REDWOOD AI CORP.
(Formerly Marshall Technologies Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED MAY 31, 2026 AND 2025

(Expressed in Canadian Dollars)

(UNAUDITED)

REDWOOD AI CORP.
(formerly Marshall Technologies Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	(Unaudited) **May 31, 2026** **$**	(Audited) **August 31, 2025** **$**
ASSETS			
Current assets			
Cash		1,093,345	22,285
GST receivable		65,491	24,751
Interest receivable	4	-	5,920
Promissory note receivable	4	-	220,000
Restricted cash	7	-	4,161,989
Prepaid expense		538,535	-
		1,697,371	4,434,945
Equipment		4,261	-
Total assets		1,701,632	4,434,945
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Accounts payable and accrued liabilities	9	182,626	566,435
Advances payable	5	20,000	20,000
Refundable subscription receipts	7	-	4,281,989
Total liabilities		202,626	4,868,424
Shareholders' equity (deficit)			
Share capital	7, 8	12,380,201	18,750
Reserves	7, 8	7,902,366	-
Subscription receipts	7, 8	-	195,000
Deficit		(18,783,561)	(647,229)
Total shareholders' equity (deficit)		1,499,006	(433,479)
Total liabilities and shareholders' equity (deficit)		1,701,632	4,434,945

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on July 30, 2026:

"Matthew Mingay" *"Kristian Thorlund"*

Matthew Mingay, Director Kristian Thorlund, Director

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

REDWOOD AI CORP.
(formerly Marshall Technologies Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(UNAUDITED)

		Three months ended		Nine months ended	
		May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
	Notes	$	$	$	$
Expenses					
Advertising		580,495	–	1,595,288	21,000
Consulting fees	9	14,360	–	212,143	–
Cloud computing		6,551	–	8,043	–
General and administrative		32,102	111	50,507	4,106
Management fees		30,000	–	30,000	-
Listing and filing fees		109,784	4,383	197,672	10,673
Professional fees		88,884	163,110	235,285	359,679
Salaries and wages	9	143,654	–	201,520	–
Share-based compensation	9	6,163,725	–	7,706,170	–
Software development		116,574	–	118,883	–
Travel and conference		35,965	–	42,825	–
Total expenses		7,322,094	167,604	10,398,336	395,458
Loss before other income (expense)		(7,322,094)	(167,604)	(10,398,336)	(395,458)
Other income (expense)					
Interest income	4	–	1,329	70,428	3,314
Interest expense	6	–	–	(7,287)	–
Government grant		27,462	–	34,674	–
Loss on debt settlement	7	–	–	(658,442)	–
Transaction consideration		–	–	(7,177,369)	–
Other income		–	–	–	225
Total other income (expense)		27,462	1,329	(7,737,996)	3,539
Net loss and comprehensive loss for the period		(7,294,632)	(166,275)	(18,136,332)	(391,919)
Loss per share, basic and diluted		(0.21)	(1.77)	(1.18)	(4.32)
Weighted average number of common shares outstanding, basic and diluted		34,895,300	93,750	15,422,212	90,659

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

REDWOOD AI CORP.
(formerly Marshall Technologies Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Expressed in Canadian dollars)
(UNAUDITED)

	Number of common shares	Share Capital	Subscription receipts	Share subscriptions received	Subscription receipts receivable	Reserves	Deficit	Total shareholders' equity (deficit)
		$	$	$	$	$	$	$
Balance, August 31, 2024	1	1	15,000	18,750	(15,000)	–	(115,581)	(96,830)
Shares issued for cash	93,750	18,750	–	(18,750)	–	–	–	–
Return of founder's share	(1)	(1)	–	–	–	–	–	(1)
Subscription receipts received	–	–	180,000	–	15,000	–	–	195,000
Subscription receipts to be issued	–	–	–	–	491,500	–	–	491,500
Net loss for the period	–	–	–	–	–	–	(391,919)	(391,919)
Balance, May 31, 2025	93,750	18,750	195,000	–	491,500	–	(507,500)	197,750
Balance, August 31, 2025	93,750	18,750	195,000	–	–	–	(647,229)	(433,479)
Shares issued for acquisition of Redwood AI Inc.	12,000,000	6,000,000	–	–	–	–	–	6,000,000
Shares issued for finders' fees	600,000	300,000	–	–	–	–	–	300,000
Shares issued for conversion of subscription receipts	20,515,000	4,212,229	(195,000)	–	–	240,271	–	4,257,500
Shares issued for corporate advisory agreement	300,000	150,000	–	–	–	–	–	150,000
Share issue costs	–	(438,427)	–	–	–	–	–	(438,427)
Additional contribution	–	405,000	–	–	–	–	–	405,000
Debt settlement	236,003	1,062,014	–	–	–	–	–	1,062,014
Shares issued for warrants exercised	2,180,800	670,635	–	–	–	(44,075)	–	626,560
Share-based compensation	–	–	–	–	–	7,706,170	–	7,706,170
Net loss for the period	–	–	–	–	–	–	(18,136,332)	(18,136,332)
Balance, May 31, 2026	35,925,553	12,380,201	–	–	–	7,902,366	(18,783,561)	1,499,006

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

REDWOOD AI CORP.
(formerly Marshall Technologies Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(UNAUDITED)

	Nine months ended	
	May 31, 2026	**May 31, 2025**
	$	**$**
Operating activities		
Net loss for the period	(18,136,332)	(391,919)
Items not involving cash:		
Amortization	122	–
Interest income	(23,885)	(3,314)
Other income	–	(225)
Consulting fees paid in shares	150,000	–
Loss on debt settlement	658,442	–
Share-based compensation	7,706,170	–
Transaction consideration	7,177,369	–
Changes in non-cash working capital:		
GST receivable	(30,989)	–
Prepaid expense	(516,226)	–
Accounts payable and accrued liabilities	(491,574)	343,560
Net cash used in operating activities	(3,506,903)	(51,898)
Investing activities		
Promissory notes issued	(178,000)	(220,000)
Cash acquired on acquisition of Redwood AI Inc.	5,224	–
Acquisition of equipment	(4,383)	–
Net cash used in investing activities	(177,159)	(220,000)
Financing activities		
Common shares returned to treasury	–	(1)
Proceeds from subscription receipts	–	195,000
Proceeds from subscription receipts to be issued	–	491,500
Share issue costs	(438,427)	–
Shares issued for exercise of warrants	626,560	–
Additional contribution	405,000	(52,000)
Net cash provided by financing activities	593,133	634,499
Change in cash	(3,090,929)	362,601
Cash, beginning of period	4,184,274	35,017
Cash, end of period	1,093,345	397,618
Non-cash investing and financing activities:		
Fair value of shares issued to acquire Redwood AI Inc.	4,452,500	–
Fair value of warrants issued	438,427	–
Fair value of shares issued due to debt settlement	403,572	–

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Redwood AI Corp. ("Redwood" or the "Company") (formerly Marshall Technologies Corp.) was incorporated on September 6, 2022, pursuant to the provisions of the *Business Corporations Act* (British Columbia). The Company's registered office is located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver British Columbia, V6C 2B5. The Company's common shares trade on the Canadian Securities Exchange (the "CSE"), under the symbol "AIRX".

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. During the nine months ended May 31, 2026, the Company had no revenues, incurred a net loss of $18,136,332, and had negative cash flows from operations. As at May 31, 2026, the Company had an accumulated deficit of $18,783,561. The continued operations of the Company are dependent on its ability in the future to achieve profitable operations and obtain the necessary financing to meet its obligations such that it can repay its liabilities when they become due. The inability to achieve these objectives may cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. The impact of these adjustments could be material.

On January 30, 2026 the Company completed the acquisition of all of the issued and outstanding common shares of Redwood AI Inc. (the "Transaction"). The principal business of the Company became that of Redwood AI Inc., which develops Artificial Intelligence ("AI")-enabled software to facilitate the investigation and development of pharmaceutical-grade molecules and compounds.

2. BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to interim financial information, as outlined in International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and using the accounting policies consistent with those in the audited financial statements as at and for the year ended August 31, 2025.

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Redwood AI Inc., a company incorporated under the Business Corporations Act (British Columbia). All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and 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. The subsidiary is included in the financial statements from the date control commences until the date control ceases

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical basis, except for certain financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and Redwood AI Inc.

2. BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Critical accounting estimates and judgments

The preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates. The 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant judgments

Going concern assumption

The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Business combination/acquisition

Management applies judgment in determining whether an acquisition is accounted for as a business combination or an asset acquisition, based on the nature of the activities and assets acquired. This assessment affects the recognition of transaction costs, and the allocation of consideration.

Significant estimates

Fair value of options and finder's warrants

Fair values of stock options and finder's warrants are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options and finder's warrants.

(Expressed in Canadian dollars)

3. ACQUISITION OF REDWOOD AI INC.

On January 30, 2026, the Company completed the acquisition of 100% of the issued and outstanding shares of Redwood AI Inc. ("Opco") in exchange for 12,000,000 common shares of the Company pursuant to the Share Purchase Agreement. This acquisition has been accounted for as an acquisition of assets in accordance with IFRS 2, Share-based payments, as Opco did not meet the definition of a business under IFRS 3, Business Combinations. As there was no change of control, Opco became a wholly-owned subsidiary of the Company on January 30, 2026, the closing date of the Agreement.

In relation to the transaction, the Company issued 600,000 common shares to finders. The allocation of the consideration paid is summarized as follows:

	$
Consideration	
12,000,000 common shares at a fair value of $0.50 per share	6,000,000
600,000 finder's shares at a fair value of $0.50 per share	300,000
	6,300,000
Net liabilities assumed	
Cash	5,224
GST receivable	9,751
Prepaid expenses	22,309
Accounts payable and accrued liabilities	(142,769)
Promissory notes payable	(771,884)
Net liabilities assumed	(877,369)
Transaction cost	7,177,369

4. PROMISSORY NOTE RECEIVABLE

On October 16, 2024, Opco issued a promissory note of $100,000 to the Company, which was secured by a general security agreement, bore interest at the fluctuating prime-lending rate as quoted by Toronto Dominion Bank ("TD Bank"), and had a maturity date of February 16, 2025, which was extended to May 30, 2025. On May 26, 2025, additional proceeds of $120,000 were advanced to Opco, and the maturity date of the promissory note was extended to October 1, 2025. From November 2025 to January 2026, the Company made further advances of $178,000 to Opco and extended the maturity date of the promissory note to January 31, 2026. Subsequent to the acquisition of Opco, the outstanding balance of $403,316, which includes accrued interests of $5,316, was eliminated upon consolidation.

5. ADVANCES PAYABLE

As at May 31, 2026, the Company owed $20,000 (August 31, 2025 - $20,000) relating to advances made by individuals for private placements into the Company that are being returned. The amounts owing are unsecured, non-interest bearing, and due on demand.

6. PROMISSORY NOTES PAYABLE

On November 24, 2025, the Company issued a promissory note of $16,000 to an arms-length third party, which was unsecured, bore interest at the TD Bank prime lending rate, and was due on or before November 24, 2026. On January 23, 2026, the holder of this promissory note contributed additional capital to the Company, which was satisfied by the forgiveness of this promissory note payable.

On November 25, 2025, the Company issued a promissory note of $48,000 to an arms-length third party, which was unsecured, bore interest at the TD Bank prime lending rate, and was due on or before November 25, 2026. On January 23, 2026, the holder of this promissory note contributed additional capital to the Company, which was satisfied by the forgiveness of this promissory note payable.

Subsequent to the acquisition of Opco, the Company assumed promissory notes payable of $771,884 (see Note 3), of which $403,316 was owed by Opco (see Note 4). On February 20, 2026, the Company entered into an agreement to settle outstanding balance of $368,568 in exchange for 215,534 common shares of the Company.

7. REFUNDABLE SUBSCRIPTION RECEIPTS

On June 12, 2025, the Company issued 8,515,000 subscription receipts at $0.50 per subscription receipt for proceeds of $4,257,500. Each subscription receipt was to automatically convert into one share unit of the Company upon the completion of the Transaction (the “Conversion Condition”). Each share unit of the Company would be comprised of one common share of the Company and one half of one share purchase warrant, wherein each whole share purchase warrant will entitle the holder to purchase one additional common share of the Company at $0.70 per share for a period of five years from the conversion date.

If the Conversion Condition was not met by January 31, 2026, the funds were to be returned to investors. This refund obligation gave rise to a present obligation to deliver cash, meeting the definition of a financial liability under IAS 32.

As at May 31, 2026, the Company had financial liabilities of $nil (August 31, 2025 –$4,281,989), which included interest earned in the trust account of $nil (August 31, 2025 – $24,489), and restricted cash of $nil (August 31, 2025 – $4,161,989) held by a transfer agent on behalf of the Company. During the year ended August 31, 2025, the Company advanced $120,000 of restricted cash to Opco for working capital as part of the share purchase agreement. Refer to Note 4.

8. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Shares issued during the nine months ended May 31, 2026:

On January 23, 2026, the holders of the $0.0025 and $0.001 subscription receipts, respectively, contributed additional capital to the Company, in the aggregate amount of $405,000, in order to raise the average cost of each such subscription receipt to $0.05.

On January 30, 2026, the Company issued 12,000,000 common shares with fair value of $6,000,000 pursuant to the acquisition of Opco. In relation to the acquisition, the Company issued 600,000 common shares with total fair value of $300,000 to finders. (See Note 3)

On January 30, 2026, the Company issued 300,000 common shares with fair value of $150,000 pursuant to a Corporate and Financial Advisory Agreement.

8. SHARE CAPITAL (continued)

On February 27, 2026, the Company issued 236,003 common shares at a total fair value of $403,572 to settle debt of $35,004 and promissory notes payable of $368,568 pursuant to debt settlement agreements. In relation to the settlement, the Company recognized loss on debt settlement of $658,442.

During the nine months ended May 31, 2026, the Company issued 2,180,800 common shares for gross proceeds of $626,560 pursuant to the exercise of warrants. The Company transferred $44,075 from reserves to share capital.

Shares issued during the year ended August 31, 2025:

On August 28, 2024, the Company issued 6,000,000 subscription receipts at $0.0025 per subscription receipt for proceeds of $15,000, which were received on September 18, 2024. Upon completion of the Transaction, these subscription receipts have been converted into 3,000,000 units of the Company on January 30, 2026, where each unit consists of one common share of the Company and two-thirds of one whole share purchase warrant. Each whole share purchase warrant will allow the holder to purchase one common share of the Company at $0.25 per common share for a period of five years from the issuance date. Using the residual value method, the Company allocated all of the proceeds to the common shares and $nil was allocated to the attached warrants.

On September 4, 2024, the Company issued 18,000,000 subscription receipts at $0.01 per subscription receipt for proceeds of $180,000. Upon completion of the Transaction, these subscription receipts have been converted into 9,000,000 common shares of the Company on January 30, 2026.

On September 9, 2024, the Company issued 93,750 common shares at a price of $0.20 per share for proceeds of $18,750, which was previously received in September 2023.

On September 9, 2024, the Company repurchased and cancelled 1 common share from the founder of the Company for consideration of $1.

On June 12, 2025, the Company issued 8,515,000 subscription receipts at $0.50 per subscription receipt for proceeds of $4,257,500. Upon completion of the Transaction, these subscription receipts have been converted into 8,515,000 units of the Company on January 30, 2026, where each unit consists of one common share of the Company and one half of one share purchase warrant. Each whole share purchase warrant will allow the holder to purchase one common share of the Company at $0.70 per common share for a period of five years from the issuance date. Using the residual value method, the Company allocated all of the proceeds to the common shares and $nil was allocated to the attached warrants.

In addition, 516,800 finder's warrants were issued in connection with the subscription receipt financing. Each finder's warrant entitles the holder thereof to purchase one common share at a price of $0.70 per share for 5 years. The fair value of the finder's warrants is estimated to be $183,538 and estimated at the date of issue using the Black-Scholes option pricing model with the following assumptions: exercise price of $0.70, spot price of $0.50, dividend yield of $nil, risk free interest rate of 2.88%, expected life of 5 years and expected volatility of 100%.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(c) Warrants

The following table summarizes the continuity of the Company's warrants:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, August 31, 2025	-	-
Issued	6,774,300	$ 0.57
Exercised	(2,180,800)	$ 0.29
Outstanding, May 31, 2026	4,593,500	$ 0.70

The following warrants were outstanding and exercisable as of May 31, 2026:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding and Exercisable
January 30, 2031	4.67	$ 0.70	4,593,500
	4.67	$ 0.70	4,593,500

(d) Restricted Share Unit Awards ("RSUs")

The Company has an equity incentive plan (the "Plan") that permits the grant of stock options, deferred share units, restricted share units, and performance share units up to 20% of the issued and outstanding common shares of the Company to directors, officers, key employees, and consultants. Terms of the options granted are subject to determination and approval by the Board of Directors. The table below summarizes the information on the outstanding RSUs of the Company:

	Number of RSUs
Outstanding, August 31, 2025	-
Granted	1,850,000
Outstanding, May 31, 2026	1,850,000

During the nine months ended May 31, 2026, 1,850,000 RSUs (2025 - nil) were granted, of which 400,000 RSUs were granted to directors of the Company. During the nine months ended May 31, 2026, the Company recognized share-based compensation expense of $7,569,075 (2025 – $nil) with a corresponding increase to reserves. The weighted average grant date fair value for RSUs granted during the nine months ended May 31, 2026 was $5 per RSU (2025 - $nil).

(e) Options

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted Average Exercise Price
Outstanding, August 31, 2025	-	-
Granted	50,000	$0.50
Outstanding, May 31, 2026	50,000	$0.50

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(e) Options (continued)

Additional information regarding stock options outstanding as at May 31, 2026, is as follows:

	Outstanding			Exercisable	
Exercise price	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
$0.50	50,000	2.69	$0.50	-	-

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	Nine months ended May 31, 2026	Nine months ended May 31, 2025
Risk-free interest rate	2.47%	–
Expected life (in years)	3.0	–
Expected volatility	100%	–

During the nine months ended May 31, 2026, the Company recognized share-based compensation expense of $137,095 (2025 – $nil), with a corresponding increase to reserve. The weighted average fair value of the stock options granted during the nine months ended May 31, 2026 was $4.61 (2025 – $nil) per option.

9. RELATED PART TRANSACTIONS

Key management includes directors (executive and non-executive) and officers of the Company. The amounts due to related parties are for amounts due to directors and officers. The balances are unsecured, non–interest bearing, and due on demand.

During the nine months ended May 31, 2026, the Company incurred $107,812 (2025 - $nil) of salaries and wages to the CEO of the Company. Consulting fees of $9,000 (2025 - $5,777) related to services provided by a company controlled by the CFO of the Company. As at May 31, 2026, the Company owed $2,000 (August 31, 2025 - $8,777) to the company controlled by the CFO of the Company, which is included in accounts payable and accrued liabilities.

During the nine months ended May 31, 2026, the Company incurred share-based compensation of $1,114,689 (2025 - $nil) to the directors of the Company.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

(a) Fair values

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

Level 1 – Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. There are no items in Level 2 of the fair value hierarchy.

Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices. There are no items in Level 3 of the fair value hierarchy.

The fair values of financial instruments, which includes cash, interest receivable, promissory note receivable, restricted cash, accounts payable and accrued liabilities, advances payable, promissory notes payable, and refundable subscription receipts, approximate their carrying values due to their short-term nature.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash, interest receivable, and promissory note receivable. The Company minimizes its credit risk by placing its cash with a large Canadian financial institution. The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. Accounts payable and accrued liabilities are typically due in 30 days, which are settled using cash.

At present, the Company's operations do not generate positive cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring required financing, there is no guarantee that the Company will continue to be successful in obtaining future financing.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

11. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the assessment of acquisition opportunities; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash. The Company is not subject to any externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the prior year.

12. SUBSEQUENT EVENTS

Subsequent to May 31, 2026, the Company issued 384,000 common shares pursuant to exercise of warrants and 1,050,000 common shares pursuant to the exercise of RSUs.

On June 26, 2026 the Company entered into a share purchase agreement dated June 26, 2026 with Quantum.IQ Technologies Inc. ("Quantum.IQ") and the shareholders of Quantum.IQ, pursuant to which the Company will acquire all of the issued and outstanding shares of Quantum.IQ (the "Acquisition"), subject to the satisfaction or waiver of customary closing conditions.

On July 21, 2026, the Company closed a private placement (the "Private Placement") of 1,663,000 special warrants of the Company ("Special Warrants") at a price of $2.11 per Special Warrant, for gross proceeds of $3,508,930. Each Special Warrant is exercisable into one unit which consists of one common share and one common share purchase warrant of the Company. Each warrant shall entitle the holder thereof to acquire one common share at a price of $2.48 per share for a period of 5 years following the closing. 83,150 agent warrants have been issued in connected with the private placement, with each agent warrant being exercisable to acquire one common share at a price of $2.48 per share for 5 years.

Each Special Warrant will be automatically exercised, without the payment of any additional consideration, into one Unit on the date (the "Qualification Date") that is the earlier of: (i) 4 months and a day following the closing of the Private Placement, and (ii) the date that a prospectus supplement (the "Prospectus Supplement") is filed to qualify the distribution of the Units. However, if the Prospectus Supplement has not been filed on or before the date that is 90 days following the closing of the Private Placement (the "Penalty Provision"), then each Special Warrant will be exercisable, at no additional consideration, for 1.10 units (each, a "Penalty Unit") (instead of one unit).