

HYDREIGHT TECHNOLOGIES INC.

Condensed Interim Consolidated Financial Statements Three and Nine Months ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

VANCOUVER, BC
November 26, 2024

Hydreight Technologies Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars - unaudited)

	Notes	September 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash		\$ 1,212,140	\$ 1,783,787
Prepays and other deposits	3	42,202	121,402
Government sales tax recoverable		6,057	-
Trade receivables		115,135	23,799
Due from related party	6	80,220	31,746
Inventory	4	93,138	103,753
		1,548,892	2,064,487
Non-current assets			
Due from related parties	6	8,099	58,869
Deposit	3	85,000	85,000
Equipment		1,885	2,693
Intangible asset	5	1,157,117	392,959
TOTAL ASSETS		\$ 2,800,993	\$ 2,604,008
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6,16	\$ 2,279,620	\$ 1,903,979
Contract liabilities	7	1,484,730	1,691,832
Due to related parties	6	-	811,639
		3,764,350	4,407,450
Non-current liabilities			
Contract liabilities	7	12,089	27,475
Due to related parties	6	800,345	-
TOTAL LIABILITIES		4,576,784	4,434,925
SHAREHOLDERS' DEFICIT			
Share capital	8	7,092,518	6,533,518
Reserves	9	419,523	451,535
Accumulated other comprehensive loss		(136,619)	(90,503)
Deficit		(9,151,213)	(8,725,467)
SHAREHOLDERS' DEFICIT		(1,775,791)	(1,830,917)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		\$ 2,800,993	\$ 2,604,008
Nature of operations and going concern (Note 1)			
Commitments (Note 13)			
Subsequent event (Note 17)			

"Shane Madden"
Director

"Shafin Tejani"
Director

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

Hydrecht Technologies Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue					
Business partner contract revenue	12	\$ 787,140	\$ 941,337	\$ 2,024,166	\$ 2,497,881
Commission revenue	12	130,271	142,738	803,324	403,337
Pharmacy sales	12	3,608,909	2,004,144	9,176,648	5,235,085
Total Revenues		4,526,320	3,088,219	12,004,138	8,136,303
Cost of pharmacy sales	4	2,993,149	1,819,004	7,679,836	4,744,827
Gross Profit		1,533,171	1,269,215	4,324,302	3,391,476
Operating Expenses					
Amortization and depreciation	5	47,094	7,470	118,283	39,728
General and administration	6,14	383,169	174,271	828,182	513,166
Insurance		28,059	24,796	84,147	76,702
Investor relations and capital markets		29,963	100,026	136,101	313,831
Management fees	6	-	-	-	80,862
Professional and consulting fees	6,15	340,257	540,771	1,098,597	1,446,166
Rent		51,916	71,699	165,831	181,792
Sales and marketing		51,403	32,498	146,944	144,385
Share-based payments	9	90,534	194,282	526,988	194,282
Software and communication		121,192	97,399	331,079	265,778
Wages and labor	6	475,522	496,376	1,337,524	1,195,380
Total Operating Expenses		(1,619,109)	(1,739,588)	(4,773,676)	(4,452,072)
Other Income (Expenses)					
Foreign exchange gain (loss)		(7,092)	(9,438)	10,490	(14,724)
Interest income		3,092	12,838	13,138	14,153
Total Other Income (Expenses)		(4,000)	3,400	23,628	(571)
Net Loss		(89,938)	(466,973)	(425,746)	(1,061,167)
Other Comprehensive Loss					
Item that may be reclassified subsequently to income (loss):					
Currency translation adjustment		36,819	(81,981)	(46,116)	(14,927)
Comprehensive loss for the period		(53,119)	(548,954)	(471,862)	(1,076,094)
Loss per share - basic and diluted		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding for the period - basic and diluted					
		39,621,023	38,225,837	38,756,179	37,971,892

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

Hydreight Technologies Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit
(Expressed in Canadian dollars - unaudited)

	Note	Share Capital		Accumulated other comprehensive (loss) income	Reserves	Obligation to issue shares	Deficit	Total
		Number of shares	Amount					
Balance at January 1, 2023		37,842,815	\$ 6,233,518	\$ (109,069)	\$ 6,826	\$ 300,000	\$ (6,788,116)	(356,841)
RTO bonus shares issued		476,190	133,334	-	166,666	(300,000)	-	-
Share-based payment		-	-	-	194,282	-	-	194,282
Currency translation adjustment		-	-	(14,927)	-	-	-	(14,927)
Net loss for the period		-	-	-	-	-	(1,061,167)	(1,061,167)
Balance at September 30, 2023		38,319,005	\$ 6,366,852	\$ (123,996)	\$ 367,774	\$ -	\$ (7,849,283)	\$ (1,238,653)
Balance at January 1, 2024		38,319,005	\$ 6,533,518	\$ (90,503)	\$ 451,535	\$ -	\$ (8,725,467)	\$ (1,830,917)
Shares issued for vested RSUs	8	1,996,428	559,000	-	(559,000)	-	-	-
Share-based payments	9	-	-	-	526,988	-	-	526,988
Currency translation adjustment		-	-	(46,116)	-	-	-	(46,116)
Net loss for the period		-	-	-	-	-	(425,746)	(425,746)
Balance at September 30, 2024		40,315,433	\$ 7,092,518	\$ (136,619)	\$ 419,523	\$ -	\$ (9,151,213)	\$ (1,775,791)

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

Hydreight Technologies Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars - unaudited)

	Nine months ended September 30,	
	2024	2023
Cash (used in) provided by:		
Operating activities		
Net loss for the period	\$ (425,746)	\$ (1,061,167)
Adjustments for non-cash items:		
Amortization and depreciation	118,283	39,728
Lease interest	-	605
Share-based payment	526,988	194,282
Changes in non-cash working capital items:		
Trade receivables	(91,336)	2,125
Prepays and other deposits	68,027	(87,538)
Inventory	10,615	55,739
Accounts payables and accrued liabilities	407,958	326,307
Government sales tax recoverable	(6,057)	-
Contract liabilities	(222,488)	138,228
Net cash from (used in) operating activities	386,244	(391,691)
Investing activities		
Repayment received from related party	4,353	-
Additions to property and equipment	-	(2,857)
Additions to intangible asset	(837,516)	-
Net cash used in investing activities	(833,163)	(2,857)
Financing activities		
Lease payments	-	(19,174)
Repayments to VST	-	(117,026)
Advances to related party	(68,020)	(11,373)
Net cash used in financing activities	(68,020)	(147,573)
Effect of foreign exchange on cash	(56,708)	(14,344)
Change in cash	(571,647)	(556,465)
Cash, beginning of period	1,783,787	2,432,421
Cash, end of period	\$ 1,212,140	\$ 1,875,956
Supplemental non-cash activities:	Notes	
Issuance of shares to settle RTO bonus obligation		\$ - \$ 133,334
Issuance of shares for vested RSUs	9	\$ 559,000 \$ -
Intangible asset expenditures in accounts payable and accrued liabilities	16	\$ 40,929 \$ -

The accompanying notes are an integral part of these condensed interim consolidated financial statement

Hydreight Technologies Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended September 30, 2024 and 2023
(Expressed in Canadian dollars - unaudited)

1. Nature of Operations and Going Concern

Hydreight Technologies Inc. (the “Company”) was incorporated on April 13, 2018, pursuant to the provisions of the Business Corporation Act (British Columbia). The Company’s registered office is at 401 – 750 West Pender Street, Vancouver, British Columbia V6C 2T7, Canada. The head office is located at 7251 West Lake Mead Boulevard, Suite 300, Las Vegas, NV 89128, United States.

On November 28, 2022, the Company completed a reverse takeover transaction (the “Reverse Takeover Transaction” or “RTO” or “Transaction”) with IV Hydreight Inc. (“Hydreight”), Victory Square Technologies Inc. (“VST” or “Parent”), 1362795 BC Ltd. (“AssetCo”), and 1203500 B.C. Ltd (“PCL Acquisition Co”). VST is the Company’s ultimate controlling parent company before and after the Transaction.

The Company’s shares trade on the TSX Venture Exchange (the “Exchange”) under the trading symbol “NURS” and the Frankfurt Stock Exchange under the symbol “SO6”. The Company is also quoted on the OTCQB Venture Market in the United States under the symbol of “HYDTF”.

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries HCH, Hydreight, and Healthcare Prosoft LLC (“Prosoft”). All intercompany transactions have been eliminated on consolidation.

Hydreight was incorporated in the State of Nevada on April 10, 2018, and operates in the digital health technology sector. The Company has developed a proprietary telemedicine service that allows users to book confidential health and wellness, and/or medical services through a mobile application, and receive services at any remote location, while leveraging the latest trends in digital health technology. Its objective is to connect health professionals or service advisors to end users in a confidential and secure way, through its mobile application. Hydreight’s operational activities began in August 2019.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2024, the Company had a working capital deficiency of \$2,215,458 (December 31, 2023 – \$2,342,963), a comprehensive loss of \$471,862 (September 30, 2023 – \$1,076,094), an accumulated deficit of \$9,151,213 (December 31, 2023 – \$8,725,467).

The Company may not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent upon its ability to generate future cash flows from the growth of revenues to obtain profitable operations and/or obtain additional financing. Management is of the opinion that sufficient working capital will be generated by scaling revenue and operating cash flows, as well as controlling costs to generate positive cash flows. Management is also of the opinion that should it be required, external financing could be obtained to meet the Company’s liabilities and commitments as they become due; however, they may not be at terms that are favourable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and any such adjustments could be material.

The Company currently has one operating segment, as the Company’s chief operating decision maker is focused on the US market and associated growth in its targeted customer base and related revenue streams.

Hydreight Technologies Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended September 30, 2024, and 2023
(Expressed in Canadian dollars - unaudited)

2. Material Accounting Policies

These condensed consolidated interim financial statements were authorized for issue on November 26, 2024, by the directors of the Company.

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended December 31, 2023.

b) Basis of Preparation

The condensed interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. The primary economic environment in which the Company operates is the United States and therefore the functional currency of the Company is the US dollar. Certain comparative figures have been reclassified to conform to the current year's presentation. These include reclassification of expense line items sales and marketing, software and communication, investor relations and capital markets, professional and consulting fees, general and administration wages and labor expense. The reclassification is intended to align expenses by nature has no impact to net income.

c) Consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All inter-company transactions are eliminated on consolidation.

As of September 30, 2024, the Company has three subsidiaries as outlined below:

Subsidiary	Percentage of equity interest	Jurisdiction of incorporation	Functional currency
Hydreight Canada Holdings Inc.	100%	British Columbia, Canada	CAD
IV Hydreight Inc.	100%	Nevada, USA	USD
Healthcare Prosoft, LLC	100%	Nevada, USA	USD

The above subsidiaries have a year end of December 31.

Hydreight Technologies Inc.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2024, and 2023****(Expressed in Canadian dollars - unaudited)****3. Prepaids and other deposits**

The following table outlines the components of prepaids, and other deposits included in current assets as at September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Insurance	\$ 4,069	\$ 52,889
Conferences	-	21,480
Rental and other	38,133	47,033
	\$ 42,202	\$ 121,402

During the year ended December 31, 2023, the Company made a \$85,000 deposit towards future pharmacy purchases anticipated to be primarily fulfilled subsequent to March 31, 2025. The amount is classified as a non-current asset on the condensed interim consolidated statement of financial position.

4. Inventory

In a previous year, the Company entered into a purchase commitment with a pharmacy vendor for the production of a specific number of customized branded kits and packaging, which were sold and delivered in the normal course of operations. On December 20, 2021, a final purchase commitment settlement agreement was executed with the vendor whereby the Company agreed to purchase and take possession of the remaining unsold units. Inventory consists of customized kits and itemized component products ordered and warehoused in advance of shipment to new and existing business partners. The Company contracts with a third party to accept and warehouse the kits. Pharmacy sales, including these inventory items, are reflected in cost of pharmacy sales on the condensed interim consolidated statement of loss and comprehensive loss.

	September 30, 2024	December 31, 2023
Balance, beginning	\$ 103,753	\$ 104,271
Purchases	13,652	63,432
Inventory expensed to cost of pharmacy sales	(26,507)	(63,950)
Foreign currency translation	2,240	-
Balance, ending	\$ 93,138	\$ 103,753

Hydreight Technologies Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended September 30, 2024, and 2023
(Expressed in Canadian dollars - unaudited)

5. Intangible Asset

On January 3, 2022, the Company executed a co-ownership agreement with VS Digital Health Corporation ("VSDH"), a related party associated through common control of VST, whereby the white label intellectual property will be co-owned (50% each) by the Company and VSDH. VSDH will reimburse the Company for 50% of the historical costs incurred prior to January 3, 2022. Further investment in the white label technology was made subsequent to January 3, 2022. The technology is amortized over five years.

Cost	
Balance, January 1, 2024	\$ 497,326
Additions	878,445
Foreign currency translation	4,450
Balance, September 30, 2024	\$ 1,380,221
Accumulated amortization	
Balance, January 1, 2024	\$ 104,367
Amortization	117,475
Foreign currency translation	1,262
Balance, September 30, 2024	\$ 223,104
Net book value, January 1, 2024	\$ 392,959
Net book value, September 30, 2024	\$ 1,157,117

6. Related Parties

The Company has several agreements with various related parties for consulting and executive services provided.

Key Management

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company and consist of the Company's executive leadership team. During the three and nine months ended September 30, 2024, the Company incurred \$81,840 and \$244,872 respectively (three and nine months ended September 30, 2023 - \$80,542 and \$215,312) of compensation costs to the CEO of the Company. As at September 30, 2024, \$76,744 (USD \$56,800) of a \$60,000 USD advance to the CEO is outstanding, which is included in the current portion of due from related parties on the condensed interim consolidated statement of financial position along with \$3,476 in other amounts owing from related parties. The non-current due from related parties balance consists of \$8,099 of advances to related corporations controlled by a certain director due on demand.

On July 18, 2023, the Company executed a series of RSU agreements with the CFO, management, consultants, employees and a director. In total, 2,975,000 RSUs were issued with 50% of the RSUs vesting on July 18, 2024, and 25% vesting on each of January 18, 2025, and July 18, 2025. Upon vesting, each RSU converts into one common share or cash consideration equal to the amount of the market price of common shares at the vesting date, at the Company's discretion. The total of RSUs issued to related parties is 1,060,000 units, 60,000 of which were granted to the CFO, with total share-based payments expense to related parties for the July 18, 2023, issuance of \$22,436 and \$139,277 for the three and nine months ended September 30, 2024.

On November 17, 2023, as part of another RSU issuance, the Company granted 90,000 RSUs to a director, vesting at 50% on November 17, 2024, and 25% each of May 17, 2025, and November 17, 2025. Total share-based payment expense on this issuance for the three and nine months ended September 30, 2024, was \$5,194 and \$15,469.

Hydreight Technologies Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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6. Related Parties (continued)

Parent Corporation

For the three and nine months ended September 30, 2024, the Company incurred \$Nil in monthly management fees from VST (three and nine months ended September 30, 2023 – \$Nil and \$80,742). The Company owes \$809,414 (December 31, 2023 - \$811,639) to VST and VST subsidiaries. The amount is non-interest bearing, unsecured and due on demand.

For the three and nine months ended September 30, 2024, the Company incurred \$40,890 and \$122,406 in monthly fees from VST (three and nine months ended September 30, 2023 – \$39,988 and \$94,125) in accordance with a consulting agreement between the CFO, VST, and the Company for CFO services. In the three and nine months ended September 30, 2024, VST charged the Company \$Nil in rent (three and nine months ended September 30, 2023 – \$4,000 and \$16,000). The CFO fees are included in professional and consulting fees (Note 16) on the condensed interim consolidated statement of loss and comprehensive loss.

Consultants

For the three and nine months ended September 30, 2024, the Company incurred \$120,682 and \$336,971 of expenses (three and nine months ended September 30, 2023 - \$155,294 and \$336,773) to an Ohio limited liability company ("the LLC") for telemedicine services under the direction of the Company's medical director, who is also a director of the Company and of which \$4,152 and \$57,681 (three and nine months ended September 30, 2023 - \$47,400 and \$121,600) of fixed monthly and per transaction-based fees are included in medical and pharmacy consulting expense (Note 15) and \$116,530 and \$279,290 (three and nine months ended September 30, 2023 - \$100,800 and \$137,258) of percentage-based fees are netted within commission revenue. The percentage-based fees are paid out on demand, with the amount related to the three and nine months ended September 30, 2024, included in business partner payable (Note 16). This individual became a director of the Company on the Closing of the Transaction and is the sole shareholder of the LLC, which contracts with and assigns physicians for the provision of telehealth services. The Company and the LLC entered into a medical consultation agreement dated January 1, 2021, as amended, for consulting services provided by the LLC wherein the LLC is paid a base fee of USD \$3,000 per month, a fixed fee for each partner that goes live in the platform and a percentage-based fee for every transaction generated by the Company. The medical consultation agreement will remain in effect until terminated according to provisions in the agreement. The Director received 250,000 of the 1,060,000 RSUs issued to related parties in the July 18, 2023, RSU issuance.

For the three and nine months ended September 30, 2024, the Company incurred \$61,380 and \$183,654 (three and nine months ended September 30, 2023 - \$60,417 and \$154,756) of business and operational strategy consulting fees charged from a holding company controlled by a certain executive of VST in accordance with the terms of a consulting agreement entered into with the Company upon the closing of the RTO (Note 15). Included in accounts payable is \$13,499 (December 31, 2023 - \$33,065) owed to this related party. The original agreement is for USD \$120,000 per annum in cash (payable in monthly installments of USD \$10,000). Effective May 1, 2023, the agreement was amended to USD \$15,000 per month. The agreement is for an initial term of 36 months and will automatically renew for consecutive periods of 12 months unless either party gives the other party 30 days written notice of non-renewal prior to the expiry. In the event that the agreement is terminated due to a change in the voting control of the Company, the holding company will receive a lump sum payment equal to the portion of the annual fee that would have been earned for the remaining duration of the term of the agreement, subject to a maximum of USD \$120,000. The holding company was granted 750,000 of the 1,060,000 RSUs issued to related parties in the July 18, 2023, RSU issuance.

Hydreight Technologies Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended September 30, 2024, and 2023
(Expressed in Canadian dollars - unaudited)

6. Related Parties (continued)

For the three and nine months ended September 30, 2024, the Company incurred \$3,000 (three and nine months ended September 30, 2023 - \$15,000 and \$45,260) in consulting fees to a Company controlled by a director included in consulting – operations (Note 15).

7. Contract Liabilities

The following table is a summary of contract liabilities from contracts with customers and the change in those balances during the nine months ended September 30, 2024. As at September 30, 2024, \$190,126 (December 31, 2023 - \$315,291) of contract liabilities relates to goods and services transferred at a point in time, with the remaining \$1,306,693 (December 31, 2023 - \$1,404,016) relating to its services transferred over time.

	September 30, 2024	December 31, 2023
Balance, opening	\$ 1,719,307	\$ 1,721,866
Revenue deferred in prior periods and recognized as revenue in current period	(1,593,934)	(1,721,866)
New additions from contracts with customers during the current period	1,371,446	1,719,307
Balance, ending	\$ 1,496,819	\$ 1,719,307
Current portion	1,484,730	1,691,832
Long-term portion	12,089	27,475
	\$ 1,496,819	\$ 1,719,307

8. Share Capital

Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued Share Capital

As of September 30, 2024, there were 40,315,433 (December 31, 2023 – 38,319,005) common shares issued and outstanding.

On September 30, 2024, the Company received approval from the Exchange that pursuant to a Notice of Intention to make a Normal Course Issuer Bid (“NCIB”) dated September 24, 2024, the Company may repurchase for cancellation, up to 1,378,633 common shares in its own capital stock. The purchases are to be made through the facilities of the Exchange during the period October 4, 2024, to October 3, 2025 (Note 17).

Shares issued during the period ended September 30, 2024

On July 22, 2024, 1,996,428 common shares were issued on the conversion of RSUs granted July 18, 2023, with an increase to share capital of \$559,000 based on the market price of \$0.28 per share on the date of issuance.

Hydreight Technologies Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended September 30, 2024, and 2023
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9. Share-Based Payments

Omnibus Equity Incentive Plan

On closing of the Transaction, a new equity incentive plan came into effect ("New Plan"). The New Plan provides for flexibility to grant equity-based incentive awards in the form of stock options, restricted share units, deferred share units, performance share units and stock appreciation rights. All equity-based awards subsequent to the Transaction are governed by the New Plan and no future awards are governed by the terms of the PCL Option Plan. All directors, officers, consultants, and employees are eligible to participate in the New Plan.

The New Plan is fixed, subject to adjustment provisions, such that the aggregate maximum number of Company shares that may be reserved for issuance shall not exceed 5,700,000 and include insider participation limits. All awards vest in accordance with the provisions of the New Plan and any applicable award agreement. Stock options are subject to a maximum term of 10 years, while other awards are not subject to specific term limits.

Reserves

The reserves record items recognized as share-based payments expense.

Stock Options

Each stock option issuance has vesting terms that vary with each individual optionee, with a portion of the options granted vesting immediately at grant date, in some issuances, and the balance vesting in equal tranches quarterly or another periodic interval.

There were no stock options granted during the nine months ended September 30, 2024, and 2023, respectively. Total share-based payments expense related to outstanding options for the three and nine months ended September 30, 2024, were \$3,690 and \$12,443 (three and nine months ended September 30, 2023 - \$28,598).

The weighted average remaining contractual life of the options is 0.82 years. The options outstanding and exercisable at September 30, 2024 are as follows:

Issuance Date	Exercise Price	Number of	Number of Options	Remaining Contractual	Expiry Date
		Options			
		Outstanding	Exercisable	Life (Years)	
July 18, 2023	\$0.25	345,000	207,000	0.80	July 18, 2025
August 2, 2023	\$0.31	268,000	268,000	0.84	August 2, 2025
		613,000	475,000		

Restricted Share Units

Each RSU issuance has vesting terms that vary with each awardee and vest in instalments over time or are performance based.

On April 5, 2024, the Company issued 61,000 RSUs to an employee which will 100% vest on April 5, 2025. The grant date fair value is measured at the share price on the grant date, April 5, 2024, of \$0.29 or \$17,690.

Total share-based payments expense recorded for the three and nine months ended September 30, 2024, in relation to the RSU issuances was \$86,844 and \$514,545 (three and nine months ended September 30, 2023 - \$165,684).

As of September 30, 2024, 1,715,500 RSUs are unvested and outstanding.

Hydreight Technologies Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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10. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. Management approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Fair value

The Company classifies fair value measurements recognized in the condensed interim consolidated statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash, trade receivables, short-term loan, accounts payable and accrued liabilities, and amounts due to and from related parties approximates their carrying values due to the relatively short-term maturity of these instruments.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, trade receivables and due from related parties. The cash is deposited in several bank accounts at one bank in Canada and one bank account in the US. As the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using banks that are high credit quality financial institutions as determined by rating agencies. Credit risk on cash is assessed as low.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company's accounts payable and accrued liabilities and due to related parties are contractually due within 12 months of September 30, 2024.

Historically, the Company's main source of funding has been the issuance of equity securities and cash flows from operating activities and advances from related parties. The Company's access to financing is uncertain.

There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as moderate to high.

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10. Financial Risk Management (continued)

e) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The majority of the Company's operations and transactions are conducted in US dollars, with certain expenses incurred in CAD. Foreign exchange risk is assessed as moderate.

11. Capital Management

The Company defines capital as shareholders' deficit and amounts due to related parties. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to pursue the development of its technology and products, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

There were no changes in the Company's approach to capital management during the period.

12. Revenue

The timing of the Company's revenue recognition, in accordance with IFRS 15, are as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Goods and services transferred at a point in time	\$ 3,739,180	\$ 2,146,882	\$ 9,979,972	\$ 5,638,422
Services transferred over time	787,140	941,337	2,024,166	2,497,881
Total revenues	\$ 4,526,320	\$ 3,088,219	\$ 12,004,138	\$ 8,136,303

13. Commitments

As described in Note 6, the Company has contractual commitments for consulting services with certain related parties.

The Company has remaining contractual commitments for software maintenance services in the amount of \$49,320 for all of 2024.

The Company renewed the workspace agreement on its Las Vegas office for a twelve-month term ending June 30, 2025, at USD \$2,693 per month for a total commitment of USD \$24,237. The Company extended its co-workspace agreement for its Vancouver premises through September 2024 at \$8,022 per month, with a month-to-month arrangement subsequent.

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14. General and Administration

The following table outlines the components of general and administration expenses for the three and nine months ended September 30, 2024, and 2023:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Lease interest	\$ -	\$ -	\$ -	\$ 618
Meals and travel	44,943	30,471	132,771	130,511
Merchant processor and bank fees	204,386	125,770	529,535	330,306
Provision for sales tax ¹	108,832	-	108,832	-
Recruitment and other	25,008	18,030	57,044	51,731
Total expenses	\$ 383,169	\$ 174,271	\$ 828,182	\$ 513,166

¹ The Company is subject to state sales and use taxes in the United States, the determination of which requires interpretation of complex laws and regulations that vary in scope across all 50 states. Significant judgement is required in determining the Company's tax obligation. The Company's interpretation of state taxation law as applied to transactions and activities may not coincide with the interpretation of the state tax authorities. All state tax related filings are subject to state government audit and potential reassessment subsequent to the financial statement reporting period.

15. Professional and Consulting Fees

The following table outlines the components of professional fees for the three and nine months ended September 30, 2024, and 2023:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Accounting and audit	\$ 37,879	\$ 88,464	\$ 128,266	\$ 176,739
Legal	48,546	144,028	189,459	362,209
Business strategy and development (Note 6)	18,528	60,417	140,802	154,756
Medical and pharmacy consulting (Note 6)	111,804	61,814	347,436	348,718
Technical consulting	123,500	186,048	292,634	403,744
Total professional and consulting fees	\$ 340,257	\$ 540,771	\$ 1,098,597	\$ 1,446,166

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16. Accounts Payable and Accrued Liabilities

The composition of accounts payable and accrued liabilities is as follows:

	September 30, 2024	December 31, 2023
Trade accounts payable and accrued liabilities	\$ 1,112,901	\$ 954,741
Business partner payable	467,136	369,612
US state sales tax payable	699,583	579,626
	\$ 2,279,620	\$ 1,903,979

As part of the commission revenue stream, the Company collects the gross proceeds from the patients and is required to remit the business partners portion of the transaction on demand by the business partner, as the Company is acting as agent in the transaction.

During the nine months ended September 30, 2024, the Company loaned \$54,748 (\$40,000 USD) of a \$50,000 USD maximum loan, to an acquisition target company for working capital purposes pursuant to the terms of a binding letter of intent. The loan did not bear interest and is convertible into shares of the target company on closing of the acquisition. At the end of the due diligence period closing in August, 2024, the parties did not reach a definitive purchase agreement and agreed to apply the full amount of the loan against the Company's trade payable balance.

17. Subsequent Event

Subsequent to the period ending September 30, 2024, the Company repurchased and cancelled 18,500 common shares at an average price of \$0.4014.