

Covalon Technologies Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2025, and 2024

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Independent auditor's report

To the Shareholders of Covalon Technologies Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Covalon Technologies Ltd. and its subsidiaries (together, the Company) as at September 30, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2025 and 2024;
- the consolidated statements of operations and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Inventory provision related to obsolescence due to raw material expiry</p> <p><i>Refer to note 2 – Summary of material accounting policies and basis of presentation, note 3 – Critical accounting estimates and judgments and note 4 – Inventories to the consolidated financial statements.</i></p> <p>The carrying amount of raw material inventory in the consolidated financial statements of the Company amounted to \$4.1 million as at September 30, 2025. Management recorded an overall inventory provision of \$416,000 as at September 30, 2025, of which a majority relates to obsolescence due to raw material expiry. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Management applies judgment when estimating the inventory provision related to obsolescence due to raw material expiry based on the consideration of a variety of factors, including expiry dates by raw material, which are based on either manufacturer dates or revised expiry dates due to internal quality certification results.</p> <p>We considered this a key audit matter due to the judgment applied by management in estimating the inventory provision related to obsolescence due to raw material expiry. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the inventory provision related to obsolescence due to raw material expiry.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested how management determined the inventory provision related to obsolescence due to raw material expiry, which included the following:<ul style="list-style-type: none">– Evaluated the appropriateness of management's method to determine the inventory provision related to obsolescence due to raw material expiry and tested the mathematical accuracy of the underlying calculation.– Tested the underlying data used by management in the calculation of the inventory provision related to obsolescence due to raw material expiry, by comparing the expiry dates by raw material on a sample basis to either a report obtained from the manufacturer or to internal quality certification results. and– Performed procedures on a sample basis by raw material to confirm management's ability to utilize the raw materials with revised expiry dates from the internal quality certification in production.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Grant Redpath.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
December 10, 2025

Covalon Technologies Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars

	September 30, 2025	September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	\$17,367,288	\$16,746,781
Accounts receivable	5,840,217	3,645,252
Inventories (Note 4)	7,400,787	7,696,084
Prepaid expenses	835,456	686,106
Finance lease receivable (Note 9)	87,102	264,728
Total current assets	31,530,850	29,038,951
Non-current assets		
Property, plant and equipment (Note 6)	1,355,082	1,010,728
Intangible assets (Note 5)	1,350,674	1,439,714
Finance lease receivable (Note 9)	-	148,728
Right-of-use assets (Note 7)	1,886,981	168,453
Total non-current assets	4,592,737	2,767,623
Total assets	\$36,123,587	\$31,806,574
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$3,142,938	\$3,323,790
Lease liabilities (Note 8)	627,256	600,485
Deferred revenue	-	72,082
Total current liabilities	3,770,194	3,996,357
Non-current liabilities		
Accounts payable	-	4,423
Lease liabilities (Note 8)	1,626,484	301,186
Total non-current liabilities	1,626,484	305,609
Total liabilities	5,396,678	4,301,966
Shareholders' equity		
Share capital (Note 10)	51,817,143	51,748,095
Contributed surplus	8,571,418	8,322,591
Foreign exchange translation reserve	3,976,750	3,130,413
Accumulated deficit	(33,638,402)	(35,696,491)
Total shareholders' equity	30,726,909	27,504,608
Total liabilities and shareholders' equity	\$36,123,587	\$31,806,574

On behalf of the Board:

(signed) "Abe Schwartz"

(signed) "Brent Ashton"

Director

Director

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

Covalon Technologies Ltd.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Expressed in Canadian Dollars

	Year ended September 30,	
	2025	2024
Revenue		
Product	\$32,578,702	\$31,020,731
Development and consulting services	12,890	62,479
Licensing and royalty fees	224,755	85,322
Total revenue	32,816,347	31,168,532
Cost of sales	15,344,483	12,235,807
Gross profit	17,471,864	18,932,725
Operating expenses		
Operations	1,966,937	1,973,752
Research and development activities	1,319,949	1,594,079
Sales, marketing, and agency fees	4,752,410	5,432,463
General and administrative	7,668,896	7,781,398
	15,708,192	16,781,692
Finance expenses (income)	(444,107)	91,249
Loss/(gain) on finance lease receivable (Note 9)	149,690	(610,008)
Net income	\$2,058,089	\$2,669,792
Other comprehensive income		
Amount that may be reclassified to profit or loss		
Foreign currency translation adjustment	846,337	179,018
Total comprehensive income	\$2,904,426	\$2,848,810
Earnings per common share		
Basic earnings per share (Note 17)	\$0.08	\$0.11
Diluted earnings per share (Note 17)	\$0.07	\$0.11

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

Covalon Technologies Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in Canadian Dollars

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Foreign exchange translation reserve	Total
Balance at October 1, 2023	24,669,577	\$ 42,770,879	\$11,436,826	\$(38,366,283)	\$2,951,395	\$18,792,817
Share-based payment expense	-	-	405,981	-	-	405,981
Exercise of warrants (Note 10)	2,728,500	8,977,216	(3,520,216)	-	-	5,457,000
Net income for the year	-	-	-	2,669,792	-	2,669,792
Foreign currency translation adjustment	-	-	-	-	179,018	179,018
Balance at September 30, 2024	27,398,077	\$ 51,748,095	\$8,322,591	\$(35,696,491)	\$3,130,413	\$27,504,608
Balance at October 1, 2024	27,398,077	\$ 51,748,095	\$8,322,591	\$(35,696,491)	\$3,130,413	\$27,504,608
Share-based payment expense	-	-	274,075	-	-	274,075
Exercise of stock option (Note 11)	20,000	69,048	(25,248)	-	-	43,800
Net income for the year	-	-	-	2,058,089	-	2,058,089
Foreign currency translation adjustment	-	-	-	-	846,337	846,337
Balance at September 30, 2025	27,418,077	\$ 51,817,143	\$8,571,418	\$(33,638,402)	\$3,976,750	\$30,726,909

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

Covalon Technologies Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

	Year ended September 30,	
	2025	2024
Cash flows from (used in) operating activities		
Net income for the period from continuing operations	\$2,058,089	\$2,669,792
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property, plant and equipment (Note 6)	331,818	442,132
Amortization of intangible assets (Note 5)	338,467	302,367
Depreciation - right of use assets (Note 7)	284,658	241,959
Impairment of intangible asset (Note 5)	-	175,052
Share-based payment expense (Note 11)	274,075	405,981
Interest expense and accretion	62,555	56,246
Loss/(gain) on finance lease receivable (Note 9)	149,690	(610,008)
Loss on disposal of property, plant and equipment	1,145	80,443
Cash flows from operating activities before net changes in working capital balances:	3,500,497	3,763,964
Net changes in working capital balances:		
Accounts receivable	(1,893,361)	2,659,804
Prepaid expenses	(107,046)	(279,771)
Inventories	819,019	(1,604,838)
Accounts payable and accrued liabilities	39,480	(1,058,192)
Deferred revenue	(69,383)	(7,982)
Total net changes in working capital balances	(1,211,291)	(290,979)
Total cash flows from operating activities	2,289,206	3,472,985
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(644,178)	(290,645)
Purchase of intangible assets	(202,846)	(126,190)
Restricted cash	-	135,200
Total cash flows used in investing activities	(847,024)	(281,635)
Cash flows from (used in) financing activities		
Exercise of stock Options (Note 11)	43,800	-
Exercise of warrants (Note 10)	-	5,457,000
Finance lease receivable (Note 9)	184,889	214,005
Payment of lease liabilities (Note 8)	(758,035)	(698,943)
Total cash flows used in financing activities	(529,346)	4,972,062
Effect of foreign exchange rate changes on cash	(292,329)	(211,281)
Total cash flows during the year	620,507	7,952,131
Cash and cash equivalents, beginning of the year	\$16,746,781	\$8,794,650
Cash and cash equivalents, end of the year	\$17,367,288	\$16,746,781

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

Covalon Technologies Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

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1. CORPORATE INFORMATION

Covalon Technologies Ltd. (“the Company”) is incorporated under the laws of Ontario and is engaged in the business of researching, developing, manufacturing, and marketing of patent-protected medical products that improve patient outcomes and save lives in the areas of infection management, advanced wound care and surgical procedures. The consolidated financial statements of Covalon Technologies Ltd. for the year ended September 30, 2025, comprise the results of the Company and its wholly owned subsidiaries. The Company leverages its patented medical technology platforms and expertise in two ways: (i) by developing products that are sold under the Company’s name; and, (ii) by developing and commercializing medical products for other medical companies under development and license contracts. The Company has received regulatory approval on numerous products and both manufactures certain products, leverages contract manufacturers to make certain products, and utilizes distribution contracts to sell its commercialized products to medical customers. The Company generates its revenues through development contracts, licensing agreements, distribution contracts, and sales of products.

The Company is listed on the TSX Venture Exchange (the “TSX-V”), having the symbol COV. The Company also trades on the OTCQX Best Market, having the symbol of CVALF.

The address of the Company’s corporate office and principal place of business is 1660 Tech Avenue, Unit 5, Mississauga, Ontario, Canada.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of preparation

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The consolidated financial statements were authorized for issue by the Board of Directors on December 10, 2025.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 3.

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries over which the Company has control: Covalon Technologies Inc.; and Covalon Technologies (USA) Ltd. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The wholly owned subsidiaries of the Company are consolidated from the date control is obtained. All intercompany transactions, balances, income and expenses have been eliminated upon consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company’s operations are categorized into one industry which is medical technology with

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a focus on advanced wound care and infection prevention. The chief operating decision maker has been identified as the chief executive officer. The Company's revenue is managed geographically and disclosed accordingly.

Foreign currency translation

The Company has a functional currency of Canadian dollars and the functional currency of each subsidiary is determined based on facts and circumstances relevant for each subsidiary. Where the Company's presentation currency of Canadian dollars differs from the functional currency of a subsidiary, the assets and liabilities of the subsidiary are translated from the functional currency into the presentation currency at the exchange rates as at the reporting date. The income and expenses of the subsidiaries are translated at rates approximating the exchange rates at the dates of the transactions. Exchange differences arising on the translation of the consolidated financial statements of the Company's subsidiaries are recognized in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency of the Company or its subsidiaries, using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations and comprehensive income.

Financial Assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (loss), or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company does not currently have any assets measured subsequently at fair value.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. For accounts receivable, the Company applies the simplified approach permitted by IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognized at the time of initial recognition of the receivables.

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Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost method.

Property, plant and equipment

On initial recognition property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. When parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment. Property, plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation methods, useful lives, and residual values are reviewed at each financial reporting date and adjusted if appropriate. Depreciation is calculated using the following methods and rates:

Furniture and Fixtures	straight-line over five years
Computer Equipment	straight-line over three years
Production and Lab equipment	straight-line over five years
Leasehold Improvements	same as related right of use asset

Intangible assets

Intangible assets include expenditures related to obtaining patents and technology rights associated with patents, trademarks, computer software, and brands. Intangible assets are stated at cost, less accumulated amortization except for trademarks, which are considered to have an indefinite useful life. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in operations as incurred.

Development activities involve a plan or design for the production of new, or substantially improved, products and processes related to the Company's technology platforms. Development expenditures are capitalized only if the relevant criteria are met. Deferred development costs are amortized from the beginning of commercial production and sales and are amortized on a straight-line basis over the remaining life of the related patents.

Amortization is calculated using the following methods and rates:

Patents	straight-line over 20 years
Computer Software	straight-line over 5 years
Deferred Development Costs	straight-line over 20 years

Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash generating units (CGUs).

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The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (which is the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Accounts payable and accrued liabilities

These amounts represent liabilities for goods and services provided to the Company before the end of the financial year, which are unpaid. Accounts payable and accrued liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Revenue

The Company generates revenue from product sales, development and consulting services as well as licensing, and royalty fees.

Product revenue is recognized when control over products has been transferred to the customer and this either occurs when products are shipped or delivered based upon the contractual agreements in place. The amount of revenue is recorded as the amount that the Company expects to be entitled to in exchange for transferring the promised goods.

Development and consulting revenue is recognized over the period in which the services are performed.

The Company may enter into product development, consulting, licensing and royalty agreements with customers. The terms of the agreements may include non-refundable signing fees, milestone payments, hourly rates or royalty fees. These multiple element arrangements are analysed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. Upfront fees are recognized as revenue when they are determined to be a distinct component and that performance obligations have been completed. If performance obligations are satisfied over the life of the contract, revenue is deferred and recognized over the performance period. The term over which upfront fees are recognized is revised if the period over which the Company maintains substantive contractual obligations changes. Service revenue is recognized over the period in which the services are performed.

In some instances, cash is received before the Company has satisfied the performance obligations and this amount is recorded as deferred revenue.

Cost of sales

Cost of sales includes the cost of finished goods, inventory provisions, distribution costs, rework costs, direct overhead expenses, raw materials, and direct labour costs.

Income taxes

Income taxes are accounted for using the liability method. Deferred tax assets and liabilities are recognized for the differences between the tax basis and carrying amounts of assets and liabilities, for operating losses and for tax credit carry-forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws.

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Investment tax credits

Investment tax credits are accrued when there is reasonable assurance of realization, and these are reflected as a reduction of the related expense. In the event the investment tax credits received are less than the amount previously recognized, the difference will be reflected in operations for the period in which it is determined.

Share-based payments

The Company operates a long-term incentive plan under which the Company issues equity instruments of the Company as consideration in exchange for employee or director services (the "Plan"). The Plan is open to certain directors and employees of the Company. The Plan regulates the issuance of the following equity instruments: stock options, deferred share units ("DSUs") and restricted share units ("RSUs").

Stock options currently outstanding vest over three or four years and have a contractual life between five and ten years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period using the graded vesting method by increasing contributed surplus based on the number of awards expected to vest. For performance-based stock options these are measured at the grant date fair value of the awards and are recognized over the vesting period of four years on a straight-line basis. The Company employs the Monte Carlo simulation model to determine the fair value of performance-based stock options, due to the model's ability to incorporate the complexities and specific conditions of these awards.

For each DSU or RSU granted under the Plan, the Company recognizes an expense equal to the market value of a common share at the date of grant based on the number of DSUs or RSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus for share-based compensation anticipated to be equity settled or a corresponding credit to a liability for those anticipated to be cash settled. Share-based compensation expense is adjusted for subsequent changes in management's estimate of the number of DSUs or RSUs that are expected to vest, for DSUs or RSUs anticipated to be cash settled and changes in the market value of a common share. The effect of these changes are recognized in the period of the change. Vested DSUs or RSUs are settled either in common shares or in cash or a combination thereof at the discretion of the Company.

Leases

The Company recognises a right-of-use asset and lease liability at the lease commencement date after the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to renew if the Company is reasonably certain to exercise that option. Lease terms range from seven to ten years for offices. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The finance lease receivable is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate if the implicit interest rate

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cannot be readily determined. The finance lease receivable is subsequently measured by increasing the carrying amount to recognize interest income based on the effective interest rate method, and reducing the carrying amount by the lease payments received. Adjustments are made to the receivable if there are changes to the lease terms, such as modifications, reassessments, or changes in expectations regarding renewal or termination options.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate if the implicit interest rate cannot be readily determined. The liability is subsequently increased by the interest cost associated with the lease and decreased by payments made against the least. If there is a change in future lease payments arising from a change in assessment related to a renewal, or termination, the liability is remeasured as appropriate. The Company has applied judgement to determine the lease term for some lease contract in which it is a lessee in a lease that includes a renewal option. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Earnings per share

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing the applicable net income by the sum of the weighted average number of shares outstanding during the year and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year.

Accounting pronouncements issued but not yet effective

The IASB has issued classification, measurement and disclosure amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures with an effective date for annual reporting periods beginning on or after January 1, 2026. The amendments clarify the date of recognition and derecognition of some financial assets and liabilities and introduce a new exception for some financial liabilities settled through an electronic payment system. Other changes include a clarification of the requirements when assessing whether a financial asset meets the solely payments of principal and interest criteria and new disclosures for certain instruments with contractual terms that can change cash flows (including instruments where cash flows changes are linked to environment, social or governance targets).

IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that will provide new presentation and disclosure requirements and which will replace IAS 1, Presentation of Financial Statements (IAS 1). IFRS 18 introduces changes to the structure of the income statement; provides required disclosures in financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and provides enhanced principles on aggregation and disaggregation in financial statements. Many other existing principles in IAS 1 have been maintained. IFRS 18 is effective for years beginning on or after January 1, 2027.

The impact of the adoption of these pronouncements is currently being assessed.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Inventory Obsolescence

Management applies judgement when estimating the inventory provision related to obsolescence based on the consideration of a variety of factors, including expiry dates by product which are based on either product manufacturer dates or internal quality certification results. In many cases, product manufactured or purchased by the Company turns quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, expiry dates are important in the determination of net realizable value of inventory.

Management ensures that systems are in place to highlight and properly value inventory that has an expiry date within six months of period end. To the extent that actual losses on inventory obsolescence differ from those estimated, inventory, net income, and comprehensive income (loss) will be affected in future periods.

4. INVENTORIES

Inventories consist of the following:

	September 30, 2025	September 30, 2024
Raw materials	\$4,065,394	\$3,520,835
Finished goods	3,750,901	6,372,772
Inventory provision	(415,508)	(2,197,523)
	<u>\$7,400,787</u>	<u>\$7,696,084</u>

Cost of product sales for the year ended September 30, 2025, includes \$15,121,141 (2024 - \$12,010,022), respectively in inventoried materials. The company wrote-off inventories against the inventory provision during the year ended September 30, 2025, totaling \$2,497,998 (2024 - \$783,217). Write-downs of inventories to net realizable value amounted to \$715,983 (2024 - \$1,041,964) and is included in cost of sales in the statement of operations and comprehensive income.

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5. INTANGIBLE ASSETS

Intangible assets are comprised of the following amounts:

	Deferred Development Costs (\$)	Patents (\$)	Trademarks (\$)	Computer Software (\$)	Total (\$)
Cost					
Balance at September 30, 2023,	2,430,494	1,066,166	81,238	963,172	4,541,070
Additions	-	-	-	126,190	126,190
Impairment	(175,052)	-	-	-	(175,052)
Foreign exchange	(3,775)	(1,656)	(127)	(1,496)	(7,054)
Balance at September 30, 2024,	2,251,667	1,064,510	81,111	1,087,866	4,485,154
Additions	-	64,786	-	138,060	202,846
Foreign exchange	70,391	33,277	2,537	34,009	140,214
Balance at September 30, 2025	2,322,058	1,162,573	83,648	1,259,935	4,828,214
Accumulated amortization					
Balance at September 30, 2023	2,081,557	593,567	-	74,641	2,749,765
Amortization	113,492	51,678	-	137,197	302,367
Foreign exchange	(4,142)	(1,337)	-	(1,213)	(6,692)
Balance at September 30, 2024	2,190,907	643,908	-	210,625	3,045,440
Amortization	62,951	47,204	-	228,312	338,467
Foreign exchange	68,200	19,910	-	5,523	93,633
Balance at September 30, 2025	2,322,058	711,022	-	444,460	3,477,540
Carrying amounts					
At September 30, 2024	60,760	420,602	81,111	877,241	1,439,714
At September 30, 2025	-	451,551	83,648	815,475	1,350,674

As at September 30, 2025, included in computer software is an amount of \$45,622 (September 30, 2024 - \$11,272) which primarily relates to new information systems where amortization has not yet commenced as they had not yet been placed into service.

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6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fixtures (\$)	Production and Lab Equipment (\$)	Leasehold Improvements (\$)	Total (\$)
Cost				
Balance at September 30, 2023	746,627	2,451,827	383,351	3,581,805
Additions	42,305	248,340	-	290,645
Foreign exchange	(1,160)	(3,809)	(596)	(5,565)
Sale of assets	(75,139)	(9,882)		(85,021)
Write-off of fully depreciated assets	(227,519)	(3,682)	-	(231,201)
Balance at September 30, 2024	485,114	2,682,794	382,755	3,550,663
Additions	15,026	570,165	58,987	644,178
Foreign exchange	15,164	83,868	11,966	110,998
Write-off of fully depreciated assets	(6,519)	(10,307)	(75,878)	(92,704)
Balance at September 30, 2025	508,785	3,326,520	377,830	4,213,135
Accumulated depreciation				
Balance at September 30, 2023	506,800	1,476,479	355,588	2,338,867
Depreciation	118,381	301,774	21,977	442,132
Foreign exchange	123	(4,679)	(729)	(5,285)
Sale of assets	(4,386)	(192)	-	(4,578)
Write-off of fully depreciated assets	(227,519)	(3,682)	-	(231,201)
Balance at September 30, 2024	393,399	1,769,700	376,836	2,539,935
Depreciation	53,918	271,554	6,346	331,818
Foreign exchange	12,046	54,061	11,752	77,859
Write-off of fully depreciated assets	(5,374)	(10,307)	(75,878)	(91,559)
Balance at September 30, 2025	453,989	2,085,008	319,056	2,858,053
Carrying amounts				
At September 30, 2024	91,715	913,094	5,919	1,010,728
At September 30, 2025	54,796	1,241,512	58,774	1,355,082

As at September 30, 2025, included in production and lab equipment is an amount of \$722,431 which primarily relates to new production equipment where amortization has not yet commenced as they had not yet been placed into service.

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7. RIGHT-OF-USE ASSETS

	Right-of-use assets (\$)
Balance at October 1, 2023	439,837
Depreciation	(241,959)
Foreign exchange	(29,425)
Balance at September 30, 2024	168,453
Balance at October 1, 2024	168,453
Additions	2,056,989
Depreciation	(284,658)
Foreign exchange	(53,803)
Balance at September 30, 2025	1,886,981

The Company leases office space in Mississauga, Canada and Seattle, USA. During the year ended September 30, 2025, the Company has subleased a portion of its Seattle facility (Note 9).

8. LEASE LIABILITIES

Lease liabilities are comprised of the following amounts:

	Lease liabilities (\$)
Balance at October 1, 2023	1,562,465
Interest	56,881
Payments	(698,943)
Foreign exchange	(18,732)
Balance at September 30, 2024	901,671
Balance at October 1, 2024	901,671
Additions	2,056,989
Interest	59,225
Payments	(758,035)
Foreign exchange	(6,110)
Balance at September 30, 2025	2,253,740
Current portion	627,256
Non-current portion	1,626,484

Following the impairment of the right of use asset related to the Company's Seattle lease agreement, an onerous contract liability at September 30, 2025 of \$121,841 (September 30, 2024 - \$223,020) has been recognized in accounts payable and accrued liabilities related to future variable lease payments that are not included in the lease liability.

On March 31, 2025, the Company entered into an agreement to extend our lease at our head office location in Mississauga, Canada. The extension is for a period of 5 years, commencing on June 1, 2025, and expiring on May 31, 2030. All terms of the lease remain substantially unchanged, and the Company has an additional option to renew for a period of 5 years. It is not considered reasonably certain that these renewal options will be exercised and therefore they have not been included in the right-of-use asset or lease liabilities.

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On March 26, 2025, the Company entered into an agreement to extend the lease at our manufacturing facility in Mississauga, Canada. The extension is for a period of 5 years, commencing on July 1, 2025, and expiring on June 30, 2030. All terms of the lease remain substantially unchanged, and the Company has an additional two options to renew for a period of 5 years each option.

9. FINANCE LEASE RECEIVABLE

The Company entered into two sublease agreements for a total of 10,451 square feet out of a total of 18,246 square feet that comprises its Seattle facility. Both subleases are considered finance leases as it is reasonably certain that the sublease term will match that of the Company's existing lease agreements to April 2026. As a result of this transaction the company recognized a finance lease receivable at the inception of the subleases in the amount of \$610,008 with an offsetting gain recognized in the consolidated statements of operations and comprehensive income.

On December 19, 2024, one sublease tenant notified us of their intention to terminate their sublease early, providing a 60-day notice. The tenant vacated the premises on February 28, 2025. This resulted in a loss on the finance lease receivable of \$149,690 during the year ended September 30, 2025.

The movement in lease receivables during the period is as follows:

	Finance lease receivables (\$)
Balance at October 1, 2023	-
Addition	610,008
Interest income	16,757
Brokerage fees	(16,122)
Payments received	(214,005)
Foreign exchange	16,818
Balance at October 1, 2024	413,456
Addition / Deduction	(149,690)
Interest income	10,533
Brokerage fees	(13,863)
Payments received	(184,889)
Foreign exchange	11,555
Balance at September 30, 2025	87,102
Current portion	87,102
Non-current portion	-

A maturity analysis of the lease payments receivable is as follows:

2026	80,833
Total future minimum payments receivable	80,833
Imputed interest	6,269
Finance lease receivable	87,102

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10. SHAREHOLDERS' EQUITY

Common Shares

The Company is authorized to issue an unlimited number of common shares with no par value. All shares are fully paid.

Warrants

The following is a summary of all warrants outstanding:

	Number of Warrants	Weighted average exercise Price	Weighted Average Expiry (years)
Balance at September 30, 2023	2,928,500	\$2.14	1.10
Exercised during the period	2,728,500	2.00	-
Balance at September 30, 2024	200,000	\$4.00	1.83
Exercised during the period	-	-	-
Balance at September 30, 2025	200,000	\$4.00	0.83

11. SHARE-BASED PAYMENTS

Long-Term Incentive Plan

On March 8, 2023, the shareholders approved the Plan.

Stock Options

Stock options outstanding are non-transferable options to purchase common shares of the Company which may be granted to Directors, officers, employees, or service providers of the Company. The terms of the stock options provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to ten years. No amounts are paid or payable by the recipient on receipt of the stock option. All stock options issued to date will vest as follows: 34% of the options vest in one year, with a further 33% vesting in each of the subsequent two years on the anniversary of the initial grant date. Future grants of stock options may vest over alternative periods as authorized by the Directors.

RSUs and DSUs

RSUs and DSUs vest over a period of three years on each anniversary of the grant date unless a different vesting schedule is approved by the Board of Directors. DSUs are only eligible to be converted into common shares of the Company when the holder ceases its relationship to the Company.

The maximum number of common shares which may be issued under the Plan cannot exceed 10% of the common shares issued and outstanding at any given time, calculated on a non-diluted basis. Grants held by non-employee directors of the Company are at all times limited to no more than 1% of the common shares issued and outstanding, calculated on a non-diluted basis, and the total annual grant to any one non-employee director under the Plan cannot exceed a grant value of \$150,000 in total equity.

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The following is a summary of changes in stock options from October 1, 2023, to September 30, 2024:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited/ Expired	Closing Balance	Vested	Unvested	Weighted Average Expiry (years)
22-Dec-18	22-Dec-23	\$4.28	35,000	-	-	(35,000)	-	-	-	-
15-Mar-19	15-Mar-24	\$5.03	40,000	-	-	(40,000)	-	-	-	-
28-Mar-22	28-Mar-27	\$2.19	417,500	-	-	(35,000)	382,500	126,225	256,275	2.74
06-Sep-22	06-Sep-27	\$2.50	432,500	-	-	(287,500)	145,000	49,300	95,700	3.18
10-Jan-24	10-Jan-29	\$1.50	-	800,000	-	-	800,000	-	800,000	4.53
			925,000	800,000	-	(397,500)	1,327,500	175,525	1,151,975	3.87
Weighted Average Exercise Price			\$2.54	\$1.50	-	\$2.88	\$1.81	\$2.28	\$1.74	

The following is a summary of changes in stock options from October 1, 2024, to September 30, 2025:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited/ Expired	Closing Balance	Vested	Unvested	Weighted Average Expiry (years)
28-Mar-22	28-Mar-27	\$2.19	382,500	-	(20,000)	(5,000)	357,500	357,500	-	1.49
06-Sep-22	06-Sep-27	\$2.50	145,000	-	-	(18,332)	126,668	126,668	-	1.93
10-Jan-24	10-Jan-29	\$1.50	800,000	-	-	-	800,000	100,000	700,000	3.28
30-May-25	25-May-30	\$2.50	-	150,000	-	-	150,000	-	150,000	4.67
			1,327,500	150,000	(20,000)	(23,332)	1,434,168	584,168	850,000	2.86
Weighted Average Exercise Price			\$1.81	\$2.50	\$2.19	\$2.43	\$1.86	\$2.14	\$1.68	

Issuance of Share Options

On January 10, 2024 Company's Board of Directors approved the grant of 800,000 stock options to the Chief Executive Officer. Of the 800,000 stock options, 400,000 stock options will vest over four years, with 25% vesting on each anniversary date, and the remaining 400,000 stock options will vest based on increases in the Company's share price as follows:

- 100,000 stock options will vest only after the first anniversary date and if the Company's share price is \$2.50 for 120 days after the first anniversary date.
- 100,000 stock options will vest only after the first anniversary date and if the Company's share price is \$3.00 for 120 days after the first anniversary date.
- 100,000 stock options will vest only after the second anniversary date and if the Company's share price is \$3.50 for 120 days after the first anniversary date; and

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- iv) 100,000 stock options will vest only after the third anniversary date and if the Company's share price is \$4.00 for 120 days after the first anniversary date.

The fair value of performance-based stock options issued during the period that have market based vesting conditions was estimated using the Monte Carlo simulation model. The Monte Carlo model was chosen due to its ability to simulate the complex vesting conditions tied to the performance targets, providing a more accurate reflection of the potential outcome. The assumptions used in the model were: weighted average probability of expected time to maturity, share volatility, risk free rates and the assumption that the Company will not pay dividends. The fair value of the remaining stock options granted was determined using the Black-Scholes valuation model with the following assumptions: average risk-free rate of 3.58%, dividend rate – nil, volatility – 90% and an expected life of 5 years. The estimated forfeiture rate is 2.95%.

On May 30, 2025, the Company granted 150,000 stock options which were approved by the Board of Directors on May 15, 2025. The options had a fair value of \$1.26 per option at the time of grant. The fair value was determined using the Black-Scholes option pricing model, applying the following assumptions: average risk-free rate of interest 2.66%, expected volatility of 68.97%, expected life of 5 years and a dividend yield of nil.

The following is a summary of changes in deferred shared units from October 1, 2023, to September 30, 2024:

Grant Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited/ Expired	Closing Balance	Vested	Unvested
20-Oct-23	\$1.44	-	295,000	-	(15,000)	280,000	-	280,000
		-	295,000	-	(15,000)	280,000	-	280,000
Weighted Average Exercise Price		\$1.44	\$1.44	-	\$1.44	\$1.44	-	\$1.44

The following is a summary of changes in deferred shared units from October 1, 2024, to September 30, 2025:

Grant Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited/ Expired	Closing Balance	Vested	Unvested
20-Oct-23	\$1.44	280,000	-	-	-	280,000	226,667	53,333
		280,000	-	-	-	280,000	226,667	53,333
Weighted Average Exercise Price		\$1.44	-	-	-	\$1.44	\$1.44	\$1.44

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Subsequent Event: Exercise of Deferred Share Units

On October 20, 2025, a total of 200,000 deferred share units (“DSUs”) were exercised in accordance with their terms following the resignation of an eligible participant.

Share Based Payment Expense

Total share-based payment expense recognized during the year ended September 30, 2025 as part of employee benefits was \$274,075 (2024 - \$405,981).

12. FINANCIAL RISK MANAGEMENT

The following is a discussion of market, credit, and liquidity risks and related mitigation strategies that have been identified.

Credit Risk

The Company is exposed to credit risk associated with its cash and cash equivalents, accounts receivable and finance lease receivable. The risk is reduced by having accounts receivables insured or obtaining letters of credit when the Company determines that it is warranted. The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all accounts receivables. To measure the expected credit losses, accounts receivables are grouped based on shared credit risk characteristics and the days past due. On the basis, the loss allowance as at September 30, 2025 and 2024 is nominal as the Company only transacts with hospitals, distributors and private clinics and has not incurred a sustained trend of any credit losses. The Company’s cash management policies include ensuring cash and cash equivalents are deposited in Canadian chartered banks.

Accounts receivables are written off when there is no reasonable expectation of recovery which may be supported by failure to make contractual payments for more than 180 days as well as other factors.

Accounts receivable are subject to normal industry risks in each geographic region in which the Company operates. The Company attempts to manage these risks by dealing with creditworthy customers; however, due to the limited number of potential customers in each market this is not always possible. As at September 30, 2025, five customers accounted for 89% (2024 – five customers for 75%) of the accounts receivable balance. These customers, who are distributors and strategic partners of the Company, represent a large portion of the Company’s sales. Credit risk exposure is mitigated by strong credit granting policies, the use of letters of credit, and due diligence procedures for new customers.

During the year ended September 30, 2025 the Company incurred a loss with a customer of \$1,054,280. The receivable related to this customer was insured by a third party (subject to a 10% deductible) and the Company recognized a receivable of \$948,852 at September 30, 2025 related to this receivable. Subsequent to year end, the Company received the insurance proceeds.

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The aging of accounts receivable is as follows:

	September 30, 2025	September 30, 2024
Current	\$5,097,136	\$3,628,070
30-60 days past due	743,081	17,182
	5,840,217	3,645,252

Interest Rate Risk

The Company is subject to interest rate risk on its cash, cash equivalents. The Company believes that interest rate risk is low due to market based variable interest rates.

Currency Risk

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Canadian dollars, was as follows:

	<u>September 30, 2025</u>			<u>September 30, 2024</u>			
	<u>Canadian</u>	<u>USD</u>	<u>Total</u>	<u>CAD</u>	<u>USD</u>	<u>GBP</u>	<u>Total</u>
Cash and cash equivalents	\$100,136	\$17,267,152	\$17,367,288	\$5,549,162	\$11,197,619	-	\$16,746,781
Accounts receivable	\$107,163	\$5,733,054	\$5,840,217	\$396,849	\$3,185,530	\$62,873	\$3,645,252
Finance lease receivable	-	\$87,102	\$87,102	-	\$413,456	-	\$413,456
Accounts payable and accrued liabilities	\$300,291	\$2,842,647	\$3,142,938	\$337,881	\$2,973,128	\$17,204	\$3,328,213
Lease liabilities	\$1,943,138	\$310,602	\$2,253,740	\$225,094	\$676,577	-	\$901,671

If exchange rates were to change by 5% at September 30, 2025 total comprehensive income (loss) would change by \$996,703 (2024 - \$559,628).

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Fair Value

The fair values of cash and cash equivalents, accounts receivable, finance lease receivable, accounts payable and accrued liabilities and lease liabilities approximate their carrying values, due to their relatively short periods to maturity.

Liquidity risk

The Company continually monitors working capital to ensure sufficient cash is available to meet operational and capital expenditure requirements. The Company has contractual obligations related to lease liabilities and accounts payable and accrued liabilities that are due as reflected in the following table:

	Carrying amount (\$)	Future cash flows (\$)	Less than 1 year (\$)	Between 1 and 5 years (\$)	Greater than 5 years (\$)
Accounts payable and accrued liabilities	3,142,938	3,142,938	3,142,938	-	-
Lease liabilities	2,253,740	2,533,964	763,339	1,770,625	-
Total	5,396,678	5,676,902	3,906,277	1,770,625	-

13. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity comprising share capital, contributed surplus, foreign exchange translation reserve and accumulated deficit. Its objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can provide services to its customers and returns to its shareholders. The capital at September 30, 2025 is \$30,726,909 (September 30, 2024 – \$27,504,608).

The Company manages its capital structure and adjusts it considering economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

14. INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

The Company computes an income tax provision in each of the jurisdictions in which it operates. The operations in Canada and the United States are subject to income tax at average rates of 26.0% - 26.5% for the year ended September 30, 2025 (2024 – 26.0% - 26.5%).

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Reconciliation between statutory rate and actual rate

	September 30, 2025	2024
Income tax computed at statutory tax rates	545,394	707,495
Permanent differences	96,034	134,008
Rate differences and other	12,447	17,807
Change in deferred tax assets not recognized	(653,875)	(859,310)
	\$ -	\$ -

Deferred tax assets (liabilities)

The tax effect of the temporary differences that gives rise to deferred tax assets (liabilities) as of September 30, 2025 and 2024 is presented below. No benefit has been recorded in these consolidated financial statements for deferred tax assets arising from temporary differences and carry forward amounts. This is because it is not considered probable that the Company will generate sufficient taxable income in the foreseeable future to utilize these amounts. The Company evaluates the recoverability of deferred tax assets on an ongoing basis and will recognize such benefits when it becomes probable that they will be realized.

	September 30, 2025	2024
Non-capital loss carry forwards	\$4,313,744	\$4,186,523
Capital and other assets	(75,289)	(9,151)
Investment tax credits	1,206,567	1,170,505
Research and development expenditure pool	1,555,131	2,299,756
Deferred revenue and other liabilities	218,842	224,265
Other deductible differences	913,749	913,749
Deferred tax assets not recognized	(8,132,743)	(8,785,647)
	\$ -	\$ -

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The Company has non-capital losses carried forward available for income tax purposes as at September 30, 2025 which are available to reduce taxable income of future years. These losses expire as follows:

Year	Canada	United States
2031	-	32,806
2032	-	193,517
2033	-	174,558
2034	-	208,357
2035	-	280,873
2036	-	302,712
2037	-	209,983
2041	203,962	-
2042	511,368	-
2043	1,171,153	-
2044	1,706,685	-
2045	1,641,921	-
No expiry	-	9,852,753
	\$5,235,089	\$11,255,559

Investment tax credits

At September 30, 2025, the Company has \$1,641,588 (2024 - \$1,592,524) of unclaimed federal and provincial investment tax credits for qualifying scientific research and experimental development activities which may be applied to reduce income taxes payable in future years. If not utilized, these investment tax credits will start expiring in 2026. These unclaimed investment tax credits have not been recognized as a deferred tax asset.

15. RELATED PARTY TRANSACTIONS

Key management personnel includes the Company's directors and senior management team. These individuals are responsible for planning, directing and controlling the activities of an entity. Key management personnel compensation comprised:

	Year ended September 30,	
	2025	2024
Compensation and short-term employee benefits	\$1,963,962	\$1,869,890
Termination benefits	-	-
Share based payment expense	241,658	381,163
	2,205,620	2,251,053

The Company had previously accrued \$667,969 for termination benefits owing to a former member of senior management during the fiscal year end September 30, 2023. This provision included entitlements under the Employment Standards Act, 2000, which have since been paid. The amount continues to represent management's

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best estimate of the termination benefits owed. On April 5, 2024, this former senior executive filed a claim for wrongful dismissal. An additional amount of \$1,832,031 has been claimed, which the Company has not accrued for and believes to be unwarranted. There can be no assurance as to the final outcome of the claim and termination benefits owed.

During the year end September 30, 2013, a non-interest-bearing loan of \$50,000 was made to a key employee. As of September 30, 2025, \$10,000 of this loan remained outstanding.

16. EXPENSES BY NATURE

The consolidated statements of operations and comprehensive income include the following expenses by nature:

	Year ended September 30,	
	2025	2024
Inventoried materials	\$15,121,141	\$12,010,022
Wages, benefits, consulting fees, director compensation	9,798,356	10,412,085
Share based payments	274,075	405,981
Depreciation and amortization	954,943	986,458
Facilities	287,077	255,279
Patent and trademark maintenance	142,280	195,736
Insurance	404,821	400,212
Information technology system costs	910,060	779,152
Professional fees	1,211,280	1,261,819
Impairment of intangible assets	-	175,052
Other expenses	1,948,642	2,135,703
Total	\$31,052,675	\$29,017,499

Depreciation and amortization

For the year ended September 30,

	2025	2024
Cost of product sales	\$223,342	\$225,785
Operations	125,352	65,138
Research and development activities	95,155	149,510
General and administrative	511,094	546,025
Total depreciation and amortization	\$954,943	\$986,458

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17. EARNINGS PER SHARE

	For the year ended September 30	
	2025	2024
Weighted average number of common shares outstanding – basic	27,411,099	24,804,201
Dilutive effect of securities outstanding		
Stock Options/DSU's	488,086	152,543
Weighted average number of common shares outstanding – diluted	27,899,185	24,956,744

18. SEGMENT REPORTING

The Company generated revenue of \$26,738,461 (2024 – \$27,009,122) in the US, \$4,891,699 (2024 – \$2,697,771) in the Middle East, \$46,884 (2024 – \$40,340) in Canada, \$1,004,406 (2024 – \$1,202,161) in Latin America, and \$134,897 (2024 – \$219,138) in the rest of the world.

As of September 30, 2025, the Company had \$4,590,373 (2024 - \$2,606,782) of its property, plant, and equipment, right-of-use assets and intangible assets located in Canada and \$2,364 (2024 - \$12,113) in the USA.

19. SUBSEQUENT EVENT

On October 21, 2025 the Company's Board of Directors declared a special cash dividend of \$0.15 per common share totalling \$4,112,712, paid on November 18, 2025 to shareholders of record as of November 4, 2025.