

Grafta Nanotechnology Inc.
Summary Financial Statements

For the three and six month periods ended June 30, 2025 and 2024
(Unaudited)

Grafta Nanotech Inc.

Balance Sheet

June 30, 2025 with comparative periods

(Unaudited - expressed in Canadian dollars)

| | <u>June 30 2025</u> | <u>December 2024</u> |
|-------------------------------|---------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 47,127 | \$ 29,245 |
| Receivables | | |
| Accounts Receivable | 29,574 | 6,224 |
| GST Receivable | 4,460 | 16,797 |
| | <u>34,034</u> | <u>23,021</u> |
| Deposits and Prepaid Expenses | 57,965 | 83,821 |
| | <u>139,125</u> | <u>136,087</u> |
| Inventories | | |
| Finished Goods | note 2 75,795 | 86,940 |
| Raw Materials | note 2 60,699 | 60,699 |
| | <u>136,493</u> | <u>147,639</u> |
| Total Current Assets | <u>322,745</u> | <u>312,970</u> |
| Capital Assets | | |
| Intellectual Property | note 3 6,268,108 | 6,268,108 |
| Plant Equipment | 880,211 | 880,211 |
| Lab Equipment | 52,838 | 52,838 |
| Leasehold Improvements | 108,911 | 108,911 |
| Computer Hardware | 5,383 | 5,383 |
| Less: Amortization | <u>(1,456,881)</u> | <u>(1,205,741)</u> |
| Total Capital Assets | <u>5,858,570</u> | <u>6,109,710</u> |
| TOTAL ASSETS | <u>\$ 6,134,188</u> | <u>\$ 6,393,435</u> |

Grafta Nanotech Inc.

Balance Sheet

June 30, 2025 with comparative period

(Unaudited - expressed in Canadian dollars)

| | <u>June 30 2025</u> | <u>December 2024</u> |
|--|---------------------|----------------------|
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Liabilities | \$ 132,271 | \$ 158,720 |
| Rent Inducement | 120,834 | 114,329 |
| Management Compensation Payable | note 4 394,172 | 304,883 |
| Secured Promissory Note Payable | note 5 4,900,000 | 4,900,000 |
| Total Current Liabilities | <u>5,547,277</u> | <u>5,477,933</u> |
| Long Term Liabilities | | |
| Shareholder Advances | note 6 395,000 | 150,000 |
| Total Long Term Liabilities | <u>395,000</u> | <u>150,000</u> |
| TOTAL LIABILITIES | <u>\$ 5,942,277</u> | <u>\$ 5,627,933</u> |
| EQUITY | | |
| Shareholders' Equity | | |
| Common Shares | | |
| Authorized - Unlimited | | |
| Issued and Outstanding | note 7 4,451,372 | 4,451,372 |
| Deficit - Previous Year | (3,685,915) | (2,184,418) |
| Current Year Loss | (573,546) | (1,501,452) |
| TOTAL EQUITY | <u>191,910</u> | <u>765,502</u> |
| LIABILITIES AND EQUITY | <u>\$ 6,134,188</u> | <u>\$ 6,393,435</u> |

Commitments note 8
Contingency note 9
Restatement note 13

Approved on behalf of the Board of Directors:

Mark Bentzen
Director

Grafta Nanotech Inc.

Statement of Loss

For the three month period year ended March 31, 2025

(Unaudited - expressed in Canadian dollars)

| | 3 months ended June 30 | | 6 months ended June 30 | |
|--|------------------------|---------------------|------------------------|---------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | \$ 16,480 | \$ - | \$ 77,602 | \$ 556 |
| Cost of Goods | 7,475 | 2,268 | 28,502 | 3,881 |
| Gross Profit | <u>9,005</u> | <u>(2,268)</u> | <u>49,100</u> | <u>(3,325)</u> |
| General & Administrative Expenses | | | | |
| Amortization | 125,570 | 126,976 | 251,140 | 253,860 |
| Wages and Management Fees | 51,621 | 118,952 | 103,207 | 240,793 |
| Facilities | 84,414 | 83,715 | 170,166 | 167,044 |
| Research and Development | 32,539 | 33,319 | 43,346 | 65,837 |
| Utilities | 14,281 | 18,845 | 27,808 | 37,903 |
| Insurance | 9,589 | 10,033 | 18,644 | 19,541 |
| Travel | - | 5,712 | - | 11,521 |
| Website and Software Subscriptions | 1,394 | 1,083 | 2,855 | 2,464 |
| Professional Fees | 2,332 | 2,310 | 2,332 | 2,751 |
| Office | 510 | 102 | 939 | 854 |
| | <u>322,249</u> | <u>401,047</u> | <u>620,436</u> | <u>802,568</u> |
| Loss before the following: | <u>(313,245)</u> | <u>(403,315)</u> | <u>(571,336)</u> | <u>(805,893)</u> |
| Currency Exchange | 238 | - | 240 | - |
| Interest & Bank Charges | 901 | 1,440 | 1,970 | 2,361 |
| Net Loss | <u>(\$ 314,384)</u> | <u>(\$ 404,755)</u> | <u>(\$ 573,546)</u> | <u>(\$ 808,254)</u> |

Grafta Nanotech Inc.

Statement of Cashflows

For the three month period year ended March 31, 2025

(Unaudited - Prepared by Management)

| | 6 months ended June 30 | |
|--|------------------------|------------------|
| | 2025 | 2024 |
| Cash Flows from (used in) Operating Activities | | |
| Net Loss | (\$ 573,546) | (\$ 808,254) |
| Adjustments to cash provided by (used in) Operating Activities | | |
| Amortization | 251,140 | 253,860 |
| Amortization of Rent Inducement | 6,505 | 924 |
| | <u>(315,902)</u> | <u>(553,470)</u> |
| Decrease (Increase) in Accounts Receivable | (23,350) | (16,663) |
| Decrease in GST Receivable | 12,337 | 23,381 |
| Decrease (Increase) in Deposits/Prepays | 25,856 | (13,414) |
| Decrease (Increase) in Inventories | 11,146 | (18,307) |
| Increase (Decrease) Accounts Payable | (26,449) | 28,702 |
| Increase in Management Compensation Payable | 89,289 | 126,514 |
| | <u>(227,073)</u> | <u>(423,256)</u> |
| Net Cash used in Operating Activities | | |
| | <u>(227,073)</u> | <u>(423,256)</u> |
| Cash Flows from (used in) Investing Activities | | |
| Intellectual Property additions | - | (4,039) |
| Purchase of Plant Equipment | - | (1,385) |
| Purchase of Leasehold Improvements | - | (3,315) |
| | <u>-</u> | <u>(8,739)</u> |
| Net Cash provided by (used in) Investing Activities | | |
| | <u>-</u> | <u>(8,739)</u> |
| Cash Flows from (used in) Financing Activities | | |
| Increase in Shareholder Advances | 245,000 | 65,000 |
| Issuance of Common Shares | - | 309,500 |
| | <u>245,000</u> | <u>374,500</u> |
| Net Cash provided by (used in) Financing Activities | | |
| | <u>245,000</u> | <u>374,500</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 17,927 | (57,495) |
| Cash and Cash Equivalents at Beginning of Period | 29,245 | 110,452 |
| | <u>29,245</u> | <u>110,452</u> |
| Cash and Cash Equivalents at End of Period | <u>\$ 47,127</u> | <u>\$ 52,957</u> |

Grafta Nanotech Inc.

Notes to Financial Statements

For the six month period year ended June 30, 2025

(Unaudited - expressed in Canadian dollars)

1 Significant Accounting Policies

Nature of Operations

Grafta Nanotech Inc. (the "company") was incorporated January 16, 2020 under the laws of the Province of Alberta. Commenced operations May 2022 and the principal business of the company is the production and distribution of a synthetic graphene product. In addition the company carries out research and development of new products.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

Revenue Recognition

Revenue from sale of products is recognized once the product has shipped and there is reasonable assurance that the amount is collectible.

All other consulting and contract revenues are recognized when earned.

Inventories

All inventory is valued at the lower of cost and net realizable value. Raw materials consist of recycled glass, sugar, packaging, and supplies and are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Finished goods consists of direct material costs consumed in the manufacturing process. Overhead and labour is expensed.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset as follows:

| | |
|------------------------|-----------------------|
| Plant equipment | 10 year straight line |
| Computer hardware | 5 year straight line |
| Leasehold improvements | 8 year straight line |

Intellectual Property

Intellectual property are patents, patents pending and trademarks that have been either acquired or developed by the company. The intellectual property has been recorded at cost and is valued at the lower of cost and net realizable value. Amortization is calculated straight line over the remaining life of the patent.

Leases

Leases are classified as either capital or operating. A lease that transfers substantially all of the benefits and risks incidental to ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lessor of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases and rental payments are expensed as incurred. Rent inducements granted by the landlord of the premises are amortized monthly over the initial term of the lease.

Income Taxes

The company has elected to account for income taxes using the income taxes payable method. The taxes payable basis is a method of accounting under which the company reports as an expense (income) of the year only the cost (benefit) of current income taxes for the year, determined in accordance with the rules for the year.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and may have impacts on future periods.

Foreign Currency

Foreign Currency accounts are translated to Canadian dollars as follows: At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income for the year,

Financial Instruments

Financial Instruments are recorded at fair value when acquired or issued. Subsequently, all financial instruments other than those stated in an active market are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate they could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those measured at amortized cost.

Impairment of Long Lived Assets

The company reviews the carrying value amount of the long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or has been impaired. The determination of any impairment would be based on a comparison of estimated future cash anticipated to be generated during the remaining life of the asset to the net carrying value of the asset. If impairment is determined, assets held for use are written down to their fair values. The company considers that no circumstances exist that would require such an evaluation.

Share Capital Disclosure

The company only discloses the terms and conditions related to classes of shares that have been issued.

2 Inventories

| | <u>June 30, 2025</u> | <u>December 2024</u> |
|-----------------------|----------------------|----------------------|
| Finished Goods | | |
| Grafta 1.0 | \$ 52,144 | \$ 63,289 |
| Grafta 2.0 | 23,651 | 23,651 |
| | <u>75,795</u> | <u>86,940</u> |
| Raw Materials | | |
| Recycled Glass | 18,826 | 18,826 |
| Sugar | 13,151 | 13,151 |
| Reducer - ZVI | 909 | 909 |
| Parchment | 24,925 | 24,925 |
| Packaging (Tote Bags) | 2,888 | 2,888 |
| | <u>\$ 60,699</u> | <u>\$ 60,699</u> |

3 Intellectual Property

The company acquired patent pending technology and trademarks on May 13, 2022 that is the core technology for both the processing and resultant product. The patents expire March 2037 and December 2037.

| | <u>June 30, 2025</u> | <u>December 2024</u> |
|--------------|----------------------|----------------------|
| Patents | \$ 6,259,846 | \$ 6,259,846 |
| Trademarks | 8,262 | 8,262 |
| | 6,268,108 | 6,268,108 |
| Amortization | <u>(1,125,904)</u> | <u>(1,026,377)</u> |
| | <u>\$ 5,142,204</u> | <u>\$ 5,241,731</u> |

4 Management Compensation Deferred

To support the company, members of management have deferred a portion of fees and/or salaries to reduce the monthly burn rate of the company during the development stage. Certain managers have subscribed for \$90,000 of common stock based on converting deferred compensation. Subscription agreements have been received.

5 Secured Promissory Note

| | <u>March 31, 2025</u> | <u>December 2024</u> |
|--------------------------|-----------------------|----------------------|
| Principal | \$ 4,900,000 | \$ 4,900,000 |
| Current portion | <u>4,900,000</u> | <u>4,900,000</u> |
| Long term portion | <u>-</u> | <u>-</u> |

The secured promissory note has a face value of \$4,900,000 and is currently non-interest bearing until such time as the company is earning positive income. Upon achieving two consecutive quarters of positive earnings before interest, depreciation and taxes, interest is calculated annually at the Royal Bank prime rate plus 2%. The repayment date was May 12, 2025 however the Holder has not demanded repayment. The company has been in negotiations with the Holder for several months and management believes new terms will be agreed between the parties. The note is secured by both the Canadian and US registered patents. The Holder is a shareholder with 18% ownership of common stock.

6 Shareholder Advances

Shareholder advances in the amount of \$395,000 are non-interest bearing, unsecured and have no set terms of repayment. The shareholder has waived the right to demand repayment within the the next fiscal year, hence the advances are classified as long term liabilities.

7 Common Shares

Authorized common shares - Unlimited, no par value

| | <u>Balance number of Shares</u> | |
|----------------------------|---------------------------------|-------------------|
| Issued: | | |
| December 31, 2023 | \$ 4,061,904 | 49,880,070 |
| Issued in 2024: | <u>389,468</u> | <u>2,596,305</u> |
| December 31, 2024 | \$ 4,451,372 | 52,476,375 |
| Issued in 2025 | <u>-</u> | <u>-</u> |
| June 30 and March 31, 2025 | <u>\$ 4,451,372</u> | <u>52,476,375</u> |

Effective July 13, 2023 the company issued 11,433,331 warrants entitling certain shareholders to subscribe for additional common shares at a price of \$0.25 per common share, expiring on July 13, 2026. None of the Warrants have been exercised.

8 Commitments

The company has leases for premises on two locations. Lease one is for an initial term of eight years, expiring May 15, 2031 and a one-time renewal option for an additional five-year term. Lease two expires June 30, 2028.

Commitments under the leases are as follows:

| | |
|------------|------------|
| Year one | \$ 180,248 |
| Year two | \$ 361,060 |
| Year three | \$ 371,363 |
| Year four | \$ 352,800 |
| Year five | \$ 327,124 |

9 Contingency

The company has an amount owing of \$34,532 (December - \$45,000) to a vendor for equipment installed in the plant. The vendor has commenced legal action subsequent to year-end. Management and the vendor have agreed to a payment plan and management is of the opinion that the likely outcome is the debt will be settled in due course.

10 Income Taxes

The company has accumulated non-capital losses for tax purposes amounting to \$4,960,451 that expire as follows:

| | <u>December 31</u> |
|------|--------------------|
| 2030 | \$ 1,025 |
| 2031 | \$ 19,268 |
| 2032 | \$ 2,104,057 |
| 2033 | \$ 1,392,058 |
| 2034 | \$ 1,444,043 |

11 Financial Instrument Risk Exposure and Management

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk through its foreign bank account.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk through its long term debt. Fluctuations in these rates will impact the cost of financing incurred in the future.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operations liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable, accrued liabilities and the promissory note. The company is dependent on raising capital in the equity markets until revenue from product sales are sufficient.

12 Comparative Information

Certain comparative figures presented in the financial statements have been classified to conform to the current year presentation.

13 Restatement

The December 31, 2024 financial statements were amended to record the external accounts accounting fees of \$4,200 for tax return preparation that increased the net loss, deficit, and accrued liabilities for 2024, accordingly.