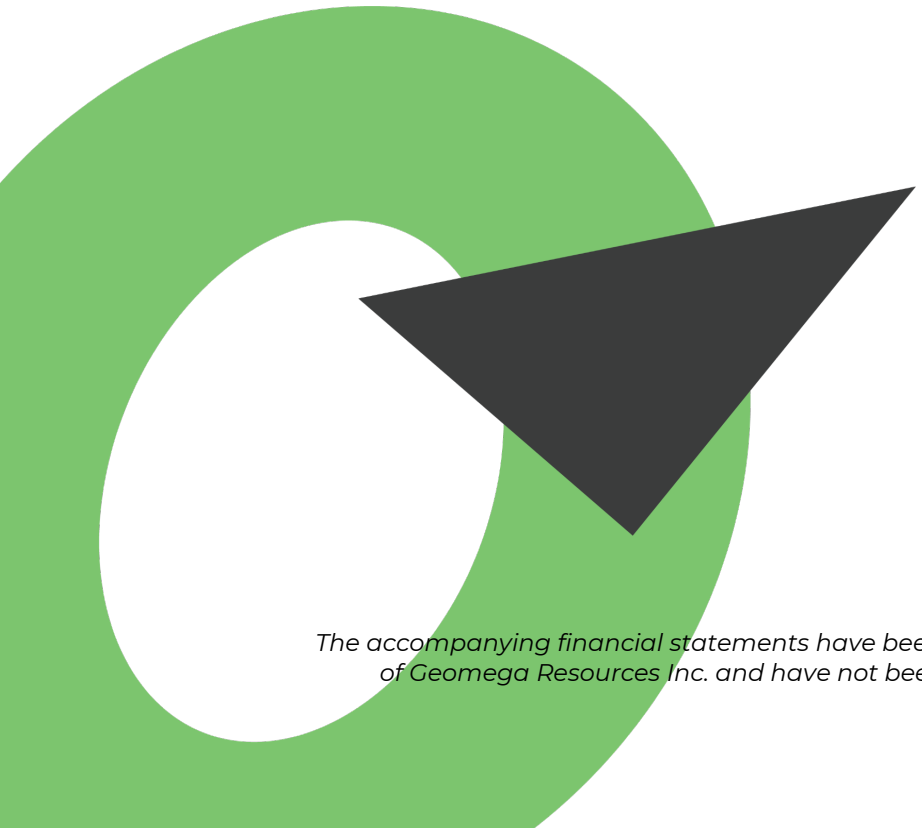
# GEOMEGA Resources Inc.

## Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended August 31, 2026



*The accompanying financial statements have been prepared by the management of Geomega Resources Inc. and have not been reviewed by the auditors*

**Consolidated Statements of Financial Position**
(in Canadian dollars)

| | Note | As at August 31, 2026 (Unaudited) | As at May 31, 2026 (Audited) |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | 284,839 | 1,194,277 |
| Accounts receivable | 7 | 316,712 | 404,203 |
| Tax credits and government grants receivable | 8 | 2,382,831 | 1,769,311 |
| Investments | 5 | 24,301 | 24,181 |
| Investments in listed companies | 6 | 842,857 | 1,238,117 |
| Prepaid expenses and other assets | 9 | 473,188 | 485,897 |
| Inventories | | 110,693 | 110,693 |
| Current assets | | 4,435,421 | 5,226,679 |
| **Non-current assets** | | | |
| Deposits on property, plant and equipment | | 462,679 | 347,776 |
| Property, plant and equipment | 10 | 5,318,159 | 4,443,617 |
| Right-of-use assets | 11 | 1,677,370 | 1,714,524 |
| Non-current assets | | 7,458,208 | 6,505,917 |
| **Total assets** | | **11,893,629** | **11,732,596** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 1,825,803 | 1,055,349 |
| Current portion of the lease obligations | 13 | 47,613 | 43,842 |
| Current portion of convertible debentures | 12 | 74,000 | 28,134 |
| Current liabilities | | 1,947,416 | 1,127,325 |
| **Non-current liabilities** | | | |
| Lease obligations | 13 | 2,134,451 | 2,148,496 |
| Long-term debt | 14 | 248,294 | 241,302 |
| Convertible debentures | 12 | 1,234,742 | 1,218,505 |
| Non-current liabilities | | 3,617,487 | 3,608,303 |
| **Total liabilities** | | **5,564,903** | **4,735,628** |
| **Equity** | | | |
| Share capital | | 43,557,984 | 43,557,984 |
| Reserves | 15 | 1,285,797 | 1,172,396 |
| Equity component of convertible debentures | | 186,938 | 186,938 |
| Contributed surplus | | 5,044,368 | 5,044,368 |
| Deficit | | (43,746,361) | (42,964,718) |
| **Total equity** | | **6,328,726** | **6,996,968** |
| **Total liabilities and equity** | | **11,893,629** | **11,732,596** |

The accompanying notes are an integral part of these condensed interim consolidated Financial Statements.

**Consolidated Statements of Loss and Comprehensive Loss**
(Unaudited, in Canadian dollars)

| | Note | Three months ended August 31, 2026 | 2025 |
|---|---|---|---|
| | | $ | $ |
| Technical support and development | | 110,379 | 243,357 |
| **Revenues** | | **110,379** | **243,357** |
| | | | |
| **Operating expenses** | | | |
| Exploration and evaluation expenses, net of tax credits | | 7,304 | 3,476 |
| Research and development expenses, net of tax credits | 16 | (113,928) | 686,364 |
| Salaries, employee benefits and share-based compensation | | 174,895 | 130,748 |
| Professional fees | | 139,070 | 110,640 |
| Travel, conference and investor relations | | 41,411 | 22,142 |
| Administration | | 32,177 | 22,859 |
| Filing fees | | 9,015 | 16,258 |
| Rent | | 33,312 | 30,002 |
| Depreciation of property, plant and equipment | | 38,912 | 13,140 |
| Depreciation of right-of-use assets | | 37,154 | 37,154 |
| Insurance, taxes and permits | | 10,596 | 11,997 |
| Government grants on operating expenses | | (17,810) | (367,734) |
| **Operating loss** | | **(281,729)** | **(473,689)** |
| | | | |
| **Other income (expenses)** | | | |
| Investment income | | 3,654 | 2,758 |
| Finance costs | | (138,968) | (154,528) |
| Gain on foreign exchange | | 2,643 | 7,310 |
| Loss in fair value variation of investments in listed companies | | (367,243) | - |
| Share of income of associate | | - | 1,047 |
| | | (499,914) | (143,413) |
| Loss before taxes | | (781,643) | (617,102) |
| | | | |
| Deferred tax recovery | | - | - |
| **Net and comprehensive loss** | | **(781,643)** | **(617,102)** |
| | | | |
| Basic and diluted loss per share | | (0.005) | (0.004) |
| Weighted average number of basic & diluted shares outstanding | | 167,128,348 | 145,555,028 |

The accompanying notes are an integral part of these condensed interim consolidated Financial Statements.

| | Note | Number of shares outstanding | Share Capital | Reserves | Equity Component of Convertible Debentures | Contributed Surplus | Deficit | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ |
| **Balance at May 31, 2026** | | **167,128,348** | **43,557,984** | **1,172,396** | **186,938** | **5,044,368** | **(42,964,718)** | **6,996,968** |
| Net and comprehensive loss | | - | - | - | - | - | (781,643) | (781,643) |
| Share-based compensation | 15 | - | - | 113,401 | - | - | - | 113,401 |
| **Balance at August 31, 2026** | | **167,128,348** | **43,557,984** | **1,285,797** | **186,938** | **5,044,368** | **(43,746,361)** | **6,328,726** |

| | Note | Number of shares outstanding | Share Capital | Reserves | Equity Component of Convertible Debentures | Contributed Surplus | Deficit | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ |
| **Balance at May 31, 2025** | | **143,401,521** | **38,778,372** | **1,167,347** | **268,795** | **5,020,368** | **(43,521,410)** | **1,713,472** |
| Net and comprehensive loss | | - | - | - | - | - | (617,102) | (617,102) |
| Warrants exercised | | 4,854,667 | 647,560 | - | - | - | - | 647,560 |
| Stock options exercised | | 500,000 | 137,500 | (50,000) | | - | - | 87,500 |
| Stock options expired | | - | - | (24,000) | - | 24,000 | - | - |
| Share-based compensation | 15 | - | - | 77,160 | - | - | - | 77,160 |
| **Balance at August 31, 2025** | | **148,756,188** | **39,563,432** | **1,170,507** | **268,795** | **5,044,368** | **(44,138,512)** | **1,908,590** |

The accompanying notes are an integral part of these condensed interim consolidated Financial Statements.

| | Note | Three months ended August 31, 2026 | 2025 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities** | | | |
| Net and comprehensive loss | | (781,643) | (617,102) |
| Adjustments for: | | | |
| Share-based compensation | | 113,401 | 77,160 |
| Accrued interests on short-term investments | | (120) | - |
| Depreciation of property, plant and equipment | | 81,961 | 128,233 |
| Depreciation of right-of-use assets | | 37,154 | 37,154 |
| Finance costs for the accretion of the convertible debentures | | 62,103 | 83,799 |
| Finance costs for the accretion of the long-term debt | | 6,992 | - |
| Finance costs for the accretion of the lease obligations | | 59,835 | - |
| Share of loss (revenue) of an associate | | - | (1,047) |
| Loss on fair value variation of an investment in listed companies | | 367,243 | - |
| Changes in non-cash working capital items | 17 | 248,332 | (237,006) |
| **Cash flows from operating activities** | | **195,258** | **(528,809)** |
| **Investing activities** | | | |
| Variation of short-term investments | | - | (1,170) |
| Variation of deposits on property, plant and equipment | | (114,903) | (126,619) |
| Disposal of investment in a listed company | | 28,017 | - |
| Acquisitions of property, plant and equipment | | (974,701) | (935,472) |
| Disposal of property, plant and equipment | | 27,000 | - |
| Variation of government grants received for the purchase of property, plant and equipment | | - | 404,457 |
| **Cash flows from investing activities** | | **(1,034,587)** | **(658,804)** |
| **Financing activities** | | | |
| Exercise of stock options | | - | 87,500 |
| Exercise of warrants | | - | 647,560 |
| Repayments of lease obligations | | (70,109) | (7,018) |
| **Cash flows from financing activities** | | **(70,109)** | **728,042** |
| **Net change in cash** | | (909,438) | (459,571) |
| Cash and cash equivalents – beginning | | 1,194,277 | 999,043 |
| **Cash and cash equivalents – ending** | | **284,839** | **539,472** |

The accompanying notes are an integral part of these condensed interim consolidated Financial Statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the "Corporation") is incorporated under the *Canada Business Corporations Act* and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. Through its private and wholly owned subsidiary Innord, the Corporation is developing innovative technologies for extraction and separation of rare earth elements and other critical and strategic metals from its mining properties and other mining and industrial waste, in an environmentally sustainable way. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under symbol GMA. The address of the Corporation's registered office and principal place of business is 75, de Mortagne Boulevard, Boucherville, Quebec, Canada, J4B 6Y4. These consolidated Financial Statements (the "Financial Statements") were approved by the Corporation's Board of Directors on October 23, 2026.

The Financial Statements have been prepared on a going concern basis which provides that the Corporation will be able to realize its assets and pay its debts in the normal course of its activities. In assessing the validity of the going concern principle, management considers all available data regarding the future, which represents at least, but is not limited to, the twelve months following the end of the reporting period. For the three months ended August 31, 2026, the Corporation recorded a net and comprehensive loss of $781,643 and accumulated a deficit of $43,746,361 as of that date. As of August 31, 2026, the Corporation had a working capital of $2,488,005. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its obligations and pay research and development and general and administration costs.

Management estimates that the working capital will not be sufficient to meet the Corporation's obligations and budgeted operating and research and development expenditures for the next 12 months. The Corporation will need to obtain additional financing to fund its operations and meet its obligations as they become due. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Corporation's ability to continue as a going concern.

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity or debt financing. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the consolidated financial statements.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

### 2.1 Declaration of conformity

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("International Financial Reporting Standards" or "IFRS") as published by the International Accounting Standards Board ("IASB") and which are applicable for the preparation of interim consolidated financial statements, in particular International Accounting Standard 34 ("International Accounting Standard 34" or "IAS 34") - Interim financial information. The Financial Statements therefore do not include all the information and notes required under IFRS for the purposes of annual financial statements.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

### 2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the audited annual financial statements for the year ended May 31, 2026, which have been prepared in accordance with IFRS. The accounting conventions and the calculation and presentation methods used in the preparation of the Financial Statements comply with the conventions and methods used for the previous financial year ended May 31, 2026.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Financial Statements in conformity with IFRS accounting standards requires the Corporation's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the Financial Statements and related notes to the Financial Statements. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates. Critical accounting estimates are consistent with those disclosed in the audited annual financial statements for the year ended May 31, 2026, except for the following:

Refundable tax credits and government grants:

The Corporation recognizes refundable tax credits and government grants when there is reasonable assurance that they will be received and that the Corporation will comply with the conditions attached to them. Beginning in Fiscal 2027, refundable research and development tax credits are accrued as the related eligible expenditures are incurred, rather than when the Corporation is in a position to file its claims. Determining the amounts to be recognized requires management to estimate the expenditures that qualify for the credits, the applicable rates and the extent to which the credits are refundable. These estimates are based on the Corporation's interpretation of the applicable tax legislation and on its experience with prior claims; they remain subject to review by the tax authorities and the amounts ultimately received may differ from those recognized. Any adjustment is recorded in the period in which it becomes known (see Note 16).

## 4. CASH AND CASH EQUIVALENTS

As at August 31, 2026, the Corporation held no investments classified as cash equivalents. As at May 31, 2026, cash and cash equivalents included 17,340 units of a High Interest Savings Fund with a fair value of $867,173.

## 5. INVESTMENTS

The investments as at August 31, 2026 consist of guaranteed investment certificates that are non-cashable prior to maturity. The certificates total $24,301 ($24,181 as at May 31, 2026) in nominal value, bear interest at 2% and expired on October 2, 2026 (renewed until October 2, 2027 with the same rate).

## 6. INVESTMENTS IN LISTED COMPANIES

The fair value of the investments is determined based on quoted market prices on an active market (Level 1 fair value measurement).

## 6. INVESTMENTS IN LISTED COMPANIES (CONT'D)

The investments are summarized as follows:

| | As at August 31, 2026 | As at May 31, 2026 |
|---|---|---|
| | $ | $ |
| Classified as current assets | | |
| Auriginal Mining Corp. - 16,857,143 common shares | 842,857 | 1,180,000 |
| Metallium Ltd. – nil (108,225 common shares on May 31, 2026) | - | 58,117 |
| **Investments in listed companies** | **842,857** | 1,238,117 |

## 7. ACCOUNTS RECEIVABLE

| | As at August 31, 2026 | As at May 31, 2026 |
|---|---|---|
| | $ | $ |
| Trade receivables | 133,040 | 155,345 |
| Sales taxes receivable | 171,966 | 237,435 |
| Other accounts receivable | 11,706 | 11,423 |
| **Accounts receivable** | **316,712** | **404,203** |

## 8. TAX CREDITS AND GOVERNMENT GRANTS RECEIVABLE

| | As at August 31, 2026 | As at May 31, 2026 |
|---|---|---|
| | $ | $ |
| Refundable tax credits | 913,511 | 101,403 |
| Government grants | 1,469,320 | 1,667,908 |
| **Tax credits and government grants receivable** | **2,382,831** | **1,769,311** |

Refundable tax credits are related to eligible mining exploration expenses incurred in the province of Quebec and the refundable portion of the research and development (SR&ED) and Quebec Investment & Innovation (C3i) tax credits.

The government grants are related to expenditures on research and development incurred by the Corporation and its subsidiary.

## 9. PREPAID EXPENSES AND OTHER ASSETS

| | As at August 31, 2026 | As at May 31, 2026 |
|---|---|---|
| | $ | $ |
| Prepaid on operating expenses | 132,209 | 144,918 |
| Advance payment on inventories | 340,979 | 340,979 |
| **Prepaid expenses and other assets** | **473,188** | **485,897** |

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Improvements | Equipment [1] | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Three months ended August 31, 2026** | | | |
| Opening net book value | 2,378,695 | 2,064,922 | 4,443,617 |
| Additions | 922,142 | 268,810 | 1,190,952 |
| Disposals | - | (27,000) | (27,000) |
| Government grants | - | (207,449) | (207,449) |
| Depreciation | (34,704) | (47,257) | (81,961) |
| Closing net book value | 3,266,133 | 2,052,026 | 5,318,159 |
| | | | |
| **As at August 31, 2026** | | | |
| **Cost** | **3,420,705** | **2,990,711** | **6,411,416** |
| **Accumulated depreciation** | **(154,572)** | **(938,685)** | **(1,093,257)** |
| **Closing net book value** | **3,266,133** | **2,052,026** | **5,318,159** |

| | Leasehold Improvements | Equipment [1] | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Fiscal 2026** | | | |
| Opening net book value | 935,080 | 1,267,980 | 2,203,060 |
| Additions | 945,604 | 2,638,744 | 3,584,348 |
| Government grants | 615,702[2] | (1,419,238) | (803,536) |
| Depreciation | (117,691) | (290,102) | (407,793) |
| Impairment | - | (132,462) | (132,462) |
| Closing net book value | 2,378,695 | 2,064,922 | 4,443,617 |
| | | | |
| **As at May 31, 2026** | | | |
| **Cost** | **2,498,563** | **2,956,350** | **5,454,913** |
| **Accumulated depreciation** | **(119,868)** | **(891,428)** | **(1,011,296)** |
| **Closing net book value** | **2,378,695** | **2,064,922** | **4,443,617** |

1. The equipment category includes equipment used in E&E activities and R&D activities. Depreciation of property plant and equipment related to E&E properties is being recorded within E&E expenses while depreciation related to other R&D projects is recorded within R&D expenses. An amount of $43,049 was recorded as R&D expenses during the three months ended August 31, 2026.

2. The positive government grant adjustment related to leasehold improvements results from a revision of prior-year estimates, which had been based on provisions. During the year, government assistance was reassessed based on amounts more closely aligned with submitted claims and claim reports, resulting in a reallocation of grants from leasehold improvements to equipment and research and development expenses.

## 11. RIGHT-OF-USE ASSETS

| | Equipment | Industrial buildings | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Three months ended August 31, 2026** | | | |
| Opening net book value | 11,875 | 1,702,649 | 1,714,524 |
| Depreciation | (1,425) | (35,729) | (37,154) |
| Closing net book value | 10,450 | 1,666,920 | 1,677,370 |
| | | | |
| **As at August 31, 2026** | | | |
| **Cost** | **28,500** | **2,143,732** | **2,172,232** |
| **Accumulated depreciation** | **(18,050)** | **(476,812)** | **(494,862)** |
| **Closing net book value** | **10,450** | **1,666,920** | **1,677,370** |

| | Equipment | Industrial buildings | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Fiscal 2026** | | | |
| Opening net book value | 17,575 | 1,845,565 | 1,863,140 |
| Depreciation | (5,700) | (142,916) | (148,616) |
| Closing net book value | 11,875 | 1,702,649 | 1,714,524 |
| | | | |
| **As at May 31, 2026** | | | |
| **Cost** | **28,500** | **2,143,732** | **2,172,232** |
| **Accumulated depreciation** | **(16,625)** | **(441,083)** | **(457,708)** |
| **Closing net book value** | **11,875** | **1,702,649** | **1,714,524** |

## 12. CONVERTIBLE DEBENTURES

| | Three months ended August 31, 2026 | Fiscal 2026 |
|---|---|---|
| | $ | $ |
| Balance, opening | 1,246,639 | 1,682,164 |
| Accretion expense | 62,103 | 321,033 |
| Conversion | - | (569,747) |
| Interest payment | - | (186,811) |
| Balance, ending | 1,308,742 | 1,246,639 |
| Balance, current | (74,000) | (28,134) |
| **Balance, non-current** | **1,234,742** | **1,218,505** |

## 13. LEASE OBLIGATIONS

| | Three months ended August 31, 2026 | Fiscal 2026 |
|---|---|---|
| | $ | $ |
| Balance, opening | 2,192,338 | 2,222,485 |
| Accretion expense | 59,835 | 283,027 |
| Repayments of lease obligations | (70,109) | (313,174) |
| Balance | 2,182,064 | 2,192,338 |
| Balance, current | (47,613) | (43,842) |
| **Balance, non-current** | **2,134,451** | **2,148,496** |

## 14. LONG-TERM DEBT

| | Three months ended August 31, 2026 | Fiscal 2026 |
|---|---|---|
| | $ | $ |
| Balance, opening | 241,302 | - |
| Contribution received | - | 459,176 |
| Government grant recognized at initial recognition | - | (223,282) |
| Accretion expense | 6,992 | 5,408 |
| Balance, ending | 248,294 | 241,302 |
| Balance, current | - | - |
| **Balance, non-current** | **248,294** | **241,302** |

The long-term debt consists of a non-interest-bearing, repayable government contribution received during Fiscal 2026, measured at amortized cost (see the audited annual financial statements for the year ended May 31, 2026). The project to which the contribution relates was completed in the quarter, so that the repayment of the contribution, in 60 monthly instalments, is expected to begin in Fiscal 2030. Accordingly, the entire balance remains classified as non-current.

## 15. RESERVES

### 15.1 Warrants

The Corporation's warrants were as follows:

| | Three months ended August 31, 2026 | | Fiscal 2026 | |
|---|---|---|---|---|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| | | $ | | $ |
| Balance, opening | 704,028 | 0.40 | 16,517,788 | 0.22 |
| Exercised | - | - | (15,703,760) | 0.21 |
| Expired | - | - | (110,000) | 0.25 |
| **Balance, end** | **704,028** | **0.40** | **704,028** | **0.40** |

Warrants outstanding as at August 31, 2026 are as follows:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 704,028 | 0.40 | ÄŒčęčţŭáŗÿĂ8,Ă2027Ă |
| **704,028** | | |

1. On February 6, 2026, the Corporation extended the expiry date of 704,028 outstanding warrants from February 8, 2026 to February 8, 2027. The warrants were originally classified as equity instruments and no amount was allocated to the warrants upon initial recognition. The extension did not modify the exercise price or the number of common shares issuable and did not result in a change in the classification of the warrants. Accordingly, no accounting impact was recognized in connection with the extension.

## 15. RESERVES (CONT'D)

### 15.2 Share-based Compensation

*A) Stock Options*

A summary of the Corporation's Options outstanding is as follows:

| | Three months ended August 31, 2026 | | Fiscal 2026 | |
|---|---|---|---|---|
| | Number of options | Weighted Average Exercise Price | Number of options | Weighted Average Exercise Price |
| | | $ | | $ |
| Balance, opening | 5,218,750 | 0.24 | 6,660,000 | 0.20 |
| Issued | - | - | 1,850,000 | 0.335 |
| Exercised [1] | - | - | (2,866,250) | 0.21 |
| Expired | - | - | (250,000) | 0.165 |
| Forfeited | - | - | (175,000) | 0.10 |
| **Balance, end** | **5,218,750** | **0.24** | **5,218,750** | **0.24** |
| Balance, end, exercisable | 2,206,250 | 0.26 | 2,137,500 | 0.26 |

1. During Fiscal 2026, 2,866,250 stock options were exercised through cash and cashless exercise transactions. As a result of the cashless exercises, a portion of the shares otherwise issuable upon exercise was withheld and used to satisfy the applicable exercise price. Accordingly, the exercise of 2,866,250 stock options resulted in the issuance of 1,721,798 common shares and cash proceeds of $160,875.

Options outstanding as of August 31, 2026 are as follows:

| Number of options outstanding | Number of options exercisable | Exercise Price | Expiry date |
|---|---|---|---|
| | | $ | |
| 1,310,000 | 1,310,000 | 0.305 | Ôçţôčěŗ 27, 2026 |
| 275,000 | 206,250 | 0.335 | Ôçţôčěŗ 22, 2027 |
| 375,000 | 375,000 | 0.215 | Ќấňŭářÿ 25, 2029 |
| 1,608,750 | 315,000 | 0.10 | Ňôνểń čěŗ 20, 2029 |
| 75,000 | - | 0.11 | Ďěçčń čěŗ 1, 2029 |
| 1,575,000 | - | 0.335 | Ôçţôčěŗ 22, 2030 |
| **5,218,750** | **2,206,250** | | |

*B) Restricted Share Units*

A summary of the Corporation's RSUs outstanding under the Omnibus Plan is as follows:

| | Three months ended August 31, 2026 | Fiscal 2026 |
|---|---|---|
| | Number of RSUs | Number of RSUs |
| Balance, opening | 2,616,000 | 2,316,000 |
| Issued | - | 300,000 |
| **Balance, end** | **2,616,000** | **2,616,000** |

**15. RESERVES** (CONT'D)

*C) Deferred Share Units*

A summary of the Corporation's DSUs outstanding under the Omnibus Plan is as follows:

| | Three months ended August 31, 2026 | Fiscal 2026 |
|---|---|---|
| | **Number of DSUs** | **Number of DSUs** |
| Balance, opening | 1,622,000 | 1,778,000 |
| Issued | - | 326,000 |
| Settled | - | (482,000) |
| **Balance, end** | **1,622,000** | **1,622,000** |

**16. RESEARCH AND DEVELOPMENT EXPENSES**

| | Three months ended August 31 | |
|---|---|---|
| | **2026** | **2025** |
| | **$** | **$** |
| Salaries and benefits | 535,524 | 449,015 |
| Share-based compensation | 59,427 | 26,302 |
| Professional fees | 15,634 | 17,617 |
| Materials and supplies | 90,508 | 63,147 |
| General and administration | 9,518 | 21,788 |
| Depreciation of property, plant and equipment | 43,049 | 115,094 |
| Impairment of property, plant and equipment | - | (6,599) |
| **Total gross R&D expenses** | **753,660** | **686,364** |
| Tax credits | (867,588) | - |
| **Net R&D expenses** | **(113,928)** | **686,364** |

Refundable research and development tax credits were historically recognized when the Corporation was in a position to file its claims, which generally occurred after the end of the fiscal year to which the eligible expenditures related. Accordingly, no tax credits were recognized in the three months ended August 31, 2025; the credits relating to the year ended May 31, 2025 were recognized in the second quarter of Fiscal 2026, when the related claims were filed.

Beginning in Fiscal 2027, the Corporation recognizes refundable tax credits during the year, as the related eligible expenditures are incurred, based on management's estimate of eligible expenditures and applicable rates. This change results from two developments. First, following amendments to the federal scientific research and experimental development (SR&ED) program, eligible Canadian public corporations such as the Corporation are now entitled to the enhanced refundable investment tax credit, which was previously available only to Canadian-controlled private corporations. Since only the refundable portion of tax credits is recognized, the amounts involved have become significantly more important. Second, several government grant programs under which the Corporation received assistance have ended, so that refundable tax credits now represent a larger share of the government assistance supporting the Corporation's research and development activities. In addition, because government grants and tax credits are claimed on overlapping eligible expenditures, the grants made it difficult to estimate the tax credits reliably during the year; with most of these grant programs now ended, tax credits can be estimated with greater reliability as eligible expenditures are incurred.

## 16. RESEARCH AND DEVELOPMENT EXPENSES (CONT'D)

The tax credits of $867,588 recognized for the three months ended August 31, 2026 include refundable tax credits of $663,055 relating to expenditures incurred in the year ended May 31, 2026, for which the claims were substantially completed during the quarter, as well as management's estimate of $204,533 of credits earned on eligible expenditures of the current period.

## 17. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOW

*Change in non-cash working capital items*

| | Three months ended August 31 | |
|---|---|---|
| | **2026** | **2025** |
| | **$** | **$** |
| Accounts receivable | 87,491 | 121,413 |
| Tax credits and government grants receivable | (622,322) | (20,290) |
| Prepaid expenses and other assets | 12,709 | (74,425) |
| Trade and other payables | 770,454 | (59,680) |
| Deferred grants – portion attributable to operating expenses | - | (101,697) |
| Deferred revenues | - | (102,327) |
| | **248,332** | **(237,006)** |

*Non-Cash Transactions*

| | Three months ended August 31 | |
|---|---|---|
| | **2026** | **2025** |
| | **$** | **$** |
| Government grants receivable for deposits made on the purchase of property, plant and equipment | - | 203,226 |
| Government grants receivable for the purchase of property, plant and equipment | 8,802 | (65,740) |
| Property, plant and equipment acquired in accounts payables | - | (585,405) |

## 18. SUBSEQUENT EVENTS

On September 14, 2026, the Corporation entered into a secured loan agreement for a principal amount of $1,350,000. The loan has a two-year term, bears interest at a rate of 10.5% per annum, with interest payable monthly, and matures on September 14, 2028. A portion of the principal will be repaid as certain refundable R&D tax credits are received, with the remaining balance due at maturity. An administrative fee of 2%, or $27,000, was deducted at closing, resulting in net proceeds of $1,323,000. The loan is secured by certain assets of the Corporation and Innord Inc., its wholly owned subsidiary, including refundable R&D tax credits.