initial public offering price.

Dividends.

The Company intends to retain earnings, if any, to finance the growth and development of its business and do not intend to pay cash dividends on the Common Shares in the foreseeable future, if ever. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Substantial number of authorized but unissued shares.

The Company has an unlimited number of Common Shares that may be issued by the Board without further action or approval of the Company's shareholders. While the Board is required to fulfill its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

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Management's Discussion and Analysis

For the year ended December 31, 2024

(with comparative figures from year ended 2023)

Dilution.

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance the Company's operations, development, exploration, acquisitions or other projects. Substantial additional financing may be required by the Company. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in the Company's earnings per Common Share.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Tax Issues.

Income tax consequences in relation to the securities offered will vary according to the circumstances of each purchaser. Prospective purchasers should seek independent advice from their own tax and legal advisers prior to subscribing for the securities.

OTHER INFORMATION

Securities outstanding

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Security	Number Outstanding	Exercise / Conversion Price
Common Shares	29,017,031	N/A
Share Purchase Warrants	-	\$0.85
Stock Options	2,573,439	\$0.29 – \$0.85
Convertible Debt	\$7,851,000	\$0.75

Notes:

- Convertible debt is convertible into common shares at \$0.75 per share upon a qualifying event (e.g., public listing). The NameSilo loan includes a conversion feature that allows the lender to convert the outstanding principal and accrued interest into common shares of the Company at the discretion of NameSilo, up and until maturity and generally in connection with a future financing or initial public offering. The additional convertible notes including accrued interest, will automatically convert into common shares upon listing on the TSX Venture Exchange. (See *Debt Financing above*)
- Stock options and warrants are exercisable into common shares in accordance with their respective terms.



ALCHEMY LABS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2026
*(With comparative information for the three months ended
March 31, 2025)*

To be read in conjunction with the
unaudited condensed interim consolidated financial statements
(Expressed in Canadian dollars)

Dated June 25, 2026

Alchemy Labs Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2026

(with comparatives information for the three months ended March 31, 2025)

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Alchemy Labs Inc. ("Alchemy" or the "Company") relates to the Company's financial performance and condition for the three month period ended March 31, 2026 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2026 and 2025, as well as the audited consolidated financial statements for the year ended December 31, 2025.

The Company's unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB").

This MD&A has been prepared by management and approved by the Company's board of directors.

All dollar amounts stated in this MD&A are expressed in Canadian dollars unless otherwise noted.

FORWARD-LOOKING INFORMATION

This MD&A contains statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations up to the date of this MD&A.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual performance or achievements to differ materially from anticipated results, performance or achievements expressed or implied by such forward-looking statements. The risks and uncertainties that affect forward-looking statements include, but are not limited to:

- our negative operating cash flows and history of losses;
- our requirement for, and our ability to obtain, future financing on favorable terms or at all;
- an investment in the Company's shares is highly speculative due to the nature of the Company's business;
- our projected financial position and estimated cash burn rate;
- our ability to attract and retain key personnel;
- our ability to manage growth
- our ability to continue as a going concern;
- consumer demand of our products;
- our ability to successfully develop, market and commercialize our products;
- our ability to protect against data and security breaches;
- our ability to successfully compete in our targeted markets;
- our ability to adequately protect proprietary information and technology from competitors; and
- our ability to receive the necessary regulatory approvals for our products.

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(with comparatives figures for the three months ended March 31, 2025)

A number of factors and assumptions could cause actual events, performance, or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Material factors and assumptions that could cause actual events, performance, or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain the Company as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development, and commercialization of our products;
- the ability of the Company to retain qualified personnel to continue the operation, development and/or upgrades to our products;
- the ability to generate market acceptance of the Company's product suite; and
- the increase in operating costs resulting from additional development and commercialization costs and increased staff.

Forward-looking statements in this MD&A may also include future-oriented financial information and financial outlook information ("FOFI") regarding the Company and its prospective results of operations, cash flows and components thereof. The FOFI contained in this MD&A is subject to the same assumptions, risk factors, limitations and qualifications set forth in this MD&A relating to other forward-looking statements. The FOFI contained in this MD&A is provided for the purpose of providing information regarding management's assessment of the Company's anticipated business operations and may not be appropriate for other purposes.

Forward-looking statements, including FOFI, contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether because of new information, future events or results or otherwise except as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

OVERVIEW

Alchemy Labs Inc. ("Alchemy" or the "Company") is a nanotechnology company based in Kitchener, Ontario, focused on developing and commercializing protective nanocomposite coatings for automotive and defence applications.

The Company's core automotive technology platform is based on advanced nanocomposite materials engineered to provide enhanced mechanical strength, optical clarity, and resistance to heat, wear, impact and abrasion.

Alchemy's automotive product offerings are marketed under the ExoShield brand and include windshield protection film ("WPF") and paint protection film ("PPF") products. These products are sold through a network of professional installers and, in certain cases, directly to consumers.

During the three month period ended March 31, 2026, the Company experienced variability in sales performance driven by production constraints affecting WPF supply, shifts in product demand, including reduced demand for TPU-based products such as ExoShield Sprint due to durability concerns and changes in product mix.

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(with comparatives figures for the three months ended March 31, 2025)

The Company continues to focus on improving production consistency and advancing relationships with contract manufacturing partners, including efforts to establish additional production capacity.

The Company's defence division is focused on the development of nanoparticle-based thermal signature management ("TSM") solutions. Through its Crypsis technology platform, the Company is developing materials intended to reduce or alter thermal detection signatures for defence and security applications.

In November 2025, the Company was invited to participate in Phase One of the NATO DIANA (Defence Innovation Accelerator for the North Atlantic) Accelerator Programme, occurring between January 1, 2026 and July 15, 2026. The DIANA Accelerator Programme introduces successful applicants of its Challenge Calls to participate in a set of events, programming and related activities that are intended to facilitate dialogue between the chosen applicant and DIANA, NATO and NATO end-users. Challenge Calls are chosen by DIANA to address specific defence needs shared across NATO members. As part of the Accelerator Programme, in December 2025, the Company received €100,000 (approximately \$162,000) in contractual funding from DIANA in exchange for the Company defining, explaining and demonstrating how its technology addresses the DIANA challenge addressed and participating in DIANA events, programming and related activities. In February 2026, the Company received additional funding in the form of a grant of \$169,000 from the Canadian Department of National Defence's Funding for Canadian Innovators and Accelerators of DIANA (FCIA-DIANA) program.

Alchemy continues to advance its product development and commercialization efforts across both its automotive and defence segments.

OVERALL PERFORMANCE

During the three month period ended March 31, 2026, the Company continued to invest in its growth initiatives while managing certain operational constraints within its automotive business unit. The Company experienced supply chain disruption affecting its ExoShield GT3+ and Ultra WPF products, related to upstream production interruptions at two manufacturing partners that began in the prior year and continued into the first quarter of 2026. In addition, inventory levels were lower due to the Company's limited capital in the first half of 2025 to purchase inventory. Inventory levels were subsequently restored during Q1 2026; however, the disruption impacted automotive sales and the development of the Company's Ultra kits during the first half of Q1 2026. During the period, the Company continued to refine its Ultra kit manufacturing system, progress product development, and manage cost pressures related to sourcing and logistics. In spite these challenges, the Company continued to advance several strategic initiatives. In the automotive segment, the Company continued to invest in sales and marketing capabilities, including direct-to-consumer channels and installer network development. In addition, the Company focused on product development and efforts to improve manufacturing consistency and supply chain resilience.

During the period ended March 31, 2026, the Company entered into a commercial contract with Daimler Coaches North America, LLC, a subsidiary of Mercedes-Benz Group AG, that manufactures luxury motorcoaches for North America ("**Daimler**"). Under its contract with Daimler, the Company will supply ExoShield Ultra Pro Kits to Daimler for installation on Daimler coaches in North America.

In the defence segment, the Company continued to progress development and commercialization of its Crypsis technology platform, with ongoing engagement in thermal signature management applications and related development opportunities. Through the Company's NRE (non-recurring engineering) arrangement with a leading supplier of garments (the "Supplier") to the United States Department of War (the "DOW"), the Company and the Supplier are working on validating the commercial application of Crypsis on garments to be supplied to the DOW. Under its arrangement with the Supplier, the Company will supply its nanoparticle formulation to the Supplier who will apply that formulation to textiles used by Supplier to produce garments

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(with comparatives figures for the three months ended March 31, 2025)

for the DOW. The Supplier will pay for all costs relating to textile fabrication, setting up production lines and logistics. The Company will supply the nanoparticle coatings and technical support. The Company will continue to own all intellectual property rights relating to the nanoparticle formulation used in the production of garments under this arrangement. Upon commercial validation of the Crypsis coated garments, the Company and the Supplier will negotiate in good faith on a commercial agreement for the commercial manufacture and supply of Crypsis coated garments

During the period ended March 31, 2026, the Company began participation in the NATO DIANA Accelerator Programme and was assigned to DIANA's Unilab Defence accelerator site located in Riga, Latvia. The Company used the DIANA Accelerator Programme to begin expanding its business development activities in Europe, while continuing to advance defence-related engagement and commercialization activities with prospective government and industrial partners in Canada. The Company also began growing the Crypsis R&D and business development teams to support continued product development, partner engagement, and revenue growth in the defence space.

During the period, the Company also continued to enhance its internal processes and financial reporting capabilities in preparation for potential future capital markets activities.

Results of Operations

The following table summarizes the Company's results of operations for the three months ended March 31:

	2026	2025
Revenue	\$400,253	\$622,527
Cost of sales	(261,566)	(394,738)
Gross profit	138,687	227,789
Operating expenses	(1,584,513)	(1,156,686)
Operating loss	(1,445,826)	(928,897)
Net loss	(\$1,794,593)	(\$721,569)

The Company generates revenue primarily from the sale of its automotive products to auto detailers and professional installers, as well as direct sales to consumers through its ExoShield Ultra DIY kits. The Company also generates revenue from non-recurring engineering ("NRE") contracts with government agencies and defence contractors.

For the three months ended March 31, 2026, the Company recorded total revenues of \$400,253, compared to \$622,527 for the same period in 2025, representing a decrease of approximately 36%.

The following is a summary of revenue for each of the Company's products:

Alchemy Labs Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2026

(with comparatives figures for the three months ended March 31, 2025)

Products	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
ExoShield GT3+	\$149,647	\$301,437
ExoShield Ultra	53,926	82,794
ExoShield Mach	68,129	87,622
ExoShield Sprint	31,364	104,448
Other (includes training, shipping, warranty)	29,088	78,150
	332,154	654,451
Discounts	(6,554)	(31,924)
	325,600	622,527
Defence/Crypsis	74,653	-
Total	\$400,253	\$622,527

The decline in revenue was primarily attributable to a combination of supply-driven timing impacts, channel mix, and strategic product prioritization during the period. These included:

- **Supply constraints affecting international distributor shipments:** A supply chain disruption affecting the Company's ExoShield GT3+ and Ultra WPF products resulted in reduced product availability during the first half of the fiscal quarter ended March 31, 2026, resulting in reduced sales of ExoShield GT3+ and Ultra products. During the supply chain disruption, the Company prioritized higher-margin sales to North American installers and existing customers, while certain international distributor shipments were deferred until inventory levels were restored.
- **Consistent North American installer demand, with lower average order value:** Sales of GT3+ rolls to North American installers remained consistent year-over-year by unit volume; however, inventory allocation resulted in smaller average order sizes during the period. This reduced revenue per order while allowing the Company to continue supporting existing installer customers.
- **Production constraints affecting Ultra Pro kit development and availability:** Production constraints at contract manufacturing partners limited available inventory of Ultra during the period, which affected the Company's ability to satisfy customer demand for its Ultra Pro kits. The Company has worked with its manufacturing partners to improve production throughput and restore product availability.
- **Reduced promotional discounting on Ultra DIY kits:** During the year ended December 31, 2025, the Company used promotional discounting to support market penetration of Ultra DIY kits. Since then, the Company has reduced its use of discounting to support premium brand positioning and improve gross margin discipline. Despite reduced discounting and earlier inventory constraints, Ultra DIY kit sales were on target for the quarter following restocking.
- **Strategic focus on higher-priority product lines:** During the period ended March 31, 2026, the Company continued to prioritize its core PET-based WPF products (GT3+ and Ultra), which reflect stronger customer demand and more attractive margin profiles. The Company continued to de-emphasize lower-margin product lines, including PPF products and TPU-based WPF products such as ExoShield Sprint. ExoShield Sprint continued to serve more niche market segments due to the installation and product performance trade-offs between speed and ease of installation and limited durability associated with that product category.

Due to product quality issues and limited capital in the first half of 2025 to purchase inventory, the Company had limited inventory to pursue sales of ExoShield GT3+ and Ultra PET products from mid June 2025 to February 2026. The product quality issues were a one-time occurrence. Although the Company will work with its manufacturers to rectify any product quality issues, the failure to receive a product that meets specifications may hinder the Company's ability to fulfill purchase orders, result in reduced sales and damage customer relationships and could have a material adverse affect on the Company's operating results,

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For the three months ended March 31, 2026

(with comparatives figures for the three months ended March 31, 2025)

financial condition and cash flows.

As the Company sells its products by purchase orders rather than long-term sales contracts, it is not possible to quantify the exact impact of each factor on the Company's decline in sales, revenue and cash flow from 2025 and 2026 as the Company is not able to speculate as to purchase orders that would have otherwise been received.

Defence/Crypsis revenue earned during the first quarter of 2026 relates to the Company's participation in Phase One of the NATO DIANA Accelerator Programme, occurring between January 1, 2026 and July 15, 2026. The DIANA Accelerator Programme involves iteration of the Company's proposed solution to the DIANA Challenge Call and participation in DIANA events, programming, and related activities. The Company received €100,000 (approximately \$162,000) from DIANA, which is being amortized over the term of Accelerator Programme. During the quarter ended March 31, 2026, the Company also received a \$169,000 government grant from the Canadian Department of National Defence's Funding for Canadian Innovators and Accelerators of DIANA (FCIA-DIANA) in support of the Company's selection and participation in the NATO DIANA programme.

The Company continues to focus on expanding its customer base, improving production reliability, and optimizing its product mix to support future revenue growth.

Financing Activities

During the three months ended March 31, 2026, the Company used its capital resources accumulated from 2025 fund raising activities to support its operations, product development initiatives, and working capital requirements.

These 2025 financing activities significantly increased the Company's available liquidity during 2025 and into 2026. However, the increased use of debt financing has resulted in higher interest expense and introduces potential dilution to existing shareholders upon conversion of outstanding debt instruments.

Subsequent to the period ended March 31, 2026, the Company received \$999,999.50 from the exercise of share purchase warrants. The warrants were issued in 2024 and were exercisable at a price of \$0.85 per share, resulting in the issuance of 1,176,470 common shares.

Investing Activities

Net cash in investing activities including the purchase of property plant and equipment and the generation of internally funded intangible assets for the three months ended March 31, 2026 was \$684,102 (2025-\$105,368). The increase in investing activities primarily reflects:

- continued investment in product development, including internally generated capitalized development costs; and
- expenditures on property and equipment, including production equipment and systems to support manufacturing and operational scaling.

The Company also redeemed \$1,004,435 in short-term investments during the first quarter of 2026 which added to its balance of cash and cash equivalents as at March 31, 2026.

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Corporate Activities

On March 25, 2026, Peter Hatges and Michel-Henri St-Louis were elected as directors of the Company.

Continued Development of Crypsis Products

The Company continues to work on completing the development and launch of textile-based solutions integrated with its Crypsis technology. The Company will also begin work on its \$2.0M NRE with the Canadian DND once it has been approved by the appropriate regulatory bodies within the Government of Canada, which is anticipated to be approved in the second half of 2026. In addition, the Company will continue to pursue additional NRE contracts with European, Canadian, and United States based defence manufacturers and other defence agencies.

The Company also anticipates taking the following additional initiatives in support of its research and development efforts in defence products:

- Expanding the Company's research and development and business development teams, hiring specialized engineers and defence sales personnel.
- Constructing internal testing facilities for in-house testing, validation and refinement of the Company's defence solutions.
- Extending ExoShield Ultra applications to defence and government vehicle fleets.
- Seeking further intellectual property protections for the Company's defence related technologies in key NATO and major non-NATO allies.

The above research and development activities will be a continuation of existing activities of the Company. The current research & development activities have been funded under existing NRE agreements. Although the Company will continue to fund these activities under NRE agreements, the Company will use \$1,200,000 of the proceeds of its initial public offering to further advance its research and development objectives on its defence products. The Company anticipates that this business objective will be reached in the first half of 2027.

The Company's research and development of textile-based solutions will be validated through government affiliated laboratory tests and field evaluations. The main barriers to complete the milestone are the retention of skilled employees in order to advance the Company's research and development efforts.

RESULTS OF OPERATIONS

The following selected financial information for the three months ended March 31, 2026 and 2025 has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. All amounts are presented in Canadian dollars.

	March 31, 2026	December 31, 2025
Cash and cash equivalents	\$1,914,916	\$2,265,030
Total current assets	3,387,184	4,546,322
Total non-current assets	3,740,677	3,490,155
Total assets	\$7,127,861	\$8,036,477
Total current liabilities	\$11,007,652	\$10,319,655
Total non-current liabilities	1,752,271	1,684,317

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	March 31, 2026	December 31, 2025
Total liabilities	\$12,759,923	\$12,003,972
Total equity (deficiency)	(\$5,632,062)	(\$3,967,495)

Total assets decreased to \$7,127,861 as at March 31, 2026 (December 31, 2025 – \$8,036,477), driven primarily by the redemption of short-term investments during the quarter. Capital was deployed to the acquisition of property plant and equipment as well as fund internally generate capitalized development costs. The Company also had a significant goods and services tax refund claim from the fourth quarter FY2025 that remained open and under review by the authorities as at March 31, 2026.

As at March 31, 2026, total assets also consisted of inventory of \$822,613, of which \$115,200 of inventory or 14% relates to products subject to tariffs. Due to product quality issues with its third party manufacturer, the Company's inventories of non-tariff product, being Exoshield GT 3+ and Ultra, were low resulting in a higher percentage of product subject to tariffs.

Total liabilities increased to \$12,759,923 (December 31, 2025 – \$12,003,972), primarily reflecting accruing interest charges on all convertible loans.

The Company reported a shareholders' deficiency of \$5,632,062 as at March 31, 2026, compared to shareholders' deficiency of \$3,967,495 at December 31, 2025, reflecting the net loss incurred during the period.

Statement of Loss Data

	Three months ended March 31:	
	2026	2025
Revenue	\$400,253	\$622,527
Gross profit	\$138,687	\$227,789
Operating expenses	(1,372,607)	(1,122,315)
Operating loss	(1,233,920)	(894,526)
Finance expense	(579,015)	(53,734)
Foreign exchange gain	98,069	236,222
Other expenses	(79,7247)	(9,531)
Net loss	(1,794,593)	(721,569)
Other comprehensive income (loss)	(103,112)	(246,202)
Total comprehensive loss	(\$1,897,705)	(\$967,771)

For the three months ended March 31, 2026, the Company reported revenue of \$400,253, compared to \$622,527 in the prior year period.

The decline in revenue was primarily attributable to a combination of supply-driven timing impacts, channel mix, and strategic product prioritization during the period. These included:

- **Supply constraints affecting international distributor shipments:** Supply chain disruption affecting the Company's ExoShield GT3+ and Ultra WPF products resulted in reduced product availability during the first half of the quarter ended March 31, 2026. During the supply chain

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disruption, the Company prioritized higher-margin sales to North American installers and existing customers, while certain international distributor shipments were deferred until inventory levels were restored.

- **Consistent North American installer demand, with lower average order value:** Sales of GT3+ rolls to North American installers remained consistent year-over-year by unit volume; however, inventory allocation resulted in smaller average order sizes during the period. This reduced revenue per order while allowing the Company to continue supporting existing installer customers.
- **Production constraints affecting Ultra Pro kit availability:** Production constraints at contract manufacturing partners limited available inventory of Ultra during the period, which affected the Company's ability to satisfy customer demand for its Ultra Pro kits. The Company has worked with its manufacturing partners to improve production throughput and restore product availability.
- **Reduced promotional discounting on Ultra DIY kits:** During the year December 31, 2025, the Company used promotional discounting to support market penetration of Ultra DIY kits. Since then, the Company has reduced its use of discounting to support premium brand positioning and improve gross margin discipline. Despite reduced discounting and earlier inventory constraints, Ultra DIY kit sales were on target for the quarter following restocking.
- **Strategic focus on higher-priority product lines:** During the period ended March 31, 2026, the Company continued to prioritize its core PET-based WPF products (Ultra and GT3+), which reflect stronger customer demand and more attractive margin profiles. The Company continued to de-emphasize lower-margin product lines, including PPF and TPU-based WPF products such as ExoShield Sprint. ExoShield Sprint continued to serve more niche market segments due to the installation and product performance trade-offs between speed and ease of installation and limited durability associated with that product category.

Cost of sales for the quarter ended March 31, 2026 was \$261,566 as compared to \$394,738 in the prior period, representing a decrease of \$133,172, or 33.7%, consistent with the decrease in revenue during the period. In the first quarter of 2026, the Company did not import any products manufactured in China. Accordingly, there were no tariffs paid during the period. Products manufactured in China would incur a tariff rate of 60%.

Gross profit decreased to \$138,687 from \$227,789 in the prior year period, primarily due to lower revenues, a provision of approximately \$30,000 for replacement GT3+ WPF rolls due to the customer's strict optical demands as well as changes in product mix and cost structure. The Company was able to re-sell the GT3+ WPF rolls to other customers and, as such, did not record an impairment. The replacement of the GT3+ WPF rolls was a one-time occurrence with the customer.

Due to the limited inventory as a result of the product quality issue, revenue decreased resulting in a decrease of gross profit compared to the previous period. Unlike the financial year ended December 31, 2025, the product quality issue did not impact gross profit margin. During March 31, 2026, the gross profit margin was 34.6% compared to a gross profit margin of 36.6% in the first quarter of 2025. The Company did not write down any inventory during the period.

Operating expenses increased to \$1,372,607 (three months ended March 31, 2025 – \$1,122,315), driven by higher general and administrative costs related to preparations for the Company's public listing event, additional focus and investment in defence/Crypsis related costs including new staff hires and government consulting costs, and continued investment in engineering and operational infrastructure to support the Company's growth initiatives.

Finance expense for the three- months ended March 31, 2026 was \$579,015 compared to \$53,734 in the prior quarterly period. The increase reflects interest expense associated with debt and lease obligations. The increase in operating loss is consistent with higher operating expenses driven by business expansion activities.

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The Company recorded a foreign exchange gain of \$98,069 for the three months ended March 31, 2026 compared to a gain of \$236,222 in the prior year's quarterly period.

Other expenses of \$79,727 for the three months ended March 31, 2026 as compared to \$9,531 for the prior year's quarterly period reflects the change in value ascribed to the current derivative liability on the Company's balance sheet.

As a result, the Company recorded an operating loss of \$1,233,920 compared to \$894,526 in the prior year's quarterly period.

Net loss for the period increased to \$1,794,593 (three months ended March 31, 2025 – \$721,569), primarily due to higher operating costs and increased finance expenses associated with debt and lease obligations.

The Company did not earn any revenue from the sale of its Crypsis products in the first quarter of 2026 and 2025. As the Crypsis nanoparticles are produced in United States, they are not subject to tariffs.

The Company's exposure relating to products produced in China is as follows:

- Revenue of \$99,493, or 24.8% of total revenue, during March 31, 2026, compared to \$192,070, or 30.8% of total revenue, during March 31, 2025.
- Cost of sales of \$60,216, or 30.0% of total cost of sales, during March 31, 2026, compared to \$103,702, or 32.3% of total cost of sales, during March 31, 2025.

Comprehensive Loss

Total comprehensive loss for the three months ended March 31, 2026 was \$1,897,705 compared to \$967,771 in the prior year's quarterly period. The increase reflects the net loss for the period and foreign currency translation adjustments.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Working Capital

As at March 31, 2026, the Company had cash and cash equivalents of \$1,914,916 and a working capital deficiency of \$7,620,468, compared to cash and cash equivalents of \$2,265,030 and working capital deficiency of \$5,773,333 as at December 31, 2025.

The decrease in cash reflects the Company's continued investment in its operations as well as the acquisition of additional assets in during the period. The working capital deficiency is primarily attributable to the classification of certain debt and lease obligations as current liabilities.

Although the Company had a working capital deficit as at March 31, 2026, the Company will reduce the current liabilities by the outstanding principal amount and interest accrued thereon under the convertible notes and NameSilo Loan on the listing of the Company. The Company's ability to continue operations is dependent on its ability to generate additional revenue and/or obtain additional financing. The Company is completing an initial public offering of a minimum of 10,000,000 units at a price of \$1.00 per unit for gross proceeds of \$10,000,000 and up to a maximum of 15,000,000 units at a price of \$1.00 per unit for gross proceeds of \$15,000,000. The proceeds of the offering and the automatic conversion of the convertible notes and NameSilo Loan will permit the Company to fund its ongoing financial operations and achieve its business objectives over the next twelve months as described in detail in the Company's prospectus dated

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(the "Prospectus"). In addition, after completion of the offering, the Company anticipates it will have unallocated working capital of \$2,124,682. The unallocated working capital will be used to satisfy any costs that have not been completed in the Prospectus.

Upon completion of the initial public offering, the Company intends to purchase additional PET product inventory totaling \$400,000 in order to mitigate any future supply issues. As the additional PET product will be purchased with the proceeds of the initial public offering, the Company does not expect its new inventory purchases will have a material effect on the Company's future cash requirements. Currently, the Company maintains PET product inventory of approximately \$16,000. As a result, the additional inventory is a 2,500% increase and will provide an additional 90 to 120 days of PET inventory for the Company.

The Company has not entered into any credit facilities, which it can draw down. Although the offering proceeds will provide sufficient capital to the Company for the next twelve months, the Company may be reliant on new financings to meet its ongoing obligations and growth initiatives.

Subsequent to the period ended March 31, 2026, the Company received \$999,999.50 from the exercise of share purchase warrants. The warrants were issued in 2024 and were exercisable at a price of \$0.85 per share, resulting in the issuance of 1,176,470 common shares.

Cash Flow Summary

	Three months ended March 31:	
	<u>2026</u>	<u>2025</u>
Net cash used in operating activities	(\$1,065,181)	(\$845,684)
Net cash generated used in investing activities	684,102	(105,368)
Net cash provided by financing activities	30,965	939,277

Operating Activities

The Company generated negative cash flow from operations of \$1,065,181 for the three months ended March 31, 2026, compared to \$845,684 in the prior year's quarterly period. The increase in cash used in operations is consistent with higher operating expenses and continued investment in growth initiatives.

Investing Activities

Net cash used (recovered) in investing activities for the three months ended March 31, 2026 was (\$684,102), compared to \$105,368 in the prior year's quarterly period. This change reflects the Company's redemption of short term investments during the period which offset a continued investment in product development, including internally generated capitalized development costs, and expenditures on property and equipment to support operational scaling.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2026 was \$30,965 compared to \$939,277 in the prior year's quarterly period. Financing activities during the period ended March 31, 2026 primarily consisted of proceeds from the redemption of short-term investments as well as small increase in a debt financing used to support the Company's operations and growth initiatives.

Liquidity Outlook

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The Company's ability to continue operations is dependent on its ability to generate sufficient cash flows from operations and/or obtain additional financing. Management is actively evaluating financing alternatives, including equity financings, debt arrangements, and strategic partnerships, to support ongoing operations and planned growth initiatives.

While the Company has successfully raised capital during the period, there can be no assurance that additional financing will be available on terms acceptable to the Company, or at all.

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2026, the Company entered into transactions with related parties in the normal course of business, including interest expense on related party loans and share issuances.

The following total balances are outstanding with related parties:

	For the three months ended March 31:	
	2026	2025
<i>Convertible loan payable to:</i>		
NameSilo Technologies	\$ 1,125,215	\$ 515,199
Maxcroft Holdings Inc.	160,083	-
Off the Grid Ventures Fund 1, LLC	105,849	-

The President and Chief Executive Officer of NameSilo Technologies Corp. is also a director of the Company and NameSilo is also a minority common shareholder of the Company.

Maxcroft Holdings Inc. is wholly-owned by the Company's Chief Financial Officer, Douglas Lawson.

OTG Ventures lead principal, David Mes, is the Chair of the Company's Board of Directors. OTG Ventures is also a minority common shareholder of the Company.

The increase reflects additional financing provided by related parties and completed in 2025 to support the Company's working capital and operational requirements.

Key management compensation, including both salary and stock compensation, totaled \$125,544 and \$106,244 for the three month period ended March 31, 2026 and 2025 respectively.

Further details regarding related party transactions and balances are disclosed in the Company's unaudited condensed interim consolidated financial statements.

SUBSEQUENT EVENTS

On April 15, 2026, NameSilo Technologies agreed to amend the terms of their convertible loan agreements from all principal and accrued interest being convertible into common shares of the Company at the lender's discretion at any time following the occurrence of a listing event and before maturity of December 18, 2026 to being fully convertible into common shares of the Company upon the occurrence of a public listing event.

On April 16, 2026, 1,176,470 warrants were exercised at a value of \$0.85 per share resulting in the issuance of 1,176,470 additional common shares of the Company for a total of \$999,999.50 in new equity capital.

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FINANCIAL INSTRUMENTS

The Company is exposed to a variety of financial risks arising from its financial instruments, including credit risk, liquidity risk, and market risk.

There have been no material changes in the Company's risk exposures or in the policies and procedures used to manage those risks during the three months ended March 31, 2026.

For additional information, please refer to Notes 6 and 23 of the Company's audited consolidated financial statements for the year ended December 31, 2025.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by applicable securities legislation, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at March 31, 2026 and has concluded that such controls and procedures were effective.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There have been no changes in internal control over financial reporting during the three months ended March 31, 2026, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

Risks Relating to Corporate History

Limited operating history.

The Company has a limited history of operations and is considered an early-stage issuer. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of profitability. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered remote in light of its early stage of operations.

Negative operating cash flows and history of losses

Although the Company expects to become profitable, there is no assurance that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flows and may continue to have that for the foreseeable future. To date, the Company has not generated operating profits and the Company expects significant capital investment will be required to achieve profitability. The Company expects its net losses from operations to continue in the near future. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to develop, manufacture, market and achieve commercial acceptance of its products. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains

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losses over an extended period of time, the Company may be unable to continue its business.

Additional financing.

The Company anticipates that it will require significant additional financing to continue its operations and achieve its business objectives. There can be no assurance that such financing will be available at all or on favourable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's ability to achieve its business objectives. Additional financing may dilute the ownership interest of the Company's shareholders at the time of the financing and may dilute the value of their investment.

General venture company risks.

An investment in the Company's securities should be considered highly speculative due to the nature of the Company's business, the early stage of its deployment, its current financial position and ongoing requirements for capital. An investment in the Company's securities should only be considered by those persons who can afford a total loss of investment and is not suited to those investors who may need to dispose of their investment in a timely fashion. Investors should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in the Company's securities.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flows. The process for estimating the Company's revenue, net income and cash flows requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Staffing challenges.

The recruitment and retention of qualified professionals to develop products, as well as sales, marketing and financial professionals, is critical to the Company's future success. Employee turnover rates can be high and competition for experienced personnel is high. The Company's failure to attract and retain professionals may prevent or hinder its ability to pursue the business plan and grow its business.

Managing growth.

If the business plan is successful, the Company may experience significant growth in a short period of time and encounter potential scaling issues. The Company's financial, management and operating resources may not expand sufficiently to adequately manage growth. Costs may increase disproportionately if rapid growth is not manageable, and future revenues may stop growing or decline and the Company may face dissatisfied customers. Failure to manage growth may adversely impact the Company's business and the value of the shareholders' investment.

Discretion and uncertainty of Use of Available Funds.

Although the Company has set out its intended use of available funds, these intended uses are estimates only and subject to change. While management does not currently contemplate any material variation, management does retain broad discretion in the application of such proceeds. The results and the effectiveness of the application of the funds are uncertain. The failure by the Company to apply these funds

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effectively could have a material adverse effect on its business, including the Company's ability to achieve its stated business objectives. In addition, the Company may use the funds in ways that a shareholder may not consider desirable.

Risks Relating to the Company's Business and the Industry

Consumer discretionary spending.

The Company's business is affected by general economic conditions as its products are discretionary, and the Company depends, to a significant extent, upon a number of factors relating to discretionary consumer spending. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels and availability of credit.

Development of products.

To execute the business plan, the Company must develop, market and commercialize its products. If the technologies represented by its products are not accepted in the marketplace, or if the Company's products are not brought to market in a timely manner, this could materially and adversely impact the Company.

The Company's future success depends on the ability to maintain a competitive position with respect to technological advances. Competitors may develop products that are more effective or develop products faster, which could in turn render the Company's technology obsolete or non-competitive.

There can be no assurance that there is a market for the Company's products, or of the size of the market or the market's acceptance of our products. Sales outcomes are based upon a variety of factors which cannot be assured. If the Company fails to successfully develop and commercialize the Company's products, or if the products are not accepted by the market, the Company's business prospects will suffer.

Data and security breaches.

During the course of its operations, the Company may collect and have access to confidential and private information, including personally identifiable information. The Company believes that it is taking reasonable steps to protect the security, integrity and confidentiality of the information the Company collects, uses, stores and discloses, but there is no guarantee that inadvertent or unauthorized data access or use will not occur despite prevention efforts. In the future, attempts may be made to disable the Company's systems or breach the security of its systems. It is generally difficult to recognize techniques to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems until they are launched against a target, as they frequently change. As a result, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

The market perception of the Company's security measures could be harmed if an actual or perceived security breach occurs. A security breach could cause the loss or corruption of data, which could harm the Company's business and business prospects. Any failure to maintain the security of the Company's systems could result in loss of personal information and/or other confidential information, damage to the Company's reputation and relationships with customers and suppliers, early termination of contracts with customers and suppliers and other business losses, indemnification of others, financial penalties, litigation, regulatory investigations and other significant liabilities. In the event of a major third-party security incident, the Company may incur losses in excess of its insurance coverage.

Competing innovations and products.

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The Company expects to encounter intense competition from business that provide competing products to those offered by the Company. Many of the Company's competitors have substantially greater financial, technical, research, marketing, sales, service and other resources than the Company, and may develop products that are superior or may gain greater market acceptance than those offered by the Company. Competitors may succeed in obtaining intellectual property protections for their products before the Company obtains protection for its own innovations and inventions. If the Company's competitors develop products that have greater market attraction than the Company's or that render the Company's products obsolete or non-competitive, the Company's business will suffer.

Intellectual Property.

The Company relies on trade secrets, patent and other intellectual property laws of Canada, the United States and the other countries where it intends to do business to protect its intellectual property rights. The Company may be unable to prevent third parties from using its intellectual property without its authorization. The unauthorized use of the Company's intellectual property could reduce any competitive advantage that it has developed, reduce its market share or otherwise harm its business. In the event of unauthorized use of the Company's intellectual property, litigation to protect and enforce the Company's rights could be costly, and the Company may not prevail.

In addition to patents, the Company may rely on unpatented technological innovation and other trade secrets to develop and maintain its competitive position. Although the Company may enter into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements may be of limited in duration, could be breached and may not provide meaningful protection of its trade secrets including in relation to the Company's intellectual property. Adequate remedies may not be available if there is an unauthorized use or disclosure of the Company's trade secrets or expertise. In addition, others may obtain knowledge about the Company's trade secrets through independent development or by legal means. The failure to protect the Company's processes, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on its business by jeopardizing critical intellectual property.

Where product development or processes are kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to such trade secret products or processes. This could have a material adverse effect on the Company's ability to make and sell its products or use such processes and could potentially result in costly litigation in which the Company might not prevail. The Company could face intellectual property infringement claims that could result in significant legal costs and damages and impede its ability to produce key products, which could have a material adverse effect on its business, financial condition, and results of operation.

Regulation of Products.

The Company's products may be subject to significant regulatory approval. Where regulatory approval is required, the Company's future profitability may depend on the Company receiving regulatory approval for its product candidates and its ability to successfully manufacture and market approved products. If the Company is not able to obtain regulatory approval if and when such approval is required, the value of the Company and the Company's results of operations could be harmed. Obtaining regulatory approval for the Company's products where required may be a lengthy and expensive process, and the Company's ability to obtain such approval may be uncertain.

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Reliance on Third Party Manufacturers

The Company relies on well established large-scale contract manufacturers to produce its WPF and PPF products and to mix and supply the nanoparticles used in the Company's automotive products. In addition, the Company uses one large manufacturer to produce its nanoparticles for its defence products. As these are third parties over which the Company will have little or no control, the failure of such third parties to manufacture or supply these products on a timely basis could have a material adverse effect on the business, financial condition and operating results of the Company. In addition, contracting manufacturers used by the Company could face their own unexpected interruptions in the manufacturing process or they could fail to manufacture products to the Company's specifications, which could have a material adverse effect on the Company's operations.

Although the Company utilizes well established large-scale contract manufacturers and believes that the sources raw materials used to manufacture the Company's products, including nanoparticles, are generally adequate, it is difficult to predict what effects disruptions to the operations of the Company's contract manufacturers or shortages or price increases in raw materials may have in the future. Disruptions to the operations of contract manufacturers, the inability of contract manufacturers to keep up with the Company's needs or disruptions in the supply of raw materials could affect the Company's ability to manage its inventory and meet customer delivery requirements. The Company's inability to fill its supply needs would jeopardize its ability to fulfill its purchase orders, which could, in turn, result in reduced sales and damage to customer relationships, and could have a material adverse effect on the Company's operating results, financial condition, or cash flows.

With respect to the Company's defence products, the Company currently uses a single manufacturer to produce its nanoparticles. As the Company does not currently have alternative suppliers for this business line, the Company's defence related business may be more susceptible to disruptions emanating from the Company's single source supplier, including labour disputes, accidents, acts of god or other interruptions to the supplier's business.

In the future, the Company may seek to implement toll manufacturing for its nanoparticle formulations, including Crypsis. Implementing a toll manufacturing arrangement may provide benefits to the Company, such as greater control over its supply chain and greater flexibility in its ability to customize formulations. However, such an arrangement may come with additional risks. In particular, the Company would be responsible for sourcing raw materials for the manufacture of its nanoparticle formulations, which could result in supply chain disruptions if the Company is not able to find a reliable source of necessary the required raw materials. In addition, because the Company will be responsible for coordinating more parts of the manufacturing process, the Company may not be able to effectively manage this process. Although the Company would expect to enter into confidentiality and non-disclosure arrangements with its toll manufacturers and raw material suppliers, there may be greater risk that proprietary information may be leaked or misused.

Inventory Holdings

Upon completion of the Offering, the Company intends to purchase additional inventory in order to mitigate any potential future supply issues. Although the Company believes that it will ultimately sell all additional inventory, the holding of additional inventory may result in an increase in costs to store the inventory and may become obsolete if not sold in a timely manner. These additional costs and the inability to sell the additional inventory may have a negative impact on the financial results of the Company.

No Long-Term Supply Contracts

The Company does not currently have fixed long term supply contracts with its third party manufacturers. This provides the Company with greater flexibility with respect to allocation of resources and sourcing of

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alternative suppliers. However, this may place the Company at greater risk of negative impacts to its supply chain. In particular, the Company may be at greater risk of arbitrary changes to the terms and conditions attached to the Company's purchases of materials, including price increases. In addition, there may be risks that the Company's suppliers are unwilling or unable to meet the Company's future supply needs.

Tariff and Trade Restriction Risk

Countries may, from time to time, implement, modify, and remove tariffs and other trade restrictions. These actions can negatively affect the Company by increasing the cost to produce or sell its products or otherwise disrupt the supply of its products or limit the Company's ability to sell its products in markets outside Canada.

In 2025, the United States raised tariffs on most goods imported to the United States, prompting Canada to respond with counter-tariffs. However, products covered under the Canada United States-Mexico Agreement ("CUSMA") are not subject to import tariffs. The Company's PET products are manufactured in the United States. The Company's Crypsis nanoparticles are also manufactured in the United States. As such, the Company believes that its PET products and Crypsis nanoparticles are covered under CUSMA and are free from tariffs imposed by the United States. However, there remains a risk that tariffs are nonetheless imposed on these products by government agencies or that customs brokers or other shipping agents may mistakenly charge the Company for tariffs. In addition, the Company's other automotive film products (ExoShield Sprint and ExoShield Mach) are manufactured outside the United States, Mexico and Canada and, as such, are currently subject to tariffs when shipped to the United States. As of the date of this Prospectus, the Company has not increased its prices due to the tariffs which negatively impacts profit. In the future the Company may pass these additional costs onto its customers, which could reduce sales and damage the Company's relationship with its customers.

Notwithstanding the foregoing, CUSMA will be reviewed in 2026. If CUSMA is renegotiated or cancelled, or the United States otherwise determines that tariffs are to be applied to the Company's products sold in the United States regardless of where they are manufactured, the Company may experience lower profit margins on its products or the Company could be required to increase the price of its products, which could negatively impact the Company's sales of those products, including, in both cases, the Company's PET and Crypsis products. Currently, the tariffs on non-compliant CUSMA goods is 10%. In addition, Canada could apply retaliatory tariffs, which could result in the Company being required to pay tariffs on products manufactured in the United States and imported into Canada by the Company for subsequent processing or resale. Tariff rates imposed by the United States, and retaliatory tariffs imposed by Canada, have been subject to significant variance since January 2025, in some cases being as high as 50% depending on the nature of the product targeted, and in some cases changing in the span of months or weeks. As such, the Company is not able to accurately predict the potential impact of tariffs on its business and the Company may have difficulty responding to changes in tariff rates.

Management of Growth

The Company may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its automotive and defence related products. The Company may be subject to growth related risks including capacity constraints at its facility in Kitchener, Ontario and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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Risks Relating to the Company's securities

Market price of Common Shares and volatility.

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

The market price of the Common Shares is affected by many other variables which are not directly related to our success and are, therefore, not within the Company's control. These include other developments that affect the breadth of the public market for the Common Shares, the release or expiration of lock-up or other transfer restrictions on the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Common Share price volatile in the future, which may result in losses to investors.

No active market.

An active public market for the Common Shares might not develop or be sustained. Even if a market develops, there is no assurance that the price of the Common Shares will reflect the prevailing market price of the Common Shares immediately following the Listing Date. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the Common Share price may decline below the initial public offering price.

Dividends.

The Company intends to retain earnings, if any, to finance the growth and development of its business and do not intend to pay cash dividends on the Common Shares in the foreseeable future, if ever. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Substantial number of authorized but unissued shares.

The Company has an unlimited number of Common Shares that may be issued by the Board without further action or approval of the Company's shareholders. While the Board is required to fulfill its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

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Dilution.

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance the Company's operations, development, exploration, acquisitions or other projects. Substantial additional financing may be required by the Company. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in the Company's earnings per Common Share.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Tax Issues.

Income tax consequences in relation to the securities offered will vary according to the circumstances of each purchaser. Prospective purchasers should seek independent advice from their own tax and legal advisers prior to subscribing for the securities.

OTHER INFORMATION

Securities outstanding

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Security	Number Outstanding	Exercise / Conversion Price
Common Shares	29,017,031	N/A
Stock Options	2,573,439	\$0.29 – \$0.85
Convertible Debt	\$7,851,000	\$0.75

Notes:

- Convertible debt is convertible into common shares at \$0.75 per share upon a qualifying event (e.g., public listing). The NameSilo loan includes a conversion feature that allows the lender to convert the outstanding principal and accrued interest into common shares of the Company in connection with a public listing event. The additional convertible notes including accrued interest, will automatically convert into common shares upon a public listing event. (See *Debt Financing above*)
- Stock options are exercisable into common shares in accordance with their respective terms.

SCHEDULE "C"
AUDIT COMMITTEE CHARTER FOR THE COMPANY

(See attached)

ALCHEMY LABS INC.
AUDIT COMMITTEE CHARTER
(Adopted March 25, 2026)

I. MANDATE

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Alchemy Labs Inc. (the “Company”) shall assist the Board in fulfilling its financial oversight responsibilities. The Committee’s primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. the quality and integrity of the Company’s financial statements and other financial information;
2. the compliance of such statements and information with legal and regulatory requirements;
3. the qualifications and independence of the Company’s independent external auditor (the “Auditor”); and
4. the performance of the Company’s internal accounting procedures and the Auditor.

II. STRUCTURE AND OPERATIONS

A. Composition

The Committee shall be comprised of three or more members, a majority of which shall be independent. “Independent” shall have the meaning, as the context requires, given to it in National Instrument 52-110 – *Audit Committees*, as may be amended from time to time.

B. Qualifications

Each member of the Committee must be a member of the Board.

A majority of the members of the Committee shall not be officers or employees of the Company or of an affiliate of the Company.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement.

C. Appointment and Removal

In accordance with the Articles of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a chair of the Committee (the “Chair”), the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Meetings

The Committee shall meet as frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Company's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

Independence of Auditor

1. review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company;
2. take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor;
3. require the Auditor to report directly to the Committee; and
4. review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

Performance & Completion by Auditor of its Work

1. be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including resolution of disagreements between management and the Auditor regarding financial reporting;
2. review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
3. recommend to the Board the compensation of the Auditor; and
4. pre-approve all non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor.

Internal Financial Controls & Operations of the Company

1. establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

1. discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies;
2. discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies;
3. discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements;
4. discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies; and
5. discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
 - (a) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor, or the Company's internal auditor or management;
 - (b) the management inquiry letter provided by the Auditor and the Company's response to that letter; and

- (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with the Company's management.

Public Disclosure by the Company

1. review the Company's annual and interim financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.;
2. review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures; and
3. review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Manner of Carrying Out its Mandate

1. consult, to the extent it deems necessary or appropriate, with the Auditor, but without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;
2. request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee;
3. meet, to the extent it deems necessary or appropriate, with management, any internal auditor and the Auditor in separate executive sessions;
4. have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors;
5. make regular reports to the Board;
6. review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval;
7. annually review the Committee's own performance;
8. provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board; and
9. not delegate these responsibilities.

C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of the Company's management and the Auditor.

CERTIFICATE OF THE COMPANY

Dated: June 25, 2026

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces and territories of Canada other than Québec.

"Khanjan Desai"

Khanjan Desai
Chief Executive Officer

"Douglas Lawson"

Douglas Lawson
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Paul Andreola"

Paul Andreola
Director

"David Mes"

David Mes
Director

CERTIFICATE OF PROMOTER

Dated: June 25, 2026

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces and territories of Canada other than Québec.

"Khanjan Desai"

Khanjan Desai

CERTIFICATE OF AGENTS

Dated: June 25, 2026

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces and territories of Canada other than Québec.

HAYWOOD SECURITIES INC.

By: *"Peter Graham"*
Peter Graham
Managing Director, Investment Banking

ATB CAPITAL MARKETS CORP.

By: *"Mario Maruzzo"*
Mario Maruzzo
*Managing Director,
Investment Banking*

BEACON SECURITIES LIMITED

By: *"Michael Flynn"*
Michael Flynn
*Managing Director,
Investment Banking*

CANACCORD GENUITY CORP.

By: *"Todd Radons"*
Todd Radons
*Managing Director,
Investment Banking*

VENTUM FINANCIAL CORP.

By: *"Christine Young"*
Christine Young
*Managing Director, Head
of Origination*