

**CHEELCARE INC**

**FINANCIAL STATEMENTS**

**THREE MONTHS ENDED JULY 31, 2025 AND 2024**

(Expressed in Canadian dollars unless otherwise stated)

**CHEELCARE INC.**  
**CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED JULY 31, 2025 AND 2024**  
**(Expressed in Canadian dollars unless otherwise stated)**

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**Notice of No Auditor Review**

**The accompanying unaudited condensed interim financial statements were prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.**

**CHEELCARE INC**  
**Consolidated Unaudited Statements of Financial Position**  
**As at July 31, 2025 and April 30, 2025**  
**(Expressed in Canadian dollars unless otherwise stated)**

	July 31, 2025 \$	April 30, 2025 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,520,767	54,534
Restricted cash account (note 15)	3,221	3,503,470
Trade and other receivables (note 7)	277,480	194,491
Inventories (note 8)	411,635	293,810
Prepaid expenses (note 9)	36,814	44,366
	<b>2,249,917</b>	<b>4,090,671</b>
<b>Non-current assets</b>		
Prepaid expenses (note 9)	160,200	6,879
Furniture and equipment (note 10)	14,791	46,084
Intangible assets (note 11)	21,567	22,453
<b>TOTAL ASSETS</b>	<b>2,446,475</b>	<b>4,166,087</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 12)	-	144,000
Accounts payable and accrued liabilities (note 13)	320,566	1,308,577
Derivative Liability	91,600	96,332
Government remittances payable	17,114	12,797
Advances from a service provider (note 14)	117,591	98,925
Convertible debentures (note 20)	-	1,263,832
Other Loan (note 16)	-	75,000
Due to shareholders (note 21)	39,411	298,539
Subscription receipt	-	3,500,000
Current portion of bank loans (note 17)	37,692	37,692
	<b>623,974</b>	<b>6,835,694</b>
<b>Non-current liabilities</b>		
Bank loans (note 17)	105,342	114,769
Canada emergency business account loan (note 18)	50,348	47,915
Promissory notes (note 19)	348,699	329,462
<b>TOTAL LIABILITIES</b>	<b>1,128,362</b>	<b>7,327,840</b>
<b>SHAREHOLDERS' DEFICIT</b>		
Share capital (note 22)	6,025,508	493,869
Warrants (note 22)	556,149	22,816
Contributed surplus	693,572	423,769
Conversion feature (notes 19 & 20)	-	224,802
Accumulated deficit	(5,957,116)	(4,327,009)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>1,318,112</b>	<b>(3,161,753)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<b>2,446,475</b>	<b>4,166,087</b>

Nature of operations and going concern - note 1

**APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 29, 2025**

(s) "Eugene Cherny"

(s) "Arnab De"

Director

CFO

The accompanying notes are an integral part of these financial statements

**CHEELCARE INC**  
**Consolidated Unaudited Statements of Loss and Comprehensive Loss**  
**For the Three Months Ended July 31, 2025 and 2024**  
**(Expressed in Canadian dollars unless otherwise stated)**

	<b>July 31, 2025</b>	<b>July 31, 2024</b>
	<b>\$</b>	<b>\$</b>
Gross revenue	488,876	470,702
Less: Commission	(70,895)	(78,341)
<b>Net Revenue</b>	<b>417,981</b>	<b>392,361</b>
Cost of sales	205,194	145,781
<b>GROSS PROFIT</b>	<b>212,788</b>	<b>246,580</b>
<b>EXPENSES</b>		
Professional fees	114,726	75,362
Salaries and benefits	32,061	63,705
Interest on loan and borrowings (note 23)	186,535	80,647
Subcontractors	1,381	29,089
Research and development (note 22)	162,737	79,339
Automobile and travel	22,584	9,194
Office and general	22,069	48,919
Advertising and promotion	268	1,178
Occupancy cost	10,054	9,686
Credit card merchant fees	4,002	9,377
Insurance	7,066	8,060
Bank charges and interest	28,304	4,116
Telephone and utilities	1,997	2,639
Amortization and depreciation (notes 10 and 11)	39,027	1,504
Provision for expected credit loss	19	2,726
	<b>632,829</b>	<b>425,540</b>
<b>LOSS FROM OPERATIONS</b>	<b>(420,042)</b>	<b>(178,960)</b>
Gain on derivative instruments	4,731	-
Listing expenses (note 6)	(1,214,797)	-
<b>LOSS AND COMPREHENSIVE LOSS</b>	<b>(1,630,108)</b>	<b>(178,960)</b>
Earning per share	<b>(0.15)</b>	<b>(0.02)</b>
Weighted average number of shares	<b>10,976,111</b>	<b>8005692</b>

The accompanying notes are an integral part of these financial statements

**CHEELCARE INC.**  
**Statements of Changes in Deficit**  
**For the Three Months Ended July 31, 2025 and 2024**  
**(Expressed in Canadian dollars unless otherwise stated)**

	<b>Number of shares #</b>	<b>Share capital \$</b>	<b>Warrants \$</b>	<b>Conversion Feature \$</b>	<b>Contributed Surplus \$</b>	<b>Deficit \$</b>	<b>Total \$</b>
<b>Balance, April 30, 2024</b>	8,005,692	493,869		207,748		(3,056,968)	(2,355,351)
<b>Net comprehensive loss</b>						(178,960)	(178,960)
<b>Balance, July 31, 2024</b>	8,005,692	493,869	-	207,748	-	(3,235,928)	(2,534,311)
<b>Balance, April 30, 2025</b>	8,005,692	493,869	22,816	224,802	423,769	(4,327,009)	(3,161,753)
<b>Share split @ 1.31431707</b>	2,516,326	-	-	-	-	-	-
<b>Shares issued to DBC shareholders</b>	1,500,000	981,105	-	-	-	-	981,105
<b>Warrants issued to DBC Shareholders</b>	-	-	20,000	-	-	-	20,000
<b>Options issued to DBC Shareholders</b>	-	-	-	-	45,000	-	45,000
<b>Issuance of shares for private placement</b>	4,666,666	3,500,000	513,333	-	-	-	3,500,000
<b>Share issue costs</b>	-	(76,885)	(13,215)				(90,100)
<b>Shares issued on redemption of Debentures</b>	2,440,888	1,373,000	-	(224,802)	224,802	-	1,373,000
<b>Shares issued for interest on redemption of Debentures</b>	499,498	280,967	-	-	-	-	280,967
<b>Net comprehensive loss</b>	-	-	-	-	-	(1,630,108)	(1,630,108)
<b>Balance, July 31, 2025</b>	<b>19,629,070</b>	<b>6,038,722</b>	<b>542,935</b>	<b>-</b>	<b>693,571</b>	<b>(5,957,117)</b>	<b>1,318,111</b>

The accompanying notes are an integral part of these financial statements

**9302204 CANADA INC. (O/A CHEELCARE)**  
**Statements of Cash Flows**  
**For Three Months Ended July 31, 2025 and 2024**  
**(Expressed in Canadian dollars unless otherwise stated)**

	July 31, 2025	July 31, 2024
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(1,630,108)	(178,960)
Adjustment for non-cash items:		
Listing expenses on RTO	1,024,605	-
Amortization and depreciation	39,026	1,505
Accretion expense	130,839	(17,762)
Gain on derivative instrument	(4,731)	-
Change in non-cash working capital balances:		
Trade and other receivable	(82,989)	(19,139)
Inventories	(117,825)	(29,902)
Work in process	-	(569)
Prepaid expenses	(145,769)	(7,072)
Accounts payable and accrued liabilities	(762,457)	199,198
Government remittances payable	4,317	8,951
Net cash flows used in operating activities	(1,545,092)	(43,750)
<b>INVESTMENT ACTIVITIES</b>		
Purchase of furniture and equipment	(6,848)	-
Additions of intangible assets	-	(2,835)
Net cash flows used in financing activities	(6,848)	(2,835)
<b>FINANCING ACTIVITIES</b>		
Repayment of bank indebtedness	(144,000)	-
Net proceeds from a service provider	18,666	78,589
(Repayments) proceeds of bank loans	(9,427)	25,224
Share issue costs	(90,100)	-
Repayment of shareholder loans	(259,128)	(50,600)
Cash balance acquired on RTO	1,912	-
Net cash flows from investing activities	(482,077)	53,213
Net increase in cash	(2,034,016)	6,628
Cash, beginning of year	3,558,004	66,878
<b>Cash, end of year</b>	<b>1,523,988</b>	<b>73,506</b>
Supplementary information:		
Cash and cash equivalents	1,520,767	73,506
Restricted cash account	3,221	-

The accompanying notes are an integral part of these annual financial statements.

## **CHEELCARE INC.**

### **Notes to the Consolidated Unaudited Financial Statements For the Three Months Ended July 31, 2025, and 2024 (Expressed in Canadian dollars unless otherwise stated)**

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#### **1. NATURE OF OPERATIONS**

Cheelcare Inc (formerly Departure Bay Capital Corp), (the "Company" or "Cheelcare"), is an innovative technological and manufacturing company focused on radically improving the quality of life and independence of people with physical disabilities through its suite of next-generation assistive mobility devices. The Company is a Canadian-Controlled Private Corporation and was incorporated on May 21, 2015, under the Canada Business Corporation Act.

On February 24, 2025, Departure Bay Capital Corp ("DBC") entered into a definitive business combination agreement with 9302204 Canada Inc. The transaction is structured as a reverse takeover ("RTO") whereby DBC, through its wholly-owned subsidiary 1672905-3 Canada Inc. ("Subco"), amalgamated with 9302204 Canada Inc to form an amalgamated entity ("Amalco"). Upon closing, Amalco became a wholly-owned subsidiary of DBC, and the resulting continues under the name "Cheelcare Inc." and trade on the TSXV under the ticket "CHER".

Under the terms of the RTO, the transaction was completed through the issuance of 10,522,015 common shares of the resulting issuer at a deemed price of \$0.75 per share. The transaction involved several pre-closing steps, including a 3-for-1 share consolidation by DBC and a share split by Cheelcare to result in 10,522,015 outstanding common shares on a post-split basis. See note 6 for additional details of the RTO.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2025, the Company had a working capital deficit of \$1,779,264 (April 30, 2025 – deficit of \$2,745,023) and an accumulated deficit of \$5,957,116 (April 30, 2025 – \$4,373,798). The Company has sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent upon its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due; however, they may not be at terms that are favorable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

#### **2. STATEMENT OF COMPLIANCE**

##### **Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as set out in Part I of the Chartered Professional Accountants of Canada Handbook - Accounting. These financial statements comply with IFRS as issued by the International Accounting Standards Board.

These financial statements have been prepared on the historical cost basis. The Company's functional and presentation currency is the Canadian dollar. The financial statements were approved by the Board of Directors and authorized for issue on September 29, 2025.

#### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

##### **a) Cash and cash equivalents**

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

##### **b) Restricted cash**

Restricted cash represents funds that are held in separate escrow or trust accounts, subject to contractual or regulatory restrictions that prevent access or transfer for general operational use. These funds are not included in cash or cash equivalents and are presented as a separate line item on the statement of financial position. Subscription receipts represent funds received in advance of a defined transaction, such as an acquisition or financing. They are convertible into a fixed number of common shares upon successful completion of the transaction. Until the conversion conditions are met, the Company records the proceeds as a financial liability, reflecting the obligation to either issue shares or refund the purchase price plus any applicable interest. If the transaction is completed, the liability is reclassified to equity as share capital. If not, the receipts are redeemed, and the funds returned to investors.

**CHEELCARE INC.**

**Notes to the Consolidated Unaudited Financial Statements**

**For the Three Months Ended July 31, 2025, and 2024**

**(Expressed in Canadian dollars unless otherwise stated)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**c) Revenue recognition**

Revenue is recognized by the Company in accordance with IFRS 15, Revenue from Contracts with Customers. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract.
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenues from the sale of assistive mobility devices are generally recognized at a point in time when control over the goods have been transferred to the customer/distributor. Payments are due upon transferring the goods to the customer. Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

**d) Inventories**

Inventories include raw material and spare parts. Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the FIFO (First in first out) basis. The cost of merchandise inventories is based on “landed cost”, which includes all costs incurred to bring inventories to the Company’s warehouse or office, including product costs, insurance, inbound freight and duty. The net realizable value of inventories represents the estimated selling price of the inventories in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. If the Company determines that the estimated net realizable value of its inventories is less than the carrying value of such inventories, it records a charge to cost of sales for the difference.

**e) Furniture and other equipment**

Furniture and other equipment is recorded at cost less accumulated depreciation and impairment, if any. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for operation. Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the Company.

Repairs and maintenance costs that do not improve or extend productive life are expensed as incurred. Depreciation is provided over the related assets estimated useful lives using the declining method of accounting at the following rates:

Furniture and equipment	20%
Computer hardware and software	55%

The Company reviews the estimated useful lives, residual values and depreciation method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statements of loss and comprehensive loss.

**f) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Amortization of definite life intangibles is provided on a over their estimated useful lives using the declining method of accounting at the following terms:

**CHEELCARE INC.**

**Notes to the Consolidated Unaudited Financial Statements**

**For the Three Months Ended July 31, 2025, and 2024**

**(Expressed in Canadian dollars unless otherwise stated)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**f) Intangible assets - continued**

Patents and trademarks 15-20 years

The Company evaluates the reasonableness of the estimated useful lives of these intangible assets on an annual basis. Intangible assets with definite lives are assessed for impairment when some or all of the internal or external indicators of impairment are met.

**g) Product development costs**

Research and product development costs include out-of-pocket costs and direct labour and overhead expenses. Research costs are expensed as incurred. Product development costs are expensed as incurred unless they meet the criteria for deferral and amortization as set forth in International Accounting Standards (“IAS”) 38 – *Intangible Assets* (“IAS 38”).

Development activities involve a plan or design for the production of a new core of substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. All other development expenditures are recognized in the statements of loss and comprehensive loss as incurred.

Capitalized development costs with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives are reviewed annually.

**h) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that the carrying values of its non-financial assets may be impaired. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. For impairment testing, assets are grouped together into the reasonable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An asset or CGU’s recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. 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 or CGU. In determining fair value less costs of disposal, recent market transactions are considered, or an appropriate valuation model is used.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in statements of loss and comprehensive loss.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously-recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the non-financial asset’s or CGU’s recoverable amount. A previously-recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non-financial asset’s recoverable amount since the last impairment loss was recognized. Any such reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the non-financial asset in prior periods. Such reversal is recognized in the statements of loss and comprehensive loss.

**CHEELCARE INC.**

**Notes to the Consolidated Unaudited Financial Statements**

**For the Three Months Ended July 31, 2025, and 2024**

**(Expressed in Canadian dollars unless otherwise stated)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**i) Financial instruments**

Financial assets

*Recognition, classification and measurement*

Financial assets are classified and measured based on the Company's business models for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either amortized cost; fair value through other comprehensive income; or fair value through profit or loss:

**Amortized cost** - Financial assets classified and measured at amortized cost are those assets whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognized in statements of loss and comprehensive loss. Any gain or loss on derecognition is recognized in statements of loss and comprehensive loss.

**Fair value through other comprehensive income ("FVTOCI")** - Financial assets classified and subsequently measured at FVTOCI are those assets whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. The classification includes certain equity instruments where an irrevocable election was made to classify the equity instruments as FVTOCI. Equity investments require a designation, on an instrument-by-instrument basis, between recording both unrealized and realized gains and losses either through (i) other comprehensive income ("OCI") with no recycling to profit and loss or (ii) profit and loss.

**Fair value through profit or loss ("FVTPL")** - Financial assets classified and subsequently measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. Net gains and losses, including any interest or dividend income, are recognized in statements of loss and comprehensive loss.

*Derecognition of financial assets*

Financial assets are derecognized when:

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

Financial liabilities

*Recognition, classification and measurement*

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are generally classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if its classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognized in statements of loss and comprehensive loss. Other financial liabilities are measured at fair value at initial recognition and subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statements of loss and comprehensive loss.

Financial liabilities may also include derivative financial instruments that are entered into by the Company that are not designated as hedging instruments as defined by IFRS 9 *Financial Instruments*. Embedded derivatives are classified as held for trading and any gains and losses are recognized through statements of loss and comprehensive loss.

*Derecognition of financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability at its fair value based on the modified term. Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in the statements of loss and comprehensive loss.

**CHEELCARE INC.**

**Notes to the Consolidated Unaudited Financial Statements**

**For the Three Months Ended July 31, 2025, and 2024**

**(Expressed in Canadian dollars unless otherwise stated)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**i) Financial instruments (continued)**

*Reclassification*

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

*Offsetting*

Financial assets and financial liabilities are offset, and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Derivative instruments*

Derivatives instruments are carried at FVTPL and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative instruments are reported in statements of loss and comprehensive loss. The Company does not have any derivatives for the years presented.

The Company has classified its cash and cash equivalents, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities, government remittance payable, advances from a service provider, subscription receipt, other loans payable, CEBA, bank loan, promissory notes and due to shareholder as financial assets and financial liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses.

***Impairment of financial assets measured subsequently at amortized cost***

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, and debt instruments at FVOCI, irrespective of whether a loss event has occurred at the reporting date. Loss allowances for trade and other receivables are always measured at an amount equal to lifetime expected credit losses ("ECL") if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

**j) Share based payments**

The company grants equity-settled share-based payments in the form of shares issued as signing bonuses. The fair value of the shares is recognized as an expense immediately as there are no vesting conditions. Equity-settled share-based payments made to employees are measured at the fair value of the instruments at the grant date and recognized in expense over the applicable vesting periods. Equity-settled share-based payments made to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured. Non-employee share-based payments are recognized in expense at the date the goods or services are received. The corresponding amount is recorded to share-based payment reserves. Upon the exercise of stock options at the applicable exercise price, the consideration received by the Company on the exercise is recorded in share capital and the related share-based payment reserve is transferred to share capital.

**CHEELCARE INC.**  
**Notes to the Consolidated Unaudited Financial Statements**  
**For the Three Months Ended July 31, 2025, and 2024**  
**(Expressed in Canadian dollars unless otherwise stated)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**k) Income taxes**

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible, as the case may be. Current tax is calculated using tax rates and laws that were enacted or substantively enacted as at the end of the reporting period, adjusted for amendments, if any, to tax payable from previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred tax is recognized using the asset-liability method and calculated based on all temporary differences, at the statements of financial position date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, as applicable, based on the tax rates that have been enacted or substantively enacted at the reporting date. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**l) Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received and that the Company will comply with the conditions attached to them. When the grant relates to an expense item, it is recognized as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. Government loans are analyzed to determine whether they qualify as grants or are required to be treated as financial liabilities.

Government loans treated as financial liabilities are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received recorded as a government grants.

**m) Leases**

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

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

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

**CHEELCARE INC.**

**Notes to the Consolidated Unaudited Financial Statements**

**For the Three Months Ended July 31, 2025, and 2024**

**(Expressed in Canadian dollars unless otherwise stated)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**m) Leases- continued**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

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

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

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

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

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

**n) Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**o) Compound financial instruments and derivatives**

Compound financial instruments issued by the Company comprise units that consist of unsecured convertible notes and share. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, which consists of the conversion feature, is recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon conversion, conversion feature are reclassified to share capital.

The Company may enter into derivative financial instruments, including embedded derivatives, to manage exposure to financial risks or as part of financing arrangements. Derivatives are initially recognized at fair value on the date the contract is entered into and are subsequently re-measured at fair value at each reporting date. Derivative financial instruments are classified as either assets or liabilities depending on whether their fair value is positive or negative. Changes in the fair value of derivatives are recognized in the statement of loss and comprehensive loss as they arise, unless they qualify for hedge accounting. The Company does not currently apply hedge accounting.

Embedded derivatives that are not closely related to the host contract are separated and accounted for as stand-alone derivatives. The assessment of whether an embedded derivative is required to be separated is performed at the inception of the contract and reassessed if the contract terms change significantly. Transaction costs attributable to derivatives are expensed as incurred.

**CHEELCARE INC.**

**Notes to the Consolidated Unaudited Financial Statements**

**For the Three Months Ended July 31, 2025, and 2024**

**(Expressed in Canadian dollars unless otherwise stated)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**p) Foreign currency translation**

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the statements of loss and comprehensive loss.

**q) Trade and other receivable**

Trade and other receivables are measured at amortized cost, net of expected credit losses (“ECLs”). The Company applies a simplified approach in calculating ECLs which is determined based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade and other receivables are written off when there is no reasonable expectation of recovering the asset or a portion thereof.

**r) Foreign currency**

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the statements of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in statement of loss and comprehensive loss for the period.

**s) Research and development**

Government assistance towards research and development expenditures received in the form of investment tax credits on account of eligible expenditures is recorded when there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. Investment tax credits related to the acquisition of plant and equipment used for research and development is credited against the related plant and equipment, while other investment tax credits are credited against related expenses as incurred.

**t) Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Diluted earnings per share reflects the potential dilution that would occur if all dilutive potential ordinary shares were converted or exercised. Potential ordinary shares are included in diluted earnings per share only when their conversion would decrease earnings per share or increase loss per share from continuing operations.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

The preparation of the Company’s financial statements in conformity with IFRS requires management to make certain judgments, estimates, and assumptions that affect the application of accounting policies, the reported amounts of revenues and expenses for the periods presented, and the carrying amounts of assets, and liabilities, and the disclosure of contingent liabilities, at the date of financial statements. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events believed to be reasonable, that are considered to be relevant, the results of which form the basis of the estimates made or judgement exercised that are not readily apparent from other sources. Actual results may differ from these estimates. Judgments and estimates are often interrelated. The Company’s judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which they are revised and in future periods affected.

**(a) Estimates**

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company’s financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS - Continued**

*Useful life of furniture and other equipment and intangible assets*

The Company reviews the estimated useful lives of the furniture and other equipment, intangible assets at the end of each year. Management has determined no change in the useful lives. Intangible assets and furniture and other equipment with finite lives are amortized on a declining basis method over their expected useful life once the asset is available for use. Estimates of useful lives are based on data and information from various sources including industry practice and historic experience. Factors considered include technical, technological, commercial or other types of obsolescence and typical product life cycles for the asset. Although management believes the estimated useful lives of the Company's intangible assets and furniture and other equipment, are reasonable, changes in estimates could occur, affecting the expected useful lives and salvage values of the assets.

*Inventories*

Management is required to assess whether a write-down of inventory is required in situations where the selling price of inventory is less than its cost.

*Fair value measurement of non-interest-bearing debt*

The Company has estimated, on initial recognition, the fair market value of certain debts that do not have a defined coupon rate, using a comparative interest rate for similar liabilities and a discounted cash flow to determine a reasonable present value. Additional details on debt are disclosed in note 17.

*Expected credit losses (ECL)*

ECLs are estimated for trade and other receivables based on historical experience and forecasted economic conditions, taking into considerations of a range of factors, including the age of the receivables and the creditworthiness of the counterparties. Determining the recoverability of an account involves estimates and assumptions, changes in which could result in different results.

*Impairment of non-financial assets*

Determining whether an impairment has occurred requires the valuation of the respective assets or CGU's, which the Company estimates the recoverable amount using discounted cash flow models. The key estimates and assumptions used include revenue growth and discount rate. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

**(b) Judgments**

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the financial statements.

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS - Continued**

**Fair value of convertible debt**

The liability component is measured at fair value upon recognition. The equity component is then determined by deducting the fair value of the financial liability from the issuing price of the convertible debenture. The liability component is subsequently measured at amortized cost using effective interest method and the accretion of interest over the term of the convertible debenture is recorded as an increase of financial liability as well as an charge into the statement of loss and comprehensive loss. Interest expense resulting from the convertible debentures' coupon interest rate is expensed in the statement of loss and comprehensive loss.

**Derivative liabilities**

In calculating the fair value of its derivative liabilities, the Company uses either the Black-Scholes option price model or the Monte Carlo simulation model, for level 3 recurring fair value measurements to estimate the fair value at each reporting date. The key assumptions used in the models are similar and include the expected future volatility in the price of the Company's shares, the fair market value of the price of the Company's share and the expected life of the underlying instrument.

**5. NEW ACCOUNTING PRONOUNCEMENTS**

***Standards issued but not yet effective***

*Classification and Measurement of Financial Instruments*

In May 2024, the IASB issued amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures. The amendments relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with Environmental, Social, and Governance (ESG)-linked features. The IASB also amended disclosure requirements relating to investments in equity instruments designated at FVOCI and added disclosure requirements for financial instruments with contingent features. The amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is assessing the impacts to the financial statements.

*Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued the new standard IFRS 18 – Presentation and Disclosure in Financial Statements that will replace IAS 1 – Presentation of Financial Statements. The new standard introduces newly defined subtotals on the income statement, requirements for aggregation and disaggregation of information, and disclosure of Management Performance Measures (MPMs) in the financial statements. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted.

The amendments are not expected to have a material impact on the Company's financial statements.

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements****For the Three Months Ended July 31, 2025, and 2024****(Expressed in Canadian dollars unless otherwise stated)****6. REVERSE TAKEOVER**

Departure Bay Capital Corp. (“DBC”) was incorporated under the Business Corporations Act (British Columbia) on February 16, 2022, as a Capital Pool Company under TSX Venture Exchange (“TSXV”) Policy 2.4. On October 26, 2022, DBC completed its initial public offering and its common shares were listed on the TSXV under the symbol “DBC.P” on October 28, 2022.

9302204 Canada Inc. (o/a Cheelcare) (“Cheelcare”), a Canadian-Controlled Private Corporation, was incorporated on May 21, 2015, under the Canada Business Corporations Act. Cheelcare is a technology and manufacturing company focused on assistive mobility devices for individuals with physical disabilities.

On February 24, 2025, DBC entered into a definitive business combination agreement with Cheelcare. The transaction was structured as a reverse takeover (“RTO”) pursuant to which DBC, through its wholly owned subsidiary, 1672905-3 Canada Inc. (“Subco”), amalgamated with Cheelcare to form an amalgamated entity (“Amalco”). Upon closing, Amalco became a wholly owned subsidiary of DBC, and the resulting issuer was renamed “Cheelcare Inc.” and began trading on the TSXV.

The RTO was completed by way of share exchange and pre-closing capital adjustments, including:

- A 3-for-1 share consolidation by DBC;
- A share split by Cheelcare resulting in 10,522,015 post-split outstanding Cheelcare common shares;
- Conversion of Cheelcare convertible debentures (including accrued interest) into common shares; and
- Automatic conversion of Cheelcare subscription receipts from a private placement into units consisting of common shares and warrants.

As consideration, the resulting issuer issued 10,522,015 common shares at a deemed price of \$0.75 per share.

For accounting purposes, the transaction was treated as a reverse takeover of DBC by Cheelcare. Although DBC is the legal parent, Cheelcare is considered the acquirer under IFRS. DBC did not constitute a business under IFRS 3 Business Combinations at the time of the transaction. Accordingly, the transaction was accounted for under IFRS 2 Share-Based Payment. The difference between the fair value of consideration paid and the net assets of DBC acquired is recognized as a listing expense.

	Nos	Rate	Value
<b>Consideration</b>			
New Shares of DBC Issued	1500000	0.65407	\$ 981,105
DBC Options	150000	0.3	45,000
DBC Warrants	66666	0.3	20,000
Legal costs			190,192
<b>Total consideration paid</b>			<b>\$ 1,236,297</b>

The fair value of shares was based on the proportionate fair value of Cheelcare shares within the concurrent financing unit. Options and warrants were valued using the Black-Scholes option pricing model with the following assumptions:

- Risk-free rate: 2.68%
- Expected life: 2 to 2.74 years
- Expected volatility: 100% (based on comparable issuers)
- Dividend yield: 0%

<b>Net Assets Acquired</b>	
Cash and Cash Equivalents	\$ 1,912
Receivable from Cheelcare	75,000
Accounts payable and other liabilities	(55,412)
<b>Net Assets required</b>	<b>\$ 21,500</b>
<b>Listing Expenses</b>	<b>\$ 1,214,797</b>

The excess of consideration over the net assets acquired, including transaction costs, was recorded as a listing expense of \$1,214,797, in accordance with IFRS 2.

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements****For the Three Months Ended July 31, 2025, and 2024****(Expressed in Canadian dollars unless otherwise stated)****7. TRADE AND OTHER RECEIVABLES**

	July 31, 2025	April 30, 2025
	\$	\$
Trade receivable	193,574	135,113
HST receivable	89,906	59,378
	277,480	194,491

As at July 31, 2025, two customers accounting for 28% (April 2025: 32%) of revenues and as of July 31, 2025, those two customers accounted for 31% (April 2025: 31%) of trade receivable.

**8. INVENTORIES**

	July 31, 2025	April 30, 2025
	\$	\$
Raw material and parts	411,635	293,810

During the year ended July 31, 2025, \$205,194 (July 31, 2024: \$145,781) was recognized in cost of sales.

**9. PREPAID EXPENSES**

	31-Jul-25	30-Apr-25
	\$	\$
Food and Drug Administration License	2,841	22,136
Sales force subscription	31,875	25,178
Advance Deposit for Rent (note 26)	160,200	-
Prepaid insurance	2,098	3,932
	<b>197,014</b>	<b>51,245</b>
Current portion	36,814	44,366
Long term portion	160,200	6,879

**10. FURNITURE AND EQUIPMENT**

	Furniture and fixture	Computer equipment	Total
	\$	\$	\$
<b>Cost</b>			
Balance, April 30, 2024	11,763	26,886	38,649
Additions	1,500	7,787	9,287
Transfer from Capital work in progress	72,056		72,056
Balance, April 30, 2025	85,319	34,673	119,992
Additions	6,848		6,848
Balance, July 31, 2025	92,167	34,673	126,840
<b>Accumulated depreciation</b>			
Balance, April 30, 2024	6,505	24,986	31,491
Additions	37,379	5,038	42,417
Balance, April 30, 2025	43,884	30,024	73,908
Additions	36,882	1,259	38,141
Balance, July 31, 2025	80,766	31,283	112,049
<b>Net book value</b>			
Balance, April 30, 2024	5,258	1,900	7,158
Balance, April 30, 2025	41,435	4,649	14,791
Balance, July 31, 2025	11,401	3,390	14,791

**CHEELCARE INC.**  
**Notes to the Consolidated Unaudited Financial Statements**  
**For the Three Months Ended July 31, 2025, and 2024**  
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**11. INTANGIBLE ASSETS**

	\$
<b>Cost</b>	
Balance, April 30, 2023	33,409
Additions	350
Balance, April 30, 2024	33,759
Additions	2,948
Balance, April 30, 2025	36,707
	36,707
<b>Accumulated amortization</b>	
Balance, April 30, 2023	9,286
Additions	1,427
Balance, April 30, 2024	10,713
Additions	3,541
Balance, April 30, 2025	14,254
Net Book Value, April 30, 2025	22,453
Net Book Value, April 30, 2024	23,046

Intangible assets are patent registration in Canada and United States of America.

**12. BANK INDEBTEDNESS**

The Company has an operating line of credit up to \$150,000 (2024: \$150,000) from Royal Bank of Canada (“RBC “). The line of credit bears interest at RBC prime plus 4.73%. The loan is secured as shareholder agrees to be jointly and severally liable for the loan. The loan is payable on demand. As at July 31, 2025, the amount drawn was \$Nil (April 30, 2025: \$144,000).

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	July 31, 2025	April 30, 2025
	\$	\$
Accounts payable	222,852	893,653
Accrued interest	75,011	317,431
Accrued liabilities	23,441	56,684
Other payables	-	40,809
	320,566	1,308,577

**14. ADVANCES FROM A SERVICE PROVIDER**

The Company entered into an agreements with Shopify Inc.(“Shopify”) in January 2022 whereby Shopify provided working capital for the use of Shopify’s software, platform and services by purchasing a portion of the Company’s future revenue. The advance is secured against the receivables of the Company and guaranteed by individual shareholders of the Company.

	\$
Balance, April 30, 2024	71,966
Addition	189,900
Repayment	(162,941)
Balance, April 30, 2025	98,925
Addition	87,084
Repayment	(68,418)
Balance, July 31, 2025	117,591

All amount is treated as advance as the Company repaid the amount within one year.

**CHEELCARE INC.**

**Notes to the Consolidated Unaudited Financial Statements**

**For the Three Months Ended July 31, 2025, and 2024**

**(Expressed in Canadian dollars unless otherwise stated)**

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**15. RESTRICTED CASH AND SUBSCRIPTION RECEIPT**

During the year ended April 30, 2025, the Company completed a financing by issuing subscription receipts for aggregate gross proceeds of \$3,500,000 at \$0.75 per receipt. Each subscription receipt entitled the holder, upon closing of the Cheelcare transaction, to receive one post-split common share and one-half of one warrant.

Prior to satisfaction of the release conditions, the gross proceeds were placed in escrow with a third-party agent and presented as restricted cash. Given the Company's obligation to issue the underlying securities on closing or refund the proceeds, if the transaction did not close, the subscription receipts were classified as a financial liability at the reporting date.

Upon closing of the Cheelcare transaction in July 2025, the escrowed funds were released and the subscription receipts automatically converted into 4,666,666 post-split common shares and 2,333,333 warrants. At that time, the carrying amount of the subscription receipt liability was reclassified to equity, with the warrants recognized within equity. Had the transaction not closed, the subscription receipts would have been redeemed and the funds returned to investors. (see Note 28)

**16. OTHER LOAN**

On November 13, 2024, the Company borrowed \$25,000 ("Bridge Loan 1") from Departure Bay Capital ("DBC"). The loan bears an interest rate of 8% compounded annually, is unsecured, and must be repaid with accrued interest within twenty business days after the date of the earlier of:

- the receipt of final approval of the TSXV of the Cheelcare Transaction (See note 28); or
- the termination of the Cheelcare Transaction pursuant to the terms of the definitive agreement.

On December 13, 2024, the Company borrowed a further \$50,000 from DBC ("Bridge Loan 2"). The loan bears an interest rate of 8% compounded annually, is secured against the assets of the Company.

The loan was repaid in July 2025.

**17. BANK LOANS**

- Facility of \$100,000 on July 19, 2021 from Royal Bank of Canada ("RBC"), which bears fixed rate interest at 4% per annum (1% of which is a non-refundable guarantee fee charged by Business Development Bank of Canada's ("BDC") Highly Affected Sector Credit Availability Program ("HASCAP"). The HASCAP program is intended to provide additional liquidity support to Canadian businesses that have been highly affected by and are facing economic hardship as a result of the COVID-19 pandemic by having BDC provide a guarantee in favour of RBC against loan losses, provided the requirements of HASCAP have been met. For the first year the Company only paid interest, and starting from the thirteenth month, the Company made a fixed repayment of \$925.93 plus interest per month.
- On May 5, 2022, the Company obtained a 66 months loan of \$100,000 from BDC, which bears BDC's base rate plus spread of 4% per annum (floating rate 9.3%), secured by a general security agreement, and guaranteed by individual shareholders of the Company. For the first six months the Company only paid interest, and starting from the seventh month, the Company made a fixed repayment of \$1,667 plus interest per month.
- On February 25, 2025, the Company obtained a 60 months loan of \$33,000 from BDC, which bears BDC's base rate plus spread of 4% per annum (floating rate 11.2%), secured by a general security agreement, and guaranteed by individual shareholders of the Company. The Company made a fixed repayment of \$550 plus interest per month.

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements****For the Three Months Ended July 31, 2025, and 2024****(Expressed in Canadian dollars unless otherwise stated)**

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**17. BANK LOANS - Continued**

	<b>April 30, 2025</b>	<b>April 30, 2024</b>
	<b>\$</b>	<b>\$</b>
HASCAP loan balance at year ended	66,667	80,555
BDC loan balance at year ended	73,366	71,665
Less: Current portion	(37,692)	(31,115)
	<b>105,342</b>	<b>121,105</b>

**18. CANADA EMERGENCY BUSINESS ACCOUNT LOAN**

The Canada Emergency Business Account (CEBA) loan, partially forgivable, originally launched on April 9, 2020, was intended to support businesses during the COVID-19 pandemic. The outstanding balance as of January 18, 2024, was converted to a non-amortizing term loan with full principal repayment due on December 31, 2026. Commencing January 19, 2024, the loan accrues interest of 5% per annum.

The Company did not repay the loan before January 18, 2024, and is not eligible for the forgivable portion. Consequently, the previously forgiven portion of \$20,000 were reversed, and recorded as government grant expense, bringing the balance to \$50,348 (April 30, 2025: \$47,915). The Company recorded accretion expense of \$1,676 in 2025 (July 31, 2024: \$1,434).

**19. PROMISSORY NOTES****Namesilo Technologies Corp.**

On March 5, 2025, Cheelcare entered into an amended and restated unsecured convertible loan agreement with NameSilo Technologies Corp. ("Name Silo"), establishing a revolving loan facility of up to CAD \$450,000. The loan bears interest at 12% per annum and matures 18 months from the effective date. The loan is convertible, at the lender's option, into common shares of the borrower at a conversion price of \$0.75 per share. In connection with the facility, the borrower issued 300,000 common share purchase warrants to the lender, exercisable at \$1.50 per share for a period of two years. Both the conversion feature and the warrants are classified as derivative instruments under IFRS, since their value depends on the Company's share price and settlement occurs in the future through the issuance of shares.

For accounting purposes, the financing is treated as a compound instrument, with the debt liability recognized separately from the derivative instruments. The allocation of value between the debt, the conversion option, and the warrants was determined using fair value techniques, including a discounted cash flow model for the debt and option pricing methodologies for the equity-linked instruments. This treatment reflects both the Company's fixed repayment obligations and the equity-linked rights granted to the lender, ensuring that the financial statements capture the full economic impact of the arrangement.

The Company used a Monte- Carlo simulation model to estimate fair value of the derivative liability. This is a level 3 recurring fair value measurement. The key level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's share and the recorded the fair value of the derivative liability. The Company believes that a 1% difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

The convertible loan is a compound instrument, and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components.

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements****For the Three Months Ended July 31, 2025, and 2024****(Expressed in Canadian dollars unless otherwise stated)****19. PROMISSORY NOTES - Continued**

	Convertible liability	Conversion option	Warrants
		\$	\$
Balance, April 30, 2024	-	-	-
Fair value on the issuance date	323,658	103,527	22,815
Accretion for the year	5,804	-	-
Fair value change in derivative liability	-	(7195)	-
Balance, April 30, 2025	329,462	96,332	22,815
Accretion for the period	19,237	-	-
Balance, July 31, 2025	348,699	96,332	22,815

The following range of assumptions were used to value the derivative liability during the year ended April 30, 2025.

- Volatility : 56% to 57%
- Risk-free interest rate: 2.48 to 2.55 per annum
- Expected life: 18 months
- Share price: 0.75 per share

**20. CONVERTIBLE DEBENTURES****10% convertible debentures**

On March 31, 2021, the Company issued \$505,000 unsecured debentures convertible, upon completion of certain criteria, into the Company's common shares for an original term of two years. The Company extended the maturity of the convertible debentures to May 10, 2025, with no changes in other terms of the convertible debenture.

Convertible loans are separated into liability and equity components based on the terms of the contract. On issuance of the convertible loan, the fair value of the liability component is determined using a market rate of 15.8% for an equivalent non-convertible instrument. The amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is disclosed as a conversion feature in equity.

In 2024, the company issued additional \$370,000 unsecured convertible debentures. On issuance of the convertible loan, the fair value of the liability component is determined using a market rate of 19% - 23% for an equivalent non-convertible instrument. The amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is disclosed as a conversion feature in equity.

The Company repaid \$720,000 during the period ended July 31, 2025 (April 30, 2025: \$155,000).

	10% Debenture \$	Conversion Feature \$	Total \$
Balance, April 30, 2024	823,528	109,682	933,210
Repayment	(155,000)		(155,000)
Accretion	38,496		38,496
Transfer to additional paid in capital	-	(18,781)	(18,781)
Balance, April 30, 2025	707,024	90,901	797,925
Repayment	(720,000)		(720,000)
Accretion	12,976		12,976
Transfer to additional paid in capital	-	(90,901)	(90,901)
Balance, July 31, 2025	-	-	-

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements  
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(Expressed in Canadian dollars unless otherwise stated)****20. CONVERTIBLE DEBENTURES (continued)**8% convertible debentures

During the year ended April 30, 2023, the Company issued four tranches totalling to \$225,000 of unsecured debentures convertible, upon completion of certain criteria, into the Company's common shares for an original term of two years. Subsequent to the year end, the Company extended the maturity of the convertible debentures to May 10, 2025, with no changes in other terms of the convertible debenture.

During the year ended April 30, 2024, the company issued additional \$25,000 unsecured convertible debentures. On issuance of the convertible loan, the fair value of the liability component is determined using a market rate of 19% - 23% for an equivalent non- convertible instrument. The amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is disclosed as a conversion feature in equity.

During the period ended January 31, 2025, the company issued additional \$503,000 unsecured convertible debentures. On issuance of the convertible loan, the fair value of the liability component is determined using a market rate of 19% to 27% for an equivalent non- convertible instrument. The amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is disclosed as a conversion feature in equity.

The Company repaid \$653,000 during the period ended July 31, 2025 (April 30, 2025: \$100,000).

	<b>8% Debenture</b>	<b>Conversion Feature</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, April 30, 2024	238,215	41,500	279,715
Addition	391,910	111,090	503,000
Repayment	(100,000)		(100,000)
Accretion	26,683	-	26,683
Transfer to additional paid in capital	-	(18,688)	(18,688)
Balance, April 30, 2025	556,808	133,902	690,710
Addition			-
Repayment	(653,000)		(653,000)
Accretion	96,192	-	96,192
Transfer to additional paid in capital	-	(133,902)	(133,902)
Balance, July 31, 2025	-	-	-

**21. DUE TO SHAREHOLDERS**

Advances from shareholders are unsecured, non-interest bearing and have no fixed terms of repayment, and the shareholders have given an undertaking not to demand repayment within next year. During the period, the company made repayment of \$114,129 (April 30, 2025: \$174,894).

The Company issued unsecured promissory notes of \$145,000 to the shareholders with no specific repayment terms anytime after December 11, 2022 which was repaid in July 2025. A total of \$2,161 (July 31, 2024: \$2,900) interest was accrued as of July 31, 2025.

	<b>July 31, 2025</b>	<b>April 30, 2025</b>
	<b>\$</b>	<b>\$</b>
Due to shareholder consists of:		
Advances from shareholders	39,411	328,433
Promissory note payable to shareholders	-	145,000
	39,411	473,433

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements****For the Three Months Ended July 31, 2025, and 2024****(Expressed in Canadian dollars unless otherwise stated)****22. SHARE CAPITAL****(a) Authorized:**

The authorized share capital consists of an unlimited number of common shares and an unlimited number of Class A special shares.

**(b) Issued and outstanding:**

i) Pursuant to the Reverse Takeover in July 2025 (Note 6), the Company undertook a share split resulting in 10,522,015 post-split outstanding Cheelcare common shares.

ii) The Company also issued to the DBC shares holders 1,500,000 shares at deemed fair value of \$0.65407. The fair value of shares was based on the proportionate fair value of Cheelcare shares within the concurrent financing unit. Options and warrants were valued using the Black-Scholes option pricing model with the following assumptions:

- Risk-free rate: 2.68%
- Expected life: 2 to 2.74 years
- Expected volatility: 100% (based on comparable issuers)
- Dividend yield: 0%

iii) During the year, the Company completed a financing by issuing subscription receipts for aggregate gross proceeds of \$3,500,000 at \$0.75 per receipt. Each subscription receipt entitled the holder, upon closing of the Reverse Takeover Transaction, to receive one post-split common share and one-half of one warrant. The Subscription receipts were converted into 4,666,666 at a fair value of \$0.75. The Company issued 2,333,333 warrants at a fair value of \$0.22. The Company incurred expenses of \$90,100 in connection with the capital raise.

iv) The Company also converted \$1,373,000 Convertible Debentures by issue of 2,440,888 shares at fair value of \$0.5625. Accordingly, an amount of \$224,802 has been transferred to the Contributed Surplus from the Conversion Feature account.

v) The Company converted \$280,967 worth of interest payable on debentures into 499,498 shares at a fair value of \$0.5625.

**(c) Warrants:**

On March 5, 2025, the Company entered into an amended and restated unsecured convertible loan agreement with NameSilo Technologies Corp., establishing a revolving loan facility of up to CAD \$450,000. (Refer note 18)

Pursuant to the Reverse Take Over Transaction, the DBC share holders were issued 66,666 warrants at a fair value of \$0.30. The expense towards this issuance has been booked under Listing Fees.

The Subscription Receipts were attached one – half warrant and therefore 2,333,333 warrants were issued at a fair value of \$0.22.

The fair value of Warrants was based on the proportionate fair value of Cheelcare shares within the concurrent financing unit. Options and warrants were valued using the Black-Scholes option pricing model with the following assumptions:

- Risk-free rate: 2.68%
- Expected life: 2 to 2.74 years
- Expected volatility: 100% (based on comparable issuers)
- Dividend yield: 0%

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

	Number of warrants	Weighted Average Exercise Price
Warrants issued to DBC	66,666	0.30
Issued for concurrent financing	2,333,333	1.50
Issued for convertible loan	300,000	1.50
Outstanding as at July 31, 2025	2,699,999	1.47

**CHEELCARE INC.**  
**Notes to the Consolidated Unaudited Financial Statements**  
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**21. SHARE CAPITAL - Continued**

The following warrants were outstanding and exercisable at July 31, 2025:

Expiry Date	Weighted average Remaining Life in Years	Contractual	Exercise Price (\$)	Outstanding
2027-03-04	1.59		1.5	200,000
2027-04-10	1.69		1.5	100,000
2027-07-07	1.93		1.5	2,333,333
2027-10-26	2.24		0.3	66,666

(d) Share options:

798,000 options were issued on October 1, 2024, at \$0.50 per share, expiring in 60 months from date of issue. Upon vesting of these Options, an amount of \$329,734 was charged as Share based compensation. Pursuant to the Reverse Takeover Transaction, the options were split resulting in 1,048,825 Options. The Company also issued 150,000 Options to the DBC shareholders as part of the consideration for the Reverse Takeover Transaction.

Exercise price per share (\$)	Expiry Date	2025		2024	
		Options outstanding	Options vested	Options outstanding	Options vested
0.30	2027-10-26	150,000	150,000		
0.38	2029-10-01	1,048,825	1,048,825	-	-
		1,198,825	1,198,825	-	-

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted to employees, consultants, and directors. The Black-Scholes model requires the input of several assumptions, including the expected stock price volatility, expected life of the options, risk-free interest rate, and expected dividend yield. These assumptions are based on management's judgment and reflect expectations that are believed to be reasonable under the circumstances. The fair value of each option granted is estimated on the grant date using the Black-Scholes model with the following weighted average assumptions:

- Risk-free interest rate: 2.68%
- Expected life: 4.67 years
- Expected volatility: 100% based on historical volatility of comparable companies
- Expected dividend yield: 0% (as the Company does not anticipate paying dividends in the foreseeable future)

**22. RESEARCH AND DEVELOPMENT**

	July 31, 2025 \$	July 31, 2024 \$
Consultant fees and staff wage	162,737	79,339
less : Research and development tax credits	-	-
	162,737	79,339

The Company recognized the tax credits, once actual proceeds received from the Government.

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements  
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The Company incurs interest on certain financial instruments that are set out as follows:

	<b>July 31, 2025</b>	<b>July 31, 2024</b>
	<b>\$</b>	<b>\$</b>
Interest on Debentures	21,464	46,197
Accretion of debentures	109,168	13,505
Interest on BDC and HASCAP Loans	5,479	4,838
Interest on shareholder loans	2,161	2,900
Interest in Shopify loans	7,410	11,017
Interest on CEBA loan	756	756
Accretion of CEBA loan	1,676	1,434
Interest on Promissory Note	38,421	-
Others	581	-
	<b>187,116</b>	<b>80,647</b>

**24. RELATED PARTY****Key management personnel compensation**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company defines key management personnel as being the directors and key officers. For the three months ended July 31, 2025, and 2024, the compensation awarded to key management personnel are \$Nil.

**Due to related parties:**

Amounts due to directors and entities controlled by key officers or directors are included in due to shareholder (note 16). Included in Accounts payable and accrued liabilities is \$Nil (April 30, 2025: \$Nil) for reimbursement of expenses.

**25. SEGMENT INFORMATION**

As at July 31, 2025, the Company has one operating segment, being the provider of wheelcare solutions, and operates in two geographic areas, being the United States and Canada. The Company revenue and long lived assets by geographic area are set out below:

	Canada	United States	Total
	\$	\$	\$
<b>July 31, 2025</b>			
Revenue recognised at a point in time			
Net Sales	266,631	222,245	488,876
	266,631	222,245	488,876
Long lived assets	36,358	-	36,358
	Canada	United States	Total
	\$	\$	\$
<b>July 31, 2024</b>			
Revenue recognised at a point in time			
Net Sales	255,712	214,990	470,702
	255,712	214,990	470,702
Long lived assets	31,536	-	31,536

**CHEELCARE INC.****Notes to the Consolidated Unaudited Financial Statements****For the Three Months Ended July 31, 2025, and 2024****(Expressed in Canadian dollars unless otherwise stated)**

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**26. COMMITMENTS**

In July 2025, the Company entered into a lease agreement with a landlord for premises located at 165 Shields Court. The lease provides the Company with the right to occupy and use the premises for its operations over a fixed term of 5 years, commencing on the lease start date and expiring on July 31, 2030.

The agreement establishes the Company's obligations with respect to Basic Rent, Additional Rent (including property taxes, maintenance, insurance, and other common costs), and certain advance deposits to secure rent payments and performance of lease obligations. The lease is structured as a net lease, whereby the tenant bears responsibility for operating costs and other charges in addition to the base rental payments.

The agreement also outlines provisions regarding use of premises, maintenance responsibilities, insurance requirements, deposits, and remedies in the event of default. The committed lease payments under the agreements are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
	\$	\$	\$	\$	\$
Basic Rent	280,000.00	288,480.00	297,120.00	306,080.00	315,200.00
Additional Rent	81,760.00	81,760.00	81,760.00	81,760.00	81,760.00
	361,760.00	370,240.00	378,880.00	387,840.00	396,960.00

However, the Company has already made advance rent payments of \$160,200. (See note 9)

**27. CONTINGENCIES**

The Company may from time to time become subject to a variety of claims and lawsuits that arise from time to time in the ordinary course of the Company's business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.