

MyndTec Inc.

Interim Condensed Financial Statements (Unaudited)

**For the six-month periods ended
June 30, 2025 and 2024 and as at December 31, 2024**
(Expressed in Canadian Dollars, unless otherwise noted)

Interim Condensed Consolidated Financial Statements

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MyndTec Inc.
Statements of Financial Position
As at June 30, 2025 and December 31, 2024

	June 30 <u>2025</u>	December 31 <u>2024</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 212,009	\$ 117,476
Trade and other receivables (notes 3 and 12)	7,433	11,440
Inventories (note 4)	47,243	115,270
Prepaid expenses and deposits	16,190	25,324
	<u>282,875</u>	<u>269,510</u>
Non-current assets		
Right-of-use asset (note 5)	-	-
Equipment (note 6)	31,876	44,059
Total assets	<u><u>\$ 314,751</u></u>	<u><u>\$ 313,569</u></u>
Liabilities		
Current liabilities		
Trade and other payables (notes 7 and 12)	\$ 1,003,950	\$ 1,054,299
Deferred revenue (notes 8 and 12)	17,000	17,000
Current portion of long-term liabilities (note 9)	463,860	443,206
	<u>1,484,810</u>	<u>1,514,505</u>
Long-term liabilities, net of current portion		
Funds received for a future share issuance (note 22)	137,315	-
Deferred revenue (notes 8 and 12)	8,500	17,000
Lease obligation (note 5)	-	-
Government loans (note 10)	-	-
Other long-term debt (note 11)	16,470	19,938
Total liabilities	<u>1,647,095</u>	<u>1,551,443</u>
Shareholders' deficiency		
Share capital (note 13)	16,091,509	15,715,455
Contributed surplus (note 13)	4,068,442	3,972,844
Accumulated deficit	(21,492,295)	(20,926,173)
Total deficiency	<u>(1,332,344)</u>	<u>(1,237,874)</u>
Total liabilities and shareholders' deficiency	<u><u>\$ 314,751</u></u>	<u><u>\$ 313,569</u></u>
Nature of business and going concern (note 1)		
Commitments and contingencies (note 18)		
Subsequent events (note 22)		

"Craig Leon" Director

"Bill Jackson" Director

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

MyndTec Inc.

Statements of Loss and Comprehensive Loss

For the six months and three months (“periods”) ended June 30, 2025 and 2024

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenue (notes 12 and 21)	\$ 11,776	\$ 17,181	\$ 108,095	\$ 86,322
Cost of sales (note 4)	<u>23,882</u>	<u>54,416</u>	<u>63,592</u>	<u>88,733</u>
Gross margin	<u>(12,106)</u>	<u>(37,235)</u>	<u>44,503</u>	<u>(2,411)</u>
Expenses				
General and administration (note 14)	179,142	180,101	376,248	387,791
Research and development (note 14)	89,361	50,183	138,574	107,727
Quality and regulatory assurance	-	4,625	-	5,079
Selling and marketing	18,015	532	18,015	952
Share-based compensation (notes 12 and 13)	6,955	21,977	13,910	53,120
Interest and accretion expense (note 16)	10,717	6,882	21,015	11,923
Depreciation and amortization (notes 5 and 6)	6,092	11,145	12,183	22,290
Changes in fair value (note 16)	-	(1)	-	(1)
Public listing costs	<u>15,878</u>	<u>23,420</u>	<u>30,680</u>	<u>37,647</u>
Total operating expenses	<u>326,160</u>	<u>298,864</u>	<u>610,625</u>	<u>626,528</u>
Net and comprehensive loss	<u>\$ (338,266)</u>	<u>\$ (336,099)</u>	<u>\$ (566,122)</u>	<u>\$ (628,939)</u>
Loss per share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>26,336,882</u>	<u>24,438,602</u>	<u>25,905,672</u>	<u>24,272,877</u>

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

MyndTec Inc.**Statements of Changes in Shareholders' Deficiency****For the six months ("periods") ended June 30, 2025 and 2024**

	Share Capital	Contributed Surplus	Accumulated Deficit	Total Deficiency
Balance, December 31, 2023	\$ 14,971,184	\$ 3,787,802	\$ (19,678,766)	\$ (919,780)
Net loss and comprehensive loss	-	-	(628,939)	(628,939)
Private placements (note 13)	371,285	171,485	-	542,770
Issuance expenses (note 13)	(25,753)	(10,503)	-	(36,256)
Share-based compensation	-	53,120	-	53,120
Balance, June 30, 2024	\$ 15,316,716	\$ 4,001,904	\$ (20,307,705)	\$ (989,085)
Net loss and comprehensive loss	-	-	(618,468)	(618,468)
Private placements (note 13)	441,095	(25,443)	-	415,652
Issuance expenses (note 13)	(42,356)	1,980	-	(40,376)
Share-based compensation	-	(5,597)	-	(5,597)
Balance, December 31, 2024	\$ 15,715,455	\$ 3,972,844	\$ (20,926,173)	\$ (1,237,874)
Net loss and comprehensive loss	-	-	(566,122)	(566,122)
Private placements (note 13)	387,198	84,634	-	471,832
Issuance expenses (note 13)	(11,144)	(2,946)	-	(14,090)
Share-based compensation	-	13,910	-	13,910
Balance, June 30, 2025	\$ 16,091,509	\$ 4,068,442	\$ (21,492,295)	\$ (1,332,344)

The accompanying notes are an integral part of these financial statements

MyndTec Inc.

Statements of Cash Flows

For the six months and three months (“periods”) ended June 30, 2025 and 2024

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Cash flows (used in) from operating activities				
Net loss and comprehensive loss	\$ (338,266)	\$ (336,099)	\$ (566,122)	\$ (628,939)
Items not affecting cash:				
Share-based compensation	6,955	21,977	13,910	53,120
Depreciation and amortization (notes 5 and 6)	6,092	11,145	12,183	22,290
Accretion expense (note 16)	10,255	6,162	20,064	10,711
Changes in fair value (note 16)	-	(1)	-	(1)
Deferred revenue (note 8)	(4,250)	(4,250)	(8,500)	(8,500)
	<u>(319,214)</u>	<u>(301,066)</u>	<u>(528,465)</u>	<u>(551,319)</u>
Changes in non-cash working capital items				
Trade and other receivables	4,433	3,614	4,007	1,930
Inventories	40,580	41,407	68,027	45,022
Prepaid expenses and deposits	(2)	186	9,134	14,939
Trade and other payables	(27,126)	(32,016)	(50,349)	(50,728)
Net cash used in operating activities	<u>(301,329)</u>	<u>(287,875)</u>	<u>(497,646)</u>	<u>(540,156)</u>
Cash from (used in) financing activities				
Lease payments (note 5)	-	-	-	(6,379)
Repayment of government loans (note 10)	-	-	-	(30,000)
Issuance of other long term debt (note 11)	-	-	-	30,000
Repayment of other long term debt (note 11)	(1,452)	(1,188)	(2,878)	(1,972)
Funds received for a future share issuance (note 22)	137,315	-	137,315	-
Net proceeds of private placements (note 13)	265,700	246,644	457,742	506,514
Net cash from financing activities	<u>401,563</u>	<u>245,456</u>	<u>592,179</u>	<u>498,163</u>
(Decrease) increase in cash and cash equivalents	<u>100,234</u>	<u>(42,419)</u>	<u>94,533</u>	<u>(41,993)</u>
Cash and cash equivalents, beginning of period	<u>111,775</u>	<u>187,837</u>	<u>117,476</u>	<u>187,411</u>
Cash and cash equivalents, end of period	<u>\$ 212,009</u>	<u>\$ 145,418</u>	<u>\$ 212,009</u>	<u>\$ 145,418</u>

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

MyndTec Inc.

Notes to the Financial Statements

For the six months (“periods”) ended June 30, 2025 and 2024

1 Nature of business and going concern

MyndTec Inc. (the “Company” or “MyndTec”) is a medical technology company with a strategic vision to transform neurological care through the integration of artificial intelligence (AI) and advanced neurotechnology, including functional electrical stimulation (FES) therapy, predictive AI technologies, and solutions for patients with neurological disorders including stroke, spinal cord injury, and neurodegenerative diseases. The Company is incorporated under the Business Corporations Act of Ontario and its head office is operated in a virtual environment. The Company became a publicly traded entity on the Canadian Securities Exchange on February 16, 2022 and is listed under the symbol MYTC.

These financial statements (the “Financial Statements”) have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenue or attain profitable operations in the near future, as it incurred a net and comprehensive loss of \$566,122 and had a negative cash flow from operating activities of \$497,646 for the six-month period ended June 30, 2025. As at June 30, 2025, the Company was in default on its Federal Economic Development Agency loan, with a principal balance of \$457,747 (note 11), and with respect to a claim by its former law firm for \$715,652 in fees (note 7).

The Company has accumulated \$21,492,295 of losses as of June 30, 2025 and its ability to continue as a going concern is dependent on it raising future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. As a result, there exists a material uncertainty which creates significant doubt regarding the Company’s ability to continue as a going concern. These financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

2 Basis of presentation

Statement of compliance

These Financial Statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board (“IASB”) and IFRIC® Interpretations of the IFRS Interpretations Committee. These financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2024.

These Financial Statements were approved and authorized for issuance by the Board of Directors of the Company on August 21, 2025.

Functional currency and presentation currency

These Financial Statements are presented in Canadian dollars (“CAD dollars”) and the Company’s functional currency is Canadian dollars.

Use of estimates and judgements

The preparation of these Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

- ***Going concern***

Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which cast significant doubt on the Company’s ability to continue as a going concern is required.

The estimates used by management in reaching this conclusion are based on information available as of the date of these audited Financial Statements were authorized for issuance and included an internally generated cash flow forecast. Accordingly, actual results could differ from those estimates and resulting variances may be material to management’s assessment.

As indicated in notes 1, 7, 10 and 18, a material uncertainty exists which creates significant doubt regarding the Company’s ability to continue as a going concern. These financial statements do not include any adjustments or reclassifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

- ***Stock options and warrants***

The Company uses the Black-Scholes valuation model to determine the fair value of stock option awards granted and warrants granted in conjunction with the share capital subscriptions. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield, forfeiture rates and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in note 13.

- ***Fair value of financial instruments***

The individual fair values attributable to the different components of a financing transaction, notably loans and borrowings are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. When determining the discount rate used to estimate the fair value of government loans, the Company considers market conditions and other internal and external factors as well as third-party financing agreements entered into by the Company. In determining the fair value of the Health Technology Exchange loan, the Company uses judgment to estimate the future loan repayments based on projected future revenue. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

- ***Income taxes***

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the Financial Statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

MyndTec Inc.

Notes to the Financial Statements

For the six months (“periods”) ended June 30, 2025 and 2024

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

- **Revenue recognition**

The Company recognizes revenue on the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations; and,
- recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives treatment revenue based upon the use of the Company’s MyndMove devices by treatment clinics; as well as the sale of its products and supplies to research institutions and treatment clinics. Treatment revenue is recognized on a monthly basis as services are provided. The sale of its products and supplies is recognized when delivered to the customer and all performance obligations have been met. The sale of extended warranties is deferred and recognized over the warranty period.

The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate performance obligations for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company’s promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

The Company determines the transaction price at the outset of each arrangement and the total consideration is allocated to the distinct performance obligations based on their relative fair value. The Company has determined that the recurring services promised in a contract with a customer represent a series of distinct services that are substantially the same and have the same pattern of transfer over time to the customer and each delivery of service is accounted for as a single distinct performance obligation.

The timing of revenue recognition and the contractual payment schedules often differ, resulting in some contractual payments being billed prior to the commencement of service. These amounts that are billed, but not earned, are recognized as deferred revenue in the Statements of financial position. When products or services have been transferred to customers and revenue has been recognized, but not billed, the Company recognizes and includes these amounts as unbilled trade receivables in the statements of financial position.

3 Trade and other receivables

The aging of trade and other receivables net of expected credit losses, as at June 30, 2025 and December 31, 2024 were as follows:

	June 30 <u>2025</u>	December 31 <u>2024</u>
Trade receivables		
0 - 30 days	\$ 3,856	\$ 2,477
31-90 days	127	678
Over 90 days	-	807
	<u>\$ 3,983</u>	<u>\$ 3,962</u>
Commodity taxes	3,450	7,478
	<u><u>\$ 7,433</u></u>	<u><u>\$ 11,440</u></u>

The Company provides for expected credit losses based on its assessment of probability of specific losses, estimates of future individual exposures and provisions based on historical experience. During the six-month period ended June 30, 2025 the Company recorded \$nil (2024 - \$nil) expected credit losses.

MyndTec Inc.

Notes to the Financial Statements

For the six months ("periods") ended June 30, 2025 and 2024

4 Inventories

The following are the Company's inventories as at June 30, 2025 and December 31, 2024:

	June 30 <u>2025</u>	December 31 <u>2024</u>
Clinical supplies	\$ 19,237	\$ 45,254
Finished devices	28,006	70,016
	<u>\$ 47,243</u>	<u>\$ 115,270</u>

During the six-month period ended June 30, 2025, inventory of \$22,005 was recorded to cost of goods sold (2024 - \$23,283). During the six-month period ended June 30, 2025, the Company recognized a \$7,002 write-down of inventory (2024 - \$29,496), which has been included in cost of sales in the statement of loss and comprehensive loss.

5 Right-of-use asset and lease obligations

Changes in the right-of-use asset and lease obligation for the six-month period ended June 30, 2025 and year ended December 31, 2024 are as follows:

Right-of-use asset

	June 30 <u>2025</u>	December 31 <u>2024</u>
Cost		
Balance - beginning and end of period	\$ -	\$ 70,056
Accumulated depreciation		
Balance - beginning of period	-	56,434
Amortization	-	13,622
Balance - end of period	-	70,056
Net book value - end of period	<u>\$ -</u>	<u>\$ -</u>

Lease obligation

The Company's right-of-use asset relates to the Company's three-year office premises lease that commenced on August 1, 2021 and terminated on July 31, 2024.

	June 30 <u>2025</u>	December 31 <u>2024</u>
Balance - beginning of period	\$ -	\$ 6,253
Accreted interest expense (note 16)	-	126
Lease payments	-	(6,379)
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

Variable payments for this lease for the six-month period ended June 30, 2025, were \$nil (2024 - \$16,547), recognized in general and administrative expenses in the statements of loss and comprehensive loss. The aforementioned lease terminated on July 31, 2024 and was renewed for a one-year period. Due to the short-term nature of the renewal lease, it was not capitalized.

MyndTec Inc.

Notes to the Financial Statements

For the six months ("periods") ended June 30, 2025 and 2024

6 Equipment

	Computers Software & Office Equipment	Treatment Devices	Total
Net Book Value (NBV)			
Balance, December 31, 2023	\$ 2,756	\$ 102,461	\$ 105,217
Depreciation during the period	(372)	(10,242)	(10,614)
Balance, June 30, 2024	2,384	92,219	94,603
Additions during the period	-	21,005	21,005
Depreciation during the period	(290)	(71,259)	(71,549)
Balance, December 31, 2024	\$ 2,094	\$ 41,965	\$ 44,059
Depreciation during the period	(482)	(11,701)	(12,183)
Balance, June 30, 2025	\$ 1,612	\$ 30,264	\$ 31,876
NBV as at December 31, 2024			
Cost	\$ 4,992	\$ 110,003	\$ 114,995
Accumulated depreciation	(2,898)	(68,038)	(70,936)
Net book value	\$ 2,094	\$ 41,965	\$ 44,059
NBV as at June 30, 2025			
Cost	\$ 4,992	\$ 110,003	\$ 114,995
Accumulated depreciation	(3,380)	(79,739)	(83,119)
Net book value	\$ 1,612	\$ 30,264	\$ 31,876

The estimated useful life for treatment devices was revised in 2024, from 10 years to 5 years, due to a decreasing use of these devices that will mandate a need for technical upgrades within the next two years, to stay operational. This change resulted in a \$60,685 increase in depreciation expense during the year ended December 31, 2024 and will increase depreciation for the year ended December 31, 2025 by \$1,983 - which will be offset by a \$8,455 decrease in 2026, a \$12,568 decrease in 2027 and a total of \$41,645 of decreases over the next 5 years.

7 Trade and other payables

The following are included in trade and other payables as at June 30, 2025 and December 31, 2024:

	June 30 2025	December 31 2024
Trade and other payables	\$ 279,661	\$ 330,039
Warranty provision	8,637	8,609
Deferred payment agreement	550,000	550,000
Legal fees incurred after January 24, 2022	165,652	165,652
	\$ 1,003,950	\$ 1,054,299

MyndTec Inc.

Notes to the Financial Statements

For the six months (“periods”) ended June 30, 2025 and 2024

7 Trade and other payables (Continued)

Deferred Payment Agreement

On December 31, 2021, the Company entered into an agreement with a former legal firm, which was made in settlement of amounts payable by the Company for services provided in 2021 and up to January 24, 2022, that related to the preparation of the Company's non-offering prospectus and execution of its February 2022 private placement. The agreement provided for deferral of \$339,000 of fees, to be paid at \$2,500 per month from February 1, 2022 to June 1, 2023 plus \$296,500 due and payable on June 30, 2023.

On June 30, 2023, the remaining deferred payment balance became due; the Company was unable to pay this obligation; and, the Company became in default of this agreement. The former legal firm (1) demanded its full entitlement under the agreement, which required the Company to expense \$255,792 of penalties, and, (2) charged the Company \$14,658 in interest expense - creating a total addition to the Company's losses of \$270,450 in the year ended December 31, 2023.

Interest was to be accrued on the balance beginning January 24, 2022 at an annual rate equal to the Royal Bank of Canada prime rate plus 5%, calculated and compounded monthly. Conditional upon the Company respecting the payment terms, the interest was to be waived. The Company has not accrued any interest on this loan from June 1, 2023 to June 30 2025, given the creditor has not made additional claims and the Company has made significant counterclaims.

Disputed expenses

On April 6, 2022, the Company obtained an Order for Assessment from the Ontario Superior Court of Justice to assess \$198,570 of legal fees, of which the Company had already paid \$32,918 and \$165,652 remains unpaid. The Company intends to add the aforementioned \$270,450 of interest and penalties to this Assessment, if it is unable to make alternate settlement arrangements.

Deferred Payment Agreement and Disputed Expenses

The Company does not have funds to settle the \$550,000 of disputed deferred payment agreement obligations or the \$165,652 of disputed expenses and has asked its former legal firm to accept a significantly smaller settlement.

On December 21, 2023 the Company's former legal firm filed a Statement of Claim with the Ontario Superior Court of Justice, in the amount of \$715,202 to collect their fees. On January 29, 2024, the Company filed a Statement of Defense and Counterclaim with respect to the December 21, 2023 Claim for Damages, which was filed against the Company by the Company's former legal firm.

As of June 30, 2025, there have been no mediation meetings or other formal proceedings in respect of the legal firm's or Company's claims. The Court has provided a February 2, 2026 date as the first court date on which the parties will be able to deal with any part of this matter.

8 Deferred revenue

Current plus long-term deferred revenue was \$25,500 as at June 30, 2025 (December 31, 2024 - \$34,000), net of \$8,500 of income recognized in the six-month period ended June 30, 2025 (2024 - \$8,500). The deferred revenue as at June 30, 2025 and December 31, 2024 relates to a five-year extended warranty for the engineering, manufacturing and delivery of devices to a research facility, the KITE Research Institute at the University Health Network, in Toronto, Canada, which is significantly influence by a director of the Company (note 12).

MyndTec Inc.

Notes to the Financial Statements

For the six months ("periods") ended June 30, 2025 and 2024

9 Current portion of long-term liabilities

The current portion of long-term liabilities as at June 30, 2025 and December 31, 2024 includes:

	June 30 <u>2025</u>	December 31 <u>2024</u>
Payable in cash		
Federal Economic Development Agency (note 10)	\$ 457,747	\$ 437,683
Total government loans	457,747	437,683
Other long-term debt (note 11)	6,113	5,523
	<u>\$ 463,860</u>	<u>\$ 443,206</u>

10 Government loan

The only Government loan as at June 30, 2025 and December 31, 2024 is:

	June 30 <u>2025</u>	December 31 <u>2024</u>
Federal Economic Development Agency (FEDA)	\$ 457,747	\$ 437,683
	457,747	437,683
Less current portion (note 9)	457,747	437,683
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

Federal Economic Development Agency of Southern Ontario (FEDA) loan

The FEDA loan is unsecured, non-interest bearing and it provided initial financing of \$919,518. On December 31, 2022, the Company defaulted on this loan and it became payable on demand. No payments have been made since November 1, 2022.

As at June 30, 2025, the principal balance outstanding of this loan is \$457,747 (December 31, 2024 – \$437,683). During the six-month periods ended June 30, 2025, the Company recognized \$20,064 (2024 – \$10,585) of accretion expense (note 16) and the Company made repayments of \$nil (2024 - \$nil).

Federal Canadian Emergency Business Account (CEBA) loan

The Federal CEBA loan is part of the Canadian federal government's support program in response to the COVID-19 pandemic, wherein the Company was able to obtain a \$30,000 non-interest-bearing loan, net of a \$10,000 forgivable amount. This loan was paid on January 22, 2024 to assure the \$10,000 forgiveness. During the six-month periods ended June 30, 2025 and 2024, the Company recognized \$nil accretion expense on this loan (note 16).

A reconciliation of the government loans for the six-month period ended June 30, 2025 and year ended December 31 2024 is as follows:

	June 30 <u>2025</u>	December 31 <u>2024</u>
Balance - beginning of period	\$ 437,683	\$ 449,258
Loan payments	-	(30,000)
Accretion expense (note 16)	20,064	18,426
Fair value adjustment of settled government loan	-	(1)
Balance - end of period	<u>457,747</u>	<u>437,683</u>
Less current portion (note 9)	457,747	437,683
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

MyndTec Inc.

Notes to the Financial Statements

For the six months (“periods”) ended June 30, 2025 and 2024

11 Other long-term debt

On January 22, 2024, the Company’s Canadian Emergency Business Account loan (note 10) was repaid from the proceeds of a loan from the Royal Bank of Canada (RBC). The new \$30,000 RBC loan is repayable in equal amounts over 60 months, with interest at RBC prime plus 2.84%, which totaled 7.79% on June 30, 2025.

During the six-month period ended June 30, 2025, the Company recognized \$951 (2024 - \$1,218) of interest expense (note 16) and repaid \$2,878 (2024 - \$1,972) of the principal on this loan. At June 30, 2025 the outstanding principal was \$22,583, of which \$6,113 was included in the current portion of long-term liabilities (note 9).

12 Related party balances and transactions

During the six-month period ended June 30, 2024, the Company recognized treatment revenues and device sales revenues from LBB Applied Technology Inc., a significant shareholder of the Company and the Company’s distributor in the US. that was previously able to nominate one director, who continues to remain on the Board, to the Company’s Board of Directors. These transactions were made in the normal course of business.

The Company has a shareholder and director, who is employed by the KITE Research Institute at the University Health Network in Toronto, Canada (KITE), an Institution over which he has significant influence and to which the Company is committed to a long-term license agreement (note 20), requiring the semi-annual payment of royalty fees. In addition, the Company has entered into contracts with this Institution to sell MyndMove devices, which have been modified for research purposes; and to purchase research and development (R&D) services.

A summary of the Company’s related party transactions for the six-month periods ended June 30, 2025 and 2024 and the year ended December 31, 2024 is as follows:

	June 30		Year Ended December 31
	2025	2024	2024
Revenue during the period ended			
Treatment fees and product sales	\$ 8,710	\$ 29,147	\$ 43,579
	<u>\$ 8,710</u>	<u>\$ 29,147</u>	<u>\$ 43,579</u>
Expenses during the period ended			
Share-based compensation for directors and senior officers	\$ 9,566	\$ 21,035	\$ 33,081
Salaries, fees and benefits for directors and senior officers - current	172,075	176,786	338,024
License fees	3,979	3,075	3,734
	<u>\$ 185,620</u>	<u>\$ 200,896</u>	<u>\$ 374,839</u>
Assets - as at the date specified			
Accounts receivable	\$ -	\$ 1,854	\$ -
Liabilities - as at the date specified			
License fees and expenses payable	\$ 90,293	\$ 90,296	\$ 86,314
Deferred revenue	\$ 25,500	\$ 42,500	\$ 34,000

MyndTec Inc.

Notes to the Financial Statements

For the six months (“periods”) ended June 30, 2025 and 2024

13 Share capital, warrants and stock options

The Company is authorized to issue an unlimited number of common shares. The following is a summary of the Company's issued securities:

	Common Shares	Warrants	Stock Options	Fully Diluted Total
Balance, December 31, 2023	23,999,331	6,359,447	1,485,000	31,843,778
Rights forfeited or expired	-	-	(25,000)	(25,000)
Options issued	-	-	37,500	37,500
Private placement	723,694	723,694	-	1,447,388
Balance, June 30, 2024	24,723,025	7,083,141	1,497,500	33,303,666
Rights forfeited or expired	-	-	(500,000)	(500,000)
Private placements	554,203	554,203	-	1,108,406
Balance, December 31, 2024	25,277,228	7,637,344	997,500	33,912,072
Options issued	-	-	100,000	100,000
Private placements	1,648,265	953,385	-	2,601,650
Balance, June 30, 2025	26,925,493	8,590,729	1,097,500	36,613,722

Shares in Escrow

As at June 30, 2025, the Company had nil common shares held in escrow (December 31, 2024 – 1,829,356).

2024 Private Placements

On February 13, 2024, March 19, 2024, May 27, 2024, June 24, 2024, August 12, 2024, October 23, 2024 and December 24, 2024, the Company closed five private placements (the “2024 Private Placements”) of units at \$0.75 per unit with its two largest shareholders, for a total of \$958,422. Each unit under the 2024 Private Placements was comprised of one common share and one warrant. The warrants have an exercise price of \$0.90 per warrant and expire three years from the date of issuance.

Under the 2024 Private Placements, the subscribers received 1,277,897 common shares of the Company and 1,277,897 warrants to acquire common shares of the Company at \$0.90. The warrants expire three years after the respective issue dates. Of the \$881,790 in net proceeds, \$137,519 was allocated to the value of the warrants, based on a Black Scholes valuation of the warrants with an exercise price of \$0.90; a weighted average estimated \$0.31 value of common shares; a weighted-average volatility rate of 85.86%; an expected 3-year life for the warrants; and a weighted-average risk-free interest rate of 3.53%.

2025 Private Placements (Note 22).

On January 23, 2025, the Company closed a non-brokered private placement (the “January 2025 Private Placement”) of 258,506 units at \$0.75 per unit with two of its largest existing shareholders, for a total subscription price of \$193,880. Each unit under the January 2025 Private Placement was comprised of one common share and one warrant. The warrants have an exercise price of \$0.90 per warrant and expire three years after the respective issue date.

On May 22, 2025 and June 24, 2025, the Company closed two private placements (the “2025 Subsequent Private Placements”) of units at \$0.20 per unit with its largest shareholder, for a total of \$277,952. Each unit under the 2025 Subsequent Private Placements was comprised of one common share and one-half warrant. The warrants have an exercise price of \$0.24 per warrant and expire three years from the date of issuance.

MyndTec Inc.

Notes to the Financial Statements

For the six months (“periods”) ended June 30, 2025 and 2024

13 Share capital, warrants and stock options (Continued)

2025 Private Placements (continued)

Under the January 2025 Private Placement and 2025 Subsequent Private Placements, the subscribers received a total of 1,648,265 common shares of the Company and 953,385 warrants to acquire common shares of the Company. Of the \$457,742 in net proceeds, \$81,688 was allocated to the value of the warrants, based on a Black Scholes valuation of the warrants with a weighted average exercise price of \$0.419; a weighted average estimated \$0.071 value of common shares; a weighted-average volatility rate of 88.576%; an expected 3-year life for the warrants; and a weighted-average risk-free interest rate of 2.75%.

Warrants and Options

On June 30, 2025, the Company has 8,590,729 of fully vested warrants outstanding, exercisable into one common share per warrant, as follows:

- 1,620,743 at an exercise price of \$0.90, that expire in the year ending December 31, 2026
- 4,738,704 at an exercise price of \$1.00, that expire on February 16, 2027
- 1,277,897 at an exercise price of \$0.90, that expire in the year ending December 31, 2027
- 258,506 at an exercise price of \$0.90, that expire on January 23, 2028
- 346,368 at an exercise price of \$0.24, that expire on April 24, 2028
- 348,511 at an exercise price of \$0.24, that expire on May 22, 2028.

On June 30, 2025, the Company had 1,097,500 options outstanding, with a weighted average exercise price of \$0.92 and weighted average remaining life of 6.1 years. 1,035,000 of the options are fully vested.

Stock options

Under the Company’s “evergreen” stock option plan, the Company may grant stock options for up to 10% of the outstanding common shares at the time of the granting of the stock options on a fully diluted basis to certain employees and directors. The exercise price of each stock option granted may not be less than the market price of the Company’s stock at the time of the grant. These stock options vest over a period of up to four years and have expiry dates of either seven or ten years. The following options are issued and outstanding:

On January 16, 2025 the Company granted 100,000 stock options to four consultants, engaged by Company on its Advisory Board. Each option allows the purchase of one common share of the Company at \$0.50 per share. The options vest on a monthly basis at one-twelfth per month, until December 31, 2025, and expire on January 16, 2035.

The Company estimated the fair value of the stock options granted in 2025 and 2024 using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2025</u>	<u>2024</u>
	<u>January 16</u>	<u>April 25</u>
Options	100,000	37,500
Exercise Price	\$0.50	\$0.75
Estimated share price value	\$0.10	\$0.50
Volatility	112.87%	113.26%
Expected life in years	10	5
Risk-free interest rate	3.03%	3.89%
Dividend yield	nil	nil
Estimated value per option	\$0.087	\$0.385
Total valuation	\$8,685	\$14,442

Due to the absence of Company specific volatility rates, the Company chose comparable companies in a similar industry.

In the six-month period ending June 30, 2025 the Company recorded \$13,190 (2024 – \$53,120) of share-based compensation expense, related to stock options, in the statement of loss and comprehensive loss, using the graded vesting method.

MyndTec Inc.

Notes to the Financial Statements

For the six months ("periods") ended June 30, 2025 and 2024

14 Breakdown of expenses by nature

	Six Months Ended June 30	
	<u>2025</u>	<u>2024</u>
General and administration		
Salaries and benefits (note 12 and 15)	\$ 190,356	\$ 187,992
Accounting, legal and professional fees	82,574	94,184
Technology expense	26,487	30,676
Additional rent	35,429	16,547
Insurance	31,008	41,176
Other expenses	10,394	17,216
Total general and administration	<u>\$ 376,248</u>	<u>\$ 387,791</u>
Research and development		
Salaries and benefits (note 15)	\$ 94,896	\$ 94,843
Patent and licencing expenses	11,066	10,725
Other development expenses	32,612	2,159
Total research and development	<u>\$ 138,574</u>	<u>\$ 107,727</u>

15 Salaries and benefits

	Six Months Ended June 30	
	<u>2025</u>	<u>2024</u>
General and administration (note 14)	\$ 190,356	\$ 137,992
Research and development (note 14)	94,896	94,843
Total salaries and benefits	<u>\$ 285,252</u>	<u>\$ 232,835</u>

16 Interest and accretion

	Six Months Ended June 30	
	<u>2025</u>	<u>2024</u>
Government loan (note 10)		
FEDA	\$ 20,064	\$ 10,585
Total government loans	20,064	10,585
Lease obligation (note 5)	-	126
Total accretion expense	20,064	10,711
Other long-term debt (note 11)	951	1,218
Short term interest	-	(6)
Total interest and accretion expense	<u>\$ 21,015</u>	<u>\$ 11,923</u>
Government loans		
HTX (note 11)	-	(1)
Total change in fair value	<u>\$ -</u>	<u>\$ (1)</u>

17 Government grants and tax credits

Scientific research and experimental development (SR&ED) tax credits

In the past, the Company has made claims for SR&ED deductions and related expenses for income tax purposes, based on the applicable legislation in the Income Tax Act (Canada). Since February 16, 2022, when the Company became publicly listed, only the Ontario portion of SR&ED credits is recoverable in cash refunds.

During the year ended December 31, 2024, the Company received and recorded \$19,293 of Ontario SR&ED claims, related to the annual December 31, 2023 tax period. The Company did not have any recoverable SR&ED expenditures related to the annual December 31, 2024 tax period, or for the six-month period ended June 30, 2025.

18 Commitments and contingencies

The Company is in default of its unsecured obligations to its former legal firm (note 7) and the FEDA (note 10), for which it does not have the funds to repay. As of June 30, 2025, the Company's only foreseeable option to settle these \$1,173,399 of obligations is to issue Company securities. Otherwise, the creditors might be inclined to commence legal proceedings. These obligations are an impediment to the Company's ability to complete future financings, which creates a material uncertainty and a going concern risk (note 1) for the Company.

On August 29, 2012, the Company entered into an agreement with a health services institution whereby it granted the Company an exclusive worldwide license to commercialize certain intellectual property related to a functional electrical stimulation device and system; for which the Institution received 400,000 of the Company's common shares, with a fair value of \$400,000. In addition, the Company is committed to paying a cumulative royalty on the net sales of stimulators used to treat motor dysfunction, as follows:

- 0% on the first \$1,000,000 cumulative net sales;
- 4% on the cumulative net sales exceeding \$1,000,000 but not greater than \$7,500,000; and,
- 1% on the cumulative net sales exceeding \$7,500,000.

The amount of these fees for the year ended December 31, 2024 and 2023 are disclosed in note 13.

The Company's office lease agreement expired on July 31, 2025. Total rental costs for the one month ending July 31, 2025 was \$5,578 after which the Company has closed its office and is operating virtually.

19 Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its product development and commercialization strategy, and ultimately provide long-term returns to its shareholders. This strategy relies significantly on the Company's ability to demonstrate growing efficacy creation in its medical devices, in order to convince potential investors to invest more capital in the Company's development efforts.

The Company defines capital as the aggregate of its share capital and borrowings.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2024.

MyndTec Inc.

Notes to the Financial Statements

For the six months (“periods”) ended June 30, 2025 and 2024

20 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at June 30, 2025, the Company had \$127 in overdue trade and other receivables (December 31, 2024 – \$1,485).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these Financial Statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at June 30, 2025:

	Payments Due			
	Less than 1 year	2 - 3 years	After 3 years	Total
Trade and other payables (note 7)	\$ 1,003,950	\$ -	\$ -	\$ 1,003,950
Government loans (note10)	457,747	-	-	457,747
Other long-term debt (note 11)	6,113	13,748	2,722	22,583
	<u>\$ 1,467,810</u>	<u>\$ 13,748</u>	<u>\$ 2,722</u>	<u>\$ 1,484,280</u>

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk:

- **Foreign currency risk** arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar denominated cash, trade and other receivables, and trade and other payables. As at June 30, 2025, a 1% change in the foreign exchange rates would result in a \$1,866 impact to the Financial Statements (December 31, 2024 - \$516).
- **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 as at June 30, 2025 with respect to its \$22,583 long term debt, at prime plus 2.84%, which totaled 7.79% at June 30, 2025.
- **Other price risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at June 30, 2025 and December 31, 2024.

MyndTec Inc.

Notes to the Financial Statements

For the six months ("periods") ended June 30, 2025 and 2024

22 Financial instruments and risk management (Continued)

Fair values

The carrying values of cash and cash equivalents, trade and other receivables excluding HST, trade and other payables excluding HST, and other long-term debt are considered representative of their respective fair values due to the short-term period to their maturity. The government loans approximate their fair value as the interest and discount rates are consistent with the current rates offered by the Company for its loans with similar terms. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- **Level 1** – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.
- The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels. The fair value of derivative and warrant liabilities and HTC government loan are determined using level 3 inputs.
- There are no financial instruments measured at fair value using level 3 inputs as at June 30, 2025 or December 31, 2024.

21 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer.

The Company has revenues from sales in Canada and from Canada to the United States and Malaysia. The Company has one operating segment which includes income related to its MyndMove, MyndSearch (a variation of MyndMove, which has been modified for research purposes) and MyndStep devices. The two types of revenue include: (1) treatment fees, from treatment clinics that use the Company's MyndMove devices and (2) product sales, which are revenues from the sale of MyndMove, MyndSearch or MyndStep devices to clinics or research institutions and the sale of treatment supplies.

All treatment revenue devices are located in Canada. Revenues by geographical location and by services and products, delivered in the six-month periods ended June 30, 2025 and 2024, were as follows:

	Six Months Ended June 30	
	<u>2025</u>	<u>2024</u>
Revenue by geographic location of customers		
Canada	\$ 22,760	\$ 40,010
Non-Canadian	85,335	46,312
	<u>\$ 108,095</u>	<u>\$ 86,322</u>
Revenue by services and products delivered		
Treatment fees	\$ 14,150	\$ 31,150
Product sales	93,835	55,040
Other	110	132
	<u>\$ 108,095</u>	<u>\$ 86,322</u>

MyndTec Inc.

Notes to the Financial Statements

For the six months ("periods") ended June 30, 2025 and 2024

22 Subsequent events

Private Placements

On July 3, 2025, the Company closed a non-brokered private placement (the "July **2025 Private Placement**") of 686,573 units at \$0.20 per unit with the Company's largest existing shareholder, for a total subscription price of \$137,315. These funds were received on June 27, 2025 and are included on the June 30, 2025 statement of financial position, in long-term liabilities, as funds received for a future share issuance.

On August 14, 2025, the Company closed a non-brokered private placement (the "August **2025 Private Placement**") of 688,610 units at \$0.20 per unit with the Company's largest existing shareholder, for a total subscription price of \$137,722. These funds were received on August 13, 2025.

Each unit under the July 2025 Private Placement and August 2025 Private Placement was comprised of one common share and one-half warrant. The 687,592 of total warrants have an exercise price of \$0.24 per warrant and expire three years after their issue date.

Stock options

On August 1, 2025, the Company granted 25,000 stock options to a consultant, engaged by Company on its Advisory Board. Each option allows the purchase of one common share of the Company at \$0.50 per share. The options vest on a monthly basis, at 5,000 per month commencing August 31, 2025, and expire on August 1, 2035.

Head Office Closure

On July 31, 2025, the Company closed its sole office and continues to operate virtually. Its records and inventories have been moved to temporary storage.

Planned Replacement of Chief Financial Officer

On August 11, 2025, the Company announced a planned transition in its Chief Financial Officer role. Jing Peng has been appointed as the Company's new Chief Financial Officer, effective September 1, 2025. Scott Franklin, the Company's current CFO, will remain available to the Company to ensure an orderly transition.