

# Charbone Hydrogen Corporation

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2026, AND 2025

# CHARBONE HYDROGEN CORPORATION

Condensed Consolidated Interim Financial Statements
(Unaudited)

Three-month periods ended March 31, 2026, and 2025

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**


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# Charbone Hydrogen Corporation

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in Canadian dollars)

(Unaudited)

| | March 31, 2026 | December 31, 2025 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $ 2,762,342 | $ 1,016,292 |
| Accounts receivable (Note 4) | 403,944 | 423,116 |
| Prepaid expenses | 145,891 | 97,954 |
| Tax credit receivable | 849,575 | 849,575 |
| | 4,161,752 | 2,386,937 |
| NON-CURRENT ASSETS | | |
| Security deposits | 34,085 | 33,832 |
| Property, plant and equipment (Note 5) | 9,274,883 | 8,925,000 |
| Intangible assets (Note 6) | 137,265 | 140,884 |
| Right-of-use-assets (Note 7) | 1,197,260 | 1,053,957 |
| Restricted cash (Note 8) | 186,244 | 183,130 |
| | 10,829,737 | 10,336,803 |
| TOTAL ASSETS | $ 14,991,489 | $ 12,723,740 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables (Note 9) | $ 5,391,546 | $ 5,504,588 |
| Current portion of lease obligations (Note 10) | 215,011 | 192,043 |
| Debentures (Note 11) | 848,478 | 2,044,580 |
| | 6,455,035 | 7,741,211 |
| NON-CURRENT LIABILITIES | | |
| Lease obligations (Note 10) | 1,093,752 | 978,801 |
| Convertible notes (Note 11) | 1,671,617 | 1,596,223 |
| Embedded derivative (Note 11) | 303,034 | 272,304 |
| Long-term payables for property, plant and equipment | 333,334 | 333,334 |
| | 3,401,737 | 3,180,662 |
| TOTAL LIABILITIES | 9,856,772 | 10,921,873 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 12) | 23,984,572 | 20,616,428 |
| Contributed surplus (Note 13) | 1,012,822 | 1,172,041 |
| Warrants (Note 13) | 1,878,593 | 705,742 |
| Accumulated other comprehensive income (loss) | 50,424 | 38,255 |
| Equity component of the convertible debenture (Note 11) | 2,223 | 3,600 |
| Deficit | (21,793,917) | (20,734,199) |
| TOTAL SHAREHOLDERS' EQUITY | 5,134,717 | 1,801,867 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 14,991,489 | $ 12,723,740 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

# Charbone Hydrogen Corporation

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
(in Canadian dollars, except number of shares)

(Unaudited)

| | Three-month period ended March 31, 2026 | Three-month period ended March 31, 2025 |
|---|---|---|
| INCOME | | |
| Gas income | 176,193 | - |
| Other income | 68,585 | - |
| Hydroelectricity income | - | 5,067 |
| TOTAL INCOME | $ 244,778 | $ 5,067 |
| EXPENSES | | |
| Operating expenses | 220,712 | - |
| General and administrative expenses (Note 14) | 796,735 | 1,102,702 |
| Depreciation of property, plant and equipment (Note 5) | 85,322 | 44,339 |
| Depreciation of right-of-use-assets (Note 7) | 47,551 | 30,398 |
| Amortization of intangible assets (Note 6) | 5,920 | 6,194 |
| | 1,156,240 | 1,183,633 |
| OPERATING LOSS BEFORE THE FOLLOWING: | (911,462) | (1,178,566) |
| FINANCIAL EXPENSES (Note 15) | 148,256 | 7,067 |
| NET LOSS BEFORE INCOME TAX | $ (1,059,718) | $ (1,185,633) |
| Current income tax | - | 2,153 |
| | - | 2,153 |
| NET LOSS | $ (1,059,718) | $ (1,187,786) |
| OTHER COMPRENSIVE LOSS | | |
| Item that may be reclassified subsequently to the statement of loss | | |
| Foreign currency translation income (loss) | 12,169 | (590) |
| TOTAL COMPREHENSIVE LOSS | $ (1,047,549) | $ (1,188,376) |
| LOSS PER SHARE | | |
| Basic | $ (0.004) | $ (0.009) |
| Diluted | $ (0.004) | $ (0.009) |
| Weighted average number of shares outstanding | 248,002,220 | 142,109,252 |

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

# Charbone Hydrogen Corporation

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(in Canadian dollars, except for per share data)

(Unaudited)

| | Share capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares | Class "A" Common shares | Contributed surplus | Warrant reserve | Equity component of the convertible debenture | Deficit | Accumulated other Comprehensive income (loss) | Total shareholders' equity |
| | # | $ | $ | $ | $ | $ | $ | $ |
| **BALANCE AS AT DECEMBER 31, 2025** | 224,391,863 | 20,616,428 | 1,172,041 | 705,742 | 3,600 | (20,734,199) | 38,255 | (1,801,867) |
| Private placement (Notes 12 and 13) | 23,614,286 | 1,798,851 | - | 1,300,524 | - | - | - | 3,099,375 |
| Share issue costs (Notes 12 and 13) | - | (306,947) | - | (220,368) | - | - | - | (527,315) |
| Warrants issued to brokers (Notes 12 and 13) | - | - | - | 211,699 | - | - | - | 211,699 |
| Conversion of convertible debenture (Note 11) | 17,142,860 | 1,200,000 | - | - | - | - | - | 1,200,000 |
| Equity conversion option of the convertible debenture (Note 11) | - | - | 1,377 | - | (1,377) | - | - | - |
| Warrants exercised (Note 13) | 4,958,000 | 676,240 | (160,596) | (119,004) | - | - | - | 396,640 |
| Net loss for the period | - | - | - | - | - | (1,059,718) | - | (1,059,718) |
| Other comprehensive loss : | | | | | | | | |
| Foreign currency translation | - | - | - | - | - | - | 12,169 | 12,169 |
| **BALANCE AS AT MARCH 31, 2026** | 270,107,009 | 23,984,572 | 1,012,822 | 1,878,593 | 2,223 | (21,793,917) | 50,424 | 5,134,717 |

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

# Charbone Hydrogen Corporation

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(in Canadian dollars, except for per share data)

(Unaudited)

| | Share capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares | Class "A" Common shares | Contributed surplus | Warrant reserve | Equity component of the convertible debenture | Deficit | Accumulated other Comprehensive income (loss) | Total shareholders' deficiency |
| | # | $ | $ | $ | $ | $ | $ | $ |
| **BALANCE AS AT DECEMBER 31, 2024** | 135,837,929 | 14,271,154 | 550,979 | 1,769,786 | 46,100 | (18,058,083) | 56,728 | (1,363,336) |
| Private placement (Notes 13 and 14) | - | - | - | - | - | - | - | - |
| Share issue costs (Notes 13 and 14) | - | (1,725) | - | - | - | - | - | (1,725) |
| Warrants issued to brokers (Notes 13 and 14) | - | - | - | - | - | - | - | - |
| Equity conversion option of the convertible debenture (Notes 12) | - | - | - | - | - | - | - | - |
| Issuance of units for payment to suppliers (Notes 13 and 14) | 4,133,334 | 268,667 | - | - | - | - | - | 268,667 |
| Warrants issued with debentures (Note 14 and 13) | - | - | - | 16,316 | - | - | - | 16,316 |
| Warrants exercised (Note 14) | 5,867,440 | 374,521 | 15,880 | (97,131) | - | - | - | 293,270 |
| Warrants expired (Note 14) | - | - | 293,663 | (293,663) | - | - | - | - |
| Share based compensation (Note 14) | - | - | 153,847 | - | - | - | - | 153,847 |
| Net loss for the period | - | - | - | - | - | (1,187,786) | - | (1,187,786) |
| Other comprehensive loss : | | | | | | | | |
| Foreign currency translation | - | - | - | - | - | - | (590) | (590) |
| **BALANCE AS AT MARCH 31, 2025** | 145,838,703 | 14,912,617 | 1,014,369 | 1,395,308 | 46,100 | (19,245,869) | 56,138 | (1,821,337) |

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

# Charbone Hydrogen Corporation

**CONSOLIDATED STATEMENT OF CASH FLOWS**
(in Canadian dollars)

(Unaudited)

| | Three-month period ended March 31, 2026 | Three-month period ended March 31, 2025 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss | $ (1,059,718) | $ (1,187,786) |
| Adjustments: | | |
| Depreciation of property, plant and equipment (Note 5) | 85,322 | 44,339 |
| Depreciation of right-of-use-assets (Note 7) | 47,551 | 30,398 |
| Amortization of intangible assets (Note 6) | 5,920 | 6,194 |
| Interest on debentures (Note 15) | 62,638 | 174,605 |
| Interest on lease obligations (Notes 10 and 15) | 6,808 | 6,147 |
| Share based compensation | - | 153,847 |
| Unrealized loss on foreign exchange (Note 15) | 44,705 | - |
| Fair value adjustment – embedded derivative (Note 11) | 26,471 | (43,638) |
| Gain on derecognition of a lease (Note 10) | (1,253) | - |
| Gain on settlement of accounts payable (Note 12) | - | (41,333) |
| Income tax | - | 2,153 |
| Changes in non-cash working capital items (Note 18) | (513,745) | 237,977 |
| Cash flows used in operating activities | (1,295,301) | (620,097) |
| INVESTING ACTIVITIES | | |
| Security deposits | (253) | 1,322 |
| Additions of property, plant and equipment (Note 5) | - | (12,510) |
| Cash flows provided by (used in) investing activities | (253) | (11,188) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of units from private placement (Note 12) | 3,099,375 | - |
| Changes in short term loan | - | 26,000 |
| Issuance costs (Notes 12 and 13) | (315,616) | (1,725) |
| Payment of lease obligation (Note 10) | (83,465) | (59,953) |
| Interest paid | (37,500) | (31,055) |
| Exercise of warrants (Note 13) | 396,640 | 293,270 |
| Cash flows from financing activities | 3,059,434 | 226,537 |
| NET CHANGE IN CASH | 1,763,880 | (404,748) |
| EFFECT OF MOVEMENT IN EXCHANGE RATE ON CASH HELD | (17,830) | 457 |
| CASH (BANK INDEBTEDNESS), BEGINNING OF PERIOD | 1,016,292 | 425,739 |
| CASH (BANK INDEBTEDNESS), END OF PERIOD | **$** 2,762,342 | **$** 48,448 |

Additional cash flow information is presented in Note 18.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Charbone Hydrogen Corporation's (the "Corporation") is an integrated industrial gases producer and distributor focused on the development and production of clean Ultra High Purity (UHP) hydrogen complimented by a growing industrial gases distribution platform.

The Corporation is incorporated under the *Canadian Business Corporations Act*. The address of the Corporation's registered office and its principal place of business is 5005, Boulevard Lapinière, Suite 1080, Brossard, (Québec) J4Z 0N5.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations.

Going Concern

During the three-month period ended March 31, 2026, the Corporation generated a net loss of $1,059,718 (March 31, 2025 $1,187,786) and negative cash flows from operating activities of $1,295,301 (March 31, 2025 - $620,097). As March 31, 2026, the Corporation has an accumulated deficit of $21,793,917 (December 31, 2025 - $20,734,199) and a working capital deficiency (current liabilities in excess of current assets) of $2,293,283 (December 31, 2025 - $5,354,274). The Corporation's current liabilities and expected level of expenses for the next 12 months exceed cash on hand as at March 31, 2026. On April 29, 2026, the Corporation has entered into a secured convertible loan that provides for up to $10 million of financing over three years. From the $10 million available, $3 million was provided at closing. However additional financing will be required in the near future in order to complete its business plan and meet its obligations in the normal course of operations. The Corporation is pursuing other various financing options. Until such time that the Corporation can generate significant revenue, the Corporation expects to finance its operations through public or private equity, debt or other sources. While the Corporation has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Corporation's control, and as such there is no assurance that it will be able to do so in the future. The Corporation's continuing operations are dependent upon the continued financial support of shareholders and lenders, its ability to attain profitable operations and generate funds therefrom and/or to raise equity capital or obtain the necessary financing sufficient to meet current and future obligations.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Corporation be unable to continue as a going concern. Such adjustments could be material.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND COMPLIANCE TO IFRS

### 2.1 Statement of compliance

These consolidated financial statements have been prepared under IFRS as issued by the International Accounting Standards Board ("IASB"). The Corporation has consistently applied the same accounting policies throughout the periods presented in these consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Corporation on May 28, 2026.

### 2.2 Basis of assessment

These consolidated financial statements have been prepared on the historical cost basis, except for the following items were evaluated as detail below:

- convertible debentures issued, which are measured at fair value at date of issuance;
- equity-based share-based payment arrangements, which have been recorded at fair value at grant date pursuant to IFRS 2, Share-based Payment; and
- lease liabilities, which are measured at the present value of future lease payments.

### 2.3 Functional and presentation currency

The Corporation's functional and presentation currency is the Canadian dollar. The functional currency of the Corporation's U.S. subsidiaries, Charbone Corporation USA, Stuwe & Davenport Partnership, LLC and Wolf River Hydro Limited Partnership, is determined by the currency of the primary economic environment in which they operate, being the United States dollar. Gains and losses arising from the conversion from US dollars to Canadian dollars for presentation purposes are recorded in accumulated other comprehensive income (loss).

## 3. MATERIAL ACCOUNTING POLICIES

### 3.1 Basis of consolidation

These consolidated financial statements of the Corporation include the accounts of the Corporation and of its subsidiaries.

**i) Business combinations**

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and equity interests issued by the Corporation on the date control of the acquired company is obtained. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Corporation measures goodwill as the fair value of the consideration transferred including the fair value of liabilities resulting from contingent consideration arrangements, less the net recognized amount of the identifiable assets acquired, and liabilities assumed, all measured at fair value as of acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

**ii) Subsidiaries**

The Corporation's subsidiaries as at March 31, 2026 are:

| Name | Nature of services | March 31, 2026 | December 31, 2025 |
|---|---|---|---|
| Charbone Hydrogen Quebec (formely Charbone Hydrogen) | Green hydrogen producer | 100 % | 100 % |
| Charbone Systems Inc. | Sales and maintenance of hydrogen equipment | 100 % | 100 % |
| Charbone Hydrogen Manitoba Inc. | Green hydrogen producer | 100 % | 100 % |
| Charbone Hydrogen Nova Scotia | Green hydrogen producer | 100 % | 100 % |
| Charbone Corporation USA | Holding company | 100 % | 100 % |
| Stuwe & Davenport Partnership, LLC | Hydroelectric power plant | 100 % | 100 % |
| Wolf River Hydro Limited Partnership | Hydroelectric power plant | 100 % | 100 % |
| Charbone HoldCo, LLC | Holding company | 100 % | 100 % |

### 3.2 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses.

Depreciation is recognized on a straight-line to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

During the period, new depreciation categories were introduced with respect to certain property, plant and equipment.

The applicable periods and method are as follows:

| | **Useful life** |
|---|---|
| Building | 20 to 30 years |
| Production plant | 20 years |
| Transportation equipment and other | 5 to 20 years |
| Cylinders | 40 years |
| Dams | 20 to 30 years |
| Office furniture | 5 years |
| Computer equipment | 4 years |
| Leasehold improvements | Lesser of lease term and 60 months |

Property, plant and equipment under construction are stated at cost. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset, including site preparation, installation, and professional fees. Borrowing costs that are directly attributable to the construction of qualifying assets are capitalized during the construction period. Such assets are not depreciated until they are available for use. The production plant was placed into service during the three-month period ended March 31, 2026.

### 3.3 Critical accounting estimates, judgments and assumptions

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. For the three-month periods ended March 31, 2026 and March 31, 2025, the following are critical judgments, estimates or assumptions made by management that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses:

*Critical judgments*
Going concern (Note 1)

*Key sources of estimation uncertainty*
Debentures (Notes 12 and 17)

Impairment of non-financial assets
As part of assessing property, plant and equipment and intangible assets for impairment, the recoverable amount of a CGU is determined as the higher of the amount determined using the discounted future cash flow method (value-in-use) and the market-based method (estimated fair value less costs to sell). When the discounted future cash flow method is used, cash flow projections are established based on past experience, certain economic trends as well as industry and market trends, and represent management's best estimates of future results. The recoverable amount of a CGU is also influenced by the discount rate used in the model, by the growth rate used to make the extrapolation and by the weighted average cost of capital. When a market-based method is used, the Corporation estimates the fair value of the CGU by gathering market data, similar transactions and third-party evaluation. These methods rely on numerous assumptions and estimates that may have a significant impact on the recoverable amount of a CGU, and thereby, on the amount of impairment, if any. The impact of significant changes in assumptions and the revision of estimates, if any, is recognized in net earnings in the period in which the changes occur or the estimates are revised.

Share based compensation
The Corporation uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating the fair value of options and warrants, management is required to make certain assumptions and estimates such as the fair value of the underlying share, the expected life of options, volatility of the Corporation's future share price, risk-free rate, future dividend yields and estimated forfeitures.

Leases
In determining the carrying amount of right-of-use assets and lease liabilities at lease inception and for lease modifications, the Corporation is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Corporation's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change.

Other areas involving estimation uncertainty include the determination of the estimated useful lives of property, plant and equipment.

## 4. ACCOUNTS RECEIVABLE

| | March 31, 2026 | December 31, 2025 |
|---|---|---|
| Trade receivable | 189,473 | 186,750 |
| Sales taxes receivable | 100,189 | 190,669 |
| Other receivables | 114,282 | 45,697 |
| **Balance, end of period** | $ 403,944 | $ 423,116 |

## 5. PROPERTY, PLANT AND EQUIPEMENT

**As at March 31, 2026**

| | Office furniture | Computer equipment | Leasehold improvements | Equipment (1) | Dams (1) | Land (1) | Building | Cylinders | Production plant | Hydrogen plant in construction | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | | | | |
| Balance as at January 1, 2026 | $ 13,957 | 26,521 | 251,340 | 846,415 | 1,029,907 | 90,461 | 60,889 | - | - | 7,390,846 | 9,710,338 |
| Additions | - | - | - | 74,022 | 47,238 | - | - | - | 151,132 | 138,175 | 410,567 |
| Transfers | - | - | - | - | - | - | 1,087,230 | 142,429 | 2,751,870 | (3,981,529) | - |
| Tax credit for investments and innovation | - | - | - | - | - | - | - | - | - | - | - |
| Effect of movements in exchange rate | - | - | - | 14,035 | 17,298 | 1,537 | 1,035 | - | - | - | 33,906 |
| Balance as at March 31, 2026 | 13,957 | 26,521 | 251,340 | 934,472 | 1,094,444 | 91,998 | 1,149,155 | 142,429 | 2,903,002 | 3,547,492 | 10,154,810 |
| Balance as at January 1, 2026 | 11,716 | 23,984 | 220,594 | 464,406 | 55,250 | - | 9,387 | - | - | - | 785,337 |
| Depreciation | 676 | 1,308 | 15,566 | 9,628 | 12,650 | - | 9,822 | 890 | 34,782 | - | 85,322 |
| Effect of movements in exchange rate | - | - | - | 7,949 | 1,147 | - | 172 | - | - | - | 9,268 |
| Balance as at March 31, 2026 | 12,392 | 25,292 | 236,160 | 481,983 | 69,047 | - | 19,381 | 890 | 34,782 | - | 879,927 |
| **CARRYING AMOUNT AS AT MARCH 31, 2026** | $ 1,565 | 1,229 | 15,180 | 452,489 | 1,025,397 | 91,998 | 1,129,774 | 141,539 | 2,868,220 | 3,547,492 | 9,274,883 |

(1) Wolf River's assets, including equipment, dam and land are considered as part of a new Wisconsin clean UHP hydrogen production project.

# Charbone Hydrogen Corporation

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2026 AND 2025**
(in Canadian dollars)

(Unaudited)

**As at December 31, 2025**

| | | Office furniture | Computer equipment | Leasehold improvements | Equipment | Dams | Land | Hydrogen plant in construction | Building | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | | | |
| Balance as at January 1, 2025 | $ | 13,957 | 26,251 | 251,340 | 834,264 | 245,206 | 94,967 | 3,767,490 | 63,924 | 5,297,669 |
| Additions | | - | - | - | 51,846 | 796,332 | - | 4,579,682 | - | 5,427,860 |
| Disposition | | - | - | - | - | - | - | (41,348) | - | (41,348) |
| Tax credit for investments and innovation | | - | - | - | - | - | - | (65,402) | - | (65,402) |
| Effect of movements in exchange rate | | - | - | - | (39,696) | (11,631) | (4,506) | - | (3,034) | (58,867) |
| Balance as at December 31, 2025 | | 13,957 | 26,251 | 251,340 | 846,414 | 1,029,907 | 90,461 | 8,240,422 | 60,890 | 10,559,912 |
| **ACCUMULATED DEPRECIATION** | | | | | | | | | | |
| Balance as at January 1, 2025 | | 8,294 | 18,169 | 158,330 | 409,250 | 26,689 | - | - | 6,658 | 628,020 |
| Depreciation | | 2,792 | 5,815 | 62,264 | 73,310 | 30,451 | - | - | 3,105 | 177,737 |
| Impairment | | - | - | - | - | - | - | - | - | - |
| Dispositions | | - | - | - | - | - | - | - | - | - |
| Effect of movements in exchange rate | | - | - | - | (18,154) | (1,890) | - | - | (376) | (20,420) |
| Balance as at December 31, 2025 | | 11,716 | 23,984 | 220,594 | 464,406 | 55,250 | - | - | 9,387 | 785,337 |
| **CARRYING AMOUNT AS AT DECEMBER 31, 2025** | $ | 2,241 | 2,537 | 30,746 | 382,008 | 974,657 | 90,461 | 8,240,422 | 51,503 | 9,774,575 |

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

## 6. INTANGIBLE ASSETS

| | March 31, 2026 | December 31, 2025 |
|---|---|---|
| **Costs** | | |
| Balance at the beginning | $ 265,359 | $ 278,568 |
| Effect of movements in exchange rate | 4,506 | (13,209) |
| Balance at the end | 269,865 | 265,359 |
| | | |
| **Accumulated amortization and impairment** | | |
| Balance at the beginning | $ 124,475 | $ 105,851 |
| Amortization | 5,920 | 24,129 |
| Effect of movements in exchange rate | 2,205 | (5,475) |
| Balance at the end | 132,600 | 124,475 |
| | | |
| **Net book value at the end** | $ 137,265 | $ 140,884 |

## 7. RIGHT-OF-USE-ASSETS

| | | Office | Lands[1] | Automobile | Total |
|---|---|---|---|---|---|
| **Book value of assets** | | | | | |
| Balance as at January 1, 2026 | $ | 136,427 | 937,516 | 483,136 | 1,557,079 |
| Addition of right-of-use assets | | - | - | 227,130 | 227,130 |
| Disposition of right-of-use assets | | - | - | (53,407) | (53,407) |
| Balance as at March 31, 2026 | | 136,427 | 937,516 | 656,859 | 1,730,802 |
| **Accumulated depreciation** | | | | | |
| Balance as at January 1, 2026 | $ | 125,299 | 155,942 | 221,881 | 503,122 |
| Depreciation [2] | | 6,388 | 8,033 | 41,163 | 55,584 |
| Disposition | | - | - | (25,164) | (25,164) |
| Balance as at March 31, 2026 | | 131,687 | 163,975 | 237,880 | 533,542 |
| **Net book value as at March 31, 2026** | $ | 4,740 | 773,541 | 418,979 | 1,197,260 |

[1] The land lease provides for an annual increase in lease payment corresponding to the lesser of 2% and the CPI index measured by the Bank of Canada for the Montreal area. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments arising from changes in the index. Any remeasurement of the lease liability is adjusted against the right-of-use asset.

[2] Depreciation of right-of-use assets for the premises of $8,033 ($7,858 in 2025) are capitalized under the Hydrogen plant in construction in property, plant and equipment.

| | | Office | Lands | Automobile | Total |
|---|---|---|---|---|---|
| **Book value of assets** | | | | | |
| Balance as at January 1, 2025 | $ | 136,427 | 920,716 | 412,948 | 1,470,091 |
| Addition of right-of-use assets | | - | - | 70,188 | 70,188 |
| Revaluation of right-of-use assets [(1)] | | - | 16,800 | - | 16,800 |
| Balance as at December 31, 2025 | | 136,427 | 937,516 | 483,136 | 1,557,079 |
| **Accumulated depreciation** | | | | | |
| Balance as at January 1, 2025 | $ | 99,748 | 124,098 | 115,457 | 339,303 |
| Depreciation | | 25,551 | 31,844 | 106,424 | 163,819 |
| Balance as at December 31, 2025 | | 125,299 | 155,942 | 221,881 | 503,122 |
| **Net book value as at December 31, 2025** | $ | 11,128 | 781,574 | 261,255 | 1,053,957 |

[(1)] The land lease provides for an annual increase in lease payment corresponding to the lesser of 2% and the CPI index measured by the Bank of Canada for the Montreal area. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments arising from changes in the index. Any remeasurement of the lease liability is adjusted against the right-of-use asset.

## 8. RESTRICTED CASH

The restricted cash has been acquired in a business acquisition to respect the obligation to reserve funds for future projects and maintenance services that must be jointly financed with the regional tribes. The Corporation is not expected to use the funds in the next 12 months.

## 9. TRADE AND OTHER PAYABLES

| | March 31, 2026 | December 31, 2025 |
|---|---|---|
| Accounts payable and accrued liabilities | $ 4,251,530 | $ 4,426,282 |
| Accounts payable to a member of the management | 380,281 | 386,261 |
| Accrued Interest on debentures | 426,402 | 358,712 |
| Short-term payable for property, plant and equipment | 333,333 | 333,333 |
| **Balance, end of period** | $ 5,391,546 | $ 5,504,588 |

## 10. LEASE OBLIGATIONS

The following table presents the lease obligations of the Corporation:

| | March 31, 2026 | December 31, 2025 |
|---|---|---|
| Balance, beginning of period | $ 1,170,844 | $ 1,243,880 |
| New lease obligations | 227,130 | 70,188 |
| Disposition of lease obligations | (29,496) | - |
| Revaluation of lease obligation (Note 7) | - | 16,800 |
| Effective interest on lease obligations | 6,808 | 21,344 |
| Effective interest on lease obligations capitalized | 16,942 | 69,536 |
| Payments of lease liability, including related interest | (83,465) | (250,904) |
| **Balance, end of period** | $ 1,308,763 | $ 1,170,844 |

The following table summarizes the contractual undiscounted cash flows from lease obligations:

| | | March 31, 2026 |
|---|---|---|
| Maturity analysis – contractual undiscounted cash flows | | |
| Less than one year | $ | 215,011 |
| One to five years | | 342,277 |
| More than five years | | 751,475 |
| Total undiscounted lease obligations | | 1,308,763 |
| | | |
| **Lease obligation balance, end of period** | | 1,308,763 |
| Current portion | | 215,011 |
| Non-current portion | $ | 1,093,752 |

**11. DEBENTURES**

i) Debentures

| | | March 31, 2026 | | December 31, 2025 |
|---|---|---|---|---|
| Debentures, nominal value of $850,000 (December 31, 2025 - $2,050,000) measured at amortized cost, secured, repayable at maturity either in cash or in common shares at the holder's option as described below, bearing interest at 12%, payable in cash monthly, maturing in September 2026 [a)] | | 848,478 | | 2,044,580 |
| **Balance, end of period** | $ | 848,478 | $ | 2,044,580 |

A rollforward of the debentures was as follows:

| | | March 31, 2026 | | December 31, 2025 |
|---|---|---|---|---|
| Balance, beginning of period | $ | 2,044,580 | $ | 1,690,119 |
| Conversion of nominal into shares | | (1,200,000) | | - |
| Debenture issued for cash | | - | | 303,364 |
| Equity component of convertible debenture | | - | | (3,600) |
| Adjustment modification | | - | | (16,316) |
| Loss on debt modification | | - | | 6984 |
| Issuance expenses | | - | | (3,518) |
| Interest on debenture | | 62,638 | | 285,950 |
| Interest paid | | (37,500) | | (174,133) |
| Interest converted into shares | | - | | (22,500) |
| Interest included in accounts payable and accruals | | (21,240) | | (22,040) |
| **Balance, end of the period** | $ | 848,478 | $ | 2,044,580 |

a) On September 30 2025, the Corporation issued new convertible debentures (the "Replacement debentures") by amending specific terms of the existing Company's secured convertible debenture originally issued in connection with private placements of debentures totaling $1,746,366 and an additional $303,634 received in cash by the Corporation. The previous convertible debentures of an amount of $400,000 and $1,346,000 were expiring on September 30, 2025 and October 31, 2025 respectively, bore interest at an annual interest rate of 12% and carried a conversion feature allowing the holder to convert the principal into Class A Share of the Corporation at a conversion price of $0.10 (Note 13 b) c) d)).

Terms of the Replacement debentures:

- Principal amount: $2,050,000
- Issue date: 30 September 2025
- Maturity date: 30 September 2026
- Interest rate: 12% per year, payable monthly
- Conversion price: $0.07 per Class A share
- Conversion feature: Holders may convert the outstanding principal into class A shares at any time prior to maturity.
- Security: $400,000 of the principal amount of the Replacement debenture is secured by same guarantees of the Finexcorp agreement . $1,650,000 of the principal amount of the Replacement amount is secured by Charbone Hydrogen Quebec Inc's assets.

The Corporation assessed whether the issuance of the Replacement debentures represented a modification or an extinguishment of the original financial liability. A quantitative comparison of the present value of the cash flows under the new terms versus the original terms, discounted at the original effective interest rate, indicated that the change does not exceed the 10% threshold used as an indicator of a substantial modification. Qualitative considerations were also assessed, including:

- Change to the conversion price
- Revised maturity
- Economic value of the embedded conversion option

On a qualitative basis, the Corporation concluded that the Replacement debentures represented a substantial modification of the original instrument. The original convertible debentures were derecognized, and the Replacement debentures was recognized at fair value. A loss on extinguishment of $6,984 was recognized in loss, representing the difference between the carrying amount of the extinguished liability and the fair value of the new liability component.

The convertible debenture is a compound financial instrument. The fair value of the instrument was allocated between a liability for the debenture and equity for the conversion option. The fair value of the liability component at inception was $2,046,400, determined using estimated future cash flows discounted using a market interest rate of 12,2%. The residual of $3,600, has been allocated to the conversion option of the convertible debenture (). Transaction costs totalling $3,518 were allocated to the host instrument and are amortized until maturity using the effective interest method.

During the three-month period ended March 31, 2026, certain holders exercised their conversion rights and converted $1,200,000 principal amount of convertible debentures into 17,142,860 common shares of the Corporation at a conversion price of $0.07 per class A shares. The carrying value of the liability and equity components relating to the converted debentures was reclassified to share capital. No gain or loss was recognized on conversion.

ii) Notes

a) Host instrument

| | March 31, 2026 | December 31, 2025 |
|---|---|---|
| Balance, beginning of period | $ 1,596,223 | $ 1,544,599 |
| Placement agent warrants | - | (31,220) |
| Interest on debenture [1] | 109,201 | 410,052 |
| Interest included in accounts payable and accruals | (61,719) | (251,480) |
| Foreign exchange | 27,912 | (75,728) |
| **Balance, end of period** | $ 1,671,617 | $ 1,596,223 |

[1] Interest on debenture of $109,201($410,052 in 2025) are capitalized under the Hydrogen plant in construction in property, plant and equipment.

b) Embedded derivative – Conversion option

| | March 31, 2026 | December 31, 2025 |
|---|---|---|
| Balance, beginning of period | $ 272,304 | $ 129,501 |
| Fair value adjustment | 26,471 | 151,307 |
| Foreign exchange | 4,259 | (8,504) |
| **Balance, end of period** | $ 303,034 | $ 272,304 |

During the year ended December 31, 2024, the Corporation completed the first closing of a US$ 6,000,000 in Convertible Notes and issued unsecured convertible notes for gross proceeds of US$ 1,500,000 (CA$ 2,109,900). The notes have a 36-month term, bear interest at a rate of 12% per annum, accrued until maturity or conversion and the principal amount is convertible into common shares at a conversion price of the greater of A) $0.10 CAD (or USD equivalent) or B) a price per share representing a discount of 20% to i) the share price reserved for a capital raise conducted by the Issuer, ii) the Market Price at the time of Change of Control Notice or iii) the Market Price at the time of Maturity, per Common Share.

The Corporation paid a placement agent cash fee of $US 150,000 as well as 1,500,000 equity warrants for Common Shares, exercisable at an exercise price of CA$0.10 per Common Share or USD equivalent, expiring December 2029.

The convertible notes is a hybrid financial instrument. The conversion option was accounted for as an embedded derivative and classified as a liability as the conversion feature does not meet the criteria for equity classification. The fair value of the embedded derivative was US $88,000, determined using a variant of the basic Black-Scholes model considering the notes US dollar currency and the conversion scenarios probability. The residual value of US $1,412,000 was allocated to the host instrument and a 15.4% market interest rate was determined by the Corporation.

The fair value of the warrants issued to the placement agent as part of the financing was determined using a Black-Scholes model and were valued at US $65,564.

Transaction costs totalling US $346,670 (including the warrants issued to the placement agent) was allocated to the host instrument and are amortized until maturity using the effective interest method.

As the host instrument, accrued interests and embedded derivative are in US dollars, they will be adjusted at the closing US dollar rate at the end of each period, resulting in an unrealized gain or loss on foreign exchange.

## 12. SHARE CAPITAL

**Shares**

| | | March 31, 2026 | | |
|---|---|---|---|---|
| | | Number of shares | | Carrying amount |
| Balance, beginning of period | # | 224,391,863 | $ | $ 20,616,428 |
| Private placement [(1)] | | 23,614,286 | | 1,798,851 |
| Share issue costs [(1)] | | - | | (306,947) |
| Conversion of debenture into common shares (Note 12) | | 17,142,860 | | 1,200,000 |
| Warrants exercised (Note 13) | | 4,958,000 | | 676,240 |
| Balance, end of period | # | 270,107,009 | $ | 23,984,572 |

As at March 31, 2026 the Corporation's share capital consists of fully paid Class A common shares, voting and participating. The Corporation has authorized an unlimited number of Class A common shares without par value. Cash proceeds of $140,000 received in connection with the exercise of warrants for which the related common shares had not yet been issued as of March 31, 2026 was recorded within share capital as shares to be issued.

(1) On January 12, 2025, the Corporation issued 23,614,286 units in a private placement for gross proceeds of $3,099,375 ($0.13125/unit), of which $1,798,851 is recognized in share capital and $1,300,524 in the warrant reserve. Each unit represents one common share of the Corporation and one warrant. In relation with the private placement, the Corporation incurred share issue costs, deducted from shareholders' equity, of $505,169 of which $293,196 is recognized against share capital and $211,973 against warrant reserve. The warrants are exercisable at a price of $0.18 per unit for a period of 24 months. In addition, the Corporation issued 1,889,143 compensation warrants exercisable at a price of $0.18 per unit for a period of 24 months.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the common shares are entitled to receive the remaining property of the Corporation upon its dissolution, liquidation or winding-up.

| | | December 31, 2025 | | |
|---|---|---|---|---|
| | | Number of shares | | Carrying amount |
| Balance, beginning of year | # | 135,837,929 | $ | 14,271,154 |
| Private placement [4, 5] | | 16,883,000 | | 622,095 |
| Acquisition of assets through the issuance of shares [6] | | 13,333,334 | | 1,066,667 |
| Share issue costs [2, 3, 4, 5, 6, 7, 8] | | - | | (50,692) |
| Issuance of units for payment to a supplier [2, 3, 7, 8] | | 25,808,733 | | 1,294,165 |
| Warrants exercised (Note 13) | | 32,428,867 | | 3,393,079 |
| Stock options exercised (Note 13) | | 100,000 | | 19,960 |
| Balance, end of year | # | 224,391,863 | $ | 20,616,428 |

As at December 31, 2025 the Corporation's share capital consists of 224,391,863 fully paid Class A common shares, voting and participating. The corporation has authorized an unlimited number of class A common shares without par value

[2] On February 12th 2025, the Corporation agreed with management to settle consulting fees payable totalling $310,000 through the issuance of 4,133,334 shares ($0,075/unit), of which $268,667 is recognized in share capital and $41,133 in a gain on settlement of accounts payable. Each unit represents one common share of the Corporation. The Corporation also incurred issue costs of $1,725 deducted from shareholders' equity.

[3] On June 2nd, 2025, the Corporation agreed with suppliers to settle payables totalling $1,273,702 through the issuance of 16,982,689 shares ($0,075/unit), of which $761,046 is recognized in share capital and $254,740 in a gain on settlement of accounts payable. Each unit represents one common share and one warrant of the Corporation. The Corporation also incurred issue costs of $9,110 deducted from shareholders' equity, of which 6,804 is recognized against share capital and $2,306 against warrant reserve.

[4] On September 4, 2025, the Corporation issued 7,699,666 units in a private placement for gross proceeds of $461,980 ($0.05/unit), of which $279,832 is recognized in share capital and $182,148 in the warrant reserve. Each unit represents one common share of the Corporation and one warrant. In relation with the private placement, the Corporation incurred share issue costs, deducted from shareholders' equity, of $33,610 of which $20,358 is recognized against share capital and $13,252 against warrant reserve. The warrants are exercisable at a price of $0.06 for a period of 24 months. In addition, the Corporation issued 287,040 Compensation warrants exercisable at a price of $0.06 per Unit for a period of 24 months.

[5] On October 3, 2025, the Corporation issued 9,183,334 units in a private placement for gross proceeds of $551,000 ($0.06/unit), of which $342,263 is recognized in share capital and $208,737 in the warrant reserve. Each unit represents one common share of the Corporation and one warrant. In relation with the private placement, the Corporation incurred share issue costs, deducted from shareholders' equity, of $18,945 of which $11,768 is recognized against share capital and $7,177 against warrant reserve. The warrants are exercisable at a price of $0.08 for a period of 24 months. In addition, the Corporation issued 369,333 compensation warrants exercisable at a price of $0.08 per Unit for a period of 24 months.

(6) On October 6, 2025, the Corporation has issued 13,333,334 common shares at $0.08 per share, representing $1,066,667 in equity consideration to Harnois Énergies Inc. as a part of the payment of the acquisition of hydrogen production and refueling assets. The Corporation also incurred issue costs of $6,000 deducted from shareholders' equity.

(7) On August 13, 2025, the Corporation agreed with suppliers to settle payables totalling $118,095 through the issuance of 500,000 shares ($0,06/unit), of which $30,000 is recognized in share capital and $88,095 in a gain on settlement of accounts payable. Each unit represents one common share of the Corporation. The Corporation also incurred issue costs of $1,150 recognized against share capital.

(8) On October 16, 2025, the Corporation agreed with suppliers to settle payables totalling $503,125 through the issuance of 4,192,708 shares ($0,12/unit), of which $234,452 is recognized in share capital and $166,454 in a gain on settlement of accounts payable. Each unit represents one common share and one warrant of the Corporation. The Corporation also incurred issue costs of $4,145 deducted from shareholders' equity, of which $2,887 is recognized against share capital.

## 13. SHARE BASED PAYMENT AND WARRANTS

### Common share purchase options

The Corporation adopted Orletto's stock option plan (the "Plan") wherein the Board of Directors may from time to time grant options to its directors, administrators, employees and consultants to acquire common shares. The conditions and the exercise price of each option are determined by the Board of Directors.

The Plan states that the maximum number of common shares in the capital of the Corporation which may be reserved for issuance under the Plan is 10% of the common shares outstanding at the date of the grant. In a 12-month period, the maximum number of common shares reserved for the granting of options to a single owner may not exceed 5% of the common shares outstanding and common shares reserved for consultants or eligible person responsible of investors' relations may not exceed 2% of the common shares outstanding. Options must be exercised ten years after the grant date, unless a shorter period is otherwise determined by the Board of Directors. The maximum number of common shares reserved for issuance upon the exercise of options granted to insiders cannot exceed 10% of the number of common shares issued and the grant of options to insiders in a 12-month period.

The exercise price of each option is determined by the Board of Directors and cannot be lower than the market value of the common shares on the grant date.

A summary of changes in the Corporation's share purchase options is as follows:

| | | March 31, 2026 | | |
|---|---|---|---|---|
| | | Number of options | | Weighted average exercise price |
| **Balance, beginning of year** | # | 8,900,000 | $ | 0.2537 |
| Granted | | - | | - |
| Expired | | - | | - |
| Exercised | | - | | - |
| **Balance, end of period** | # | 8,900,000 | $ | 0.2537 |

The following table summarizes certain information on outstanding stock options as at March 31, 2026:

| Options outstanding and exercisable | | |
|---|---|---|
| Exercise price range | Number of options | Weighted average remaining contractual life |
| $ | | (in years) |
| 0.6000 | 2,050,000 | 1.44 |
| 0.1500 | 6,850,000 | 0.86 |
| | 8,900,000 | |

**Warrants**

Outstanding purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

| | | March 31, 2026 | | |
|---|---|---|---|---|
| | | Number of warrants | Weighted average exercise price | Fair value allocated |
| Balance, beginning of period | # | 35,720,843 | $ - | $ 705,742 |
| Private placement (Note 12[(1)]) | | 23,614,286 | 0.18 | 1,300,524 |
| Share issue costs (Note 12[(1)]) | | - | - | (220,368) |
| Issued to brokers (Note 12[(1)]) | | 1,889,143 | - | 211,699 |
| Exercised | | (4,958,000) | 0.08 | (119,004) |
| **Balance, end of period** | # | 56,266,272 | | $ 1,878,593 |

During the three-month period ended March 31, 2026, 4,958,000 warrants were exercised for a cash consideration of $396,640.

The fair value of warrants is estimated using the Black-Scholes option pricing model with the following weighted average assumptions at their grant date:

| | | **2026-01-12** |
|---|---|---|
| Number of warrants | | 25,503,429 |
| Weighted average share price at grant date | $ | 0.16 |
| Exercise price | $ | 0.18 |
| Risk-free interest rate | % | 2.54 |
| Expected volatility | % | 158.02 |
| Expected life (in years) | | 2.00 |
| Expected dividend | % | 0.00 |

The following table summarizes certain information on outstanding warrants as at March 31, 2026:

| | Warrants outstanding and exercisable | |
|---|---|---|
| Exercise price range<br>$ | Number of warrants | Weighted average remaining contractual life (in years) |
| 0.0800 | 12,581,373 | 1.48 |
| 0.1000 | 13,988,755 | 0.54 |
| 0.1400 | 4,192,708 | 0.55 |
| 0.1800 | 25,503,429 | 1.79 |
| | **56,266,265** | **1.32** |

## 14. GENERAL AND ADMINISTRATIVE EXPENSES

| | March 31, 2026 | March 31, 2025 |
|---|---|---|
| Professional fees | $ 297,284 | $ 523,810 |
| Investors relationships and marketing | 77,269 | 96,420 |
| Salaries, fringe benefits and amounts paid to board members | 122,867 | 186,401 |
| Travel expenses | 57,745 | 45,855 |
| Meals, entertainment, and other business development expenses | 6,771 | 6,761 |
| Share based compensation | - | 153,847 |
| Other expenses | 234,799 | 89,608 |
| | $ 796,735 | $ 1,102,702 |

## 15. FINANCIAL EXPENSES

| | March 31, 2026 | March 31, 2025 |
|---|---|---|
| Interest on debentures | $ 64,814 | $ 77,485 |
| Interest and bank fees | 5,412 | 4,786 |
| Interest on lease obligations | 6,808 | 6,148 |
| Gain on derecognition of a lease | (1,253) | - |
| Realized loss on foreign exchange | 1,299 | 2,746 |
| Fair value adjustment on embedded derivative | 26,471 | (46,638) |
| Unrealized loss on foreign exchange | 44,705 | 1,769 |
| Interest on short term debt | - | 2,104 |
| Gain on settlement of account payable (Notes 12) | - | (41,333) |
| | $ 148,256 | $ 7,067 |

## 16. FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks that result from both its operations and its investment activities. Financial risk management is carried out by the Corporation's management.

***Credit risk***

Credit risk is the risk that the Corporation could experience a loss as a result of a counter-party being unable to meet its financial commitments. The Corporation is exposed to credit risk primarily through its accounts receivable, excluding the sales taxes receivable and, advances to key management personnel, without interest and no specific repayment. As at March 31, 2026, the Corporation believes it was not exposed to any significant credit risk.

***Liquidity risk***

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due.

Refer to Note 1, for additional discussion related to the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

The following are the contractual cash flows of financial liabilities, as at March 31, 2026 and December 31, 2025:

| **March 31, 2026** | | Carrying amount | Contractual cash flow | Less than 1 year | More than 2 years |
|---|---|---|---|---|---|
| Trade and other payables | $ | 5,724,880 | 5,724,880 | 5,724,880 | - |
| Debentures | | 848,478 | 773,500 | 773,500 | - |
| Convertible note | | 1,671,617 | 2,529,929 | - | 2,529,929 |
| Lease obligation, including current portion | | 1,308,763 | - | - | - |
| | $ | 9,553,738 | 9,028,309 | 6,498,380 | 2,529,929 |

| **December 31, 2025** | | Carrying amount | Contractual cash flow | Less than 1 year | More than 2 years |
|---|---|---|---|---|---|
| Trade and other payables | $ | 5,837,922 | 5,837,922 | 5,837,922 | - |
| Debentures | | 2,044,580 | 2,234,500 | 2,234,500 | - |
| Convertible note | | 1,569,223 | 2,796,024 | - | 2,796,024 |
| Lease obligation, including current portion | | 1,170,844 | 2,092,912 | 272,768 | 1,820,144 |
| | $ | 10,649,569 | 12,961,358 | 8,345,190 | 4,616,168 |

***Market risk***

Market risk is the risk that the fair value or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. Some of the Corporation's financial instruments expose it to this risk, which comprises currency risk and interest rate risk.

*i) Interest rate risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of variations in market interest rates. The promissory notes and debentures issued by the Corporation bear fixed-rate interest and expose the Corporation to the risk of fair value variation resulting from interest rate fluctuations.

A 1% change in the interest rate of the debentures would have an impact of approximately $29,599 on the Corporation's statements of loss and comprehensive loss and cash flows on an annual basis.

*ii) Currency risk*
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation realizes purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

As at March 31, 2026 and December 31, 2025, assets and liabilities denominated in foreign currency, as stated in Canadian dollars, are as follows:

**March 31, 2026**

| | United States dollars | Swiss franc | Euro | Canadian dollars |
|---|---|---|---|---|
| Cash | $ 19,505 | ₣ - | € - | $ 27,136 |
| Accounts payables | 935,452 | 132,349 | 21,342 | 1,563,856 |
| Notes (nominal value) | 1,500,000 | - | - | 2,090,850 |

**December 31, 2025**

| | United States dollars | Swiss franc | Euro | Canadian dollars |
|---|---|---|---|---|
| Cash | $ 16,447 | ₣ - | € - | $ 22,570 |
| Accounts payables | 1,053,377 | 132,516 | 6,945 | 1,683,999 |
| Notes (nominal value) | 1,500,000 | - | - | 2,055,900 |

A hypothetical strengthening of 1% of the US dollar, Swiss franc and Euro against the Canadian dollar would have an impact of approximately $35,992 ($37,202 for the year ended December 31, 2025) on the Corporation's consolidated statement of loss and comprehensive loss on an annual basis.

***Fair value***

When measuring the fair value of an asset or a liability, the Corporation uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- First level includes quoted prices (unadjusted) in an active market of identical assets or liabilities;
- Second level includes inputs other than quoted prices included in the first level that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Third level includes data that are not based on observable market data.

The carrying value of cash, bank indebtedness, accounts receivable, advances to key management personnel, trade and other payables, short term loan and advance from an unrelated individual are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

The debentures were classified as Level 3 financial liabilities that were valued using unobservable inputs to the valuation methodology which are significant to the measurement of the fair value. Level 3 financial liabilities consist of the financial liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

The fair value of the debentures at inception is determined using a discounted cashflow valuation technique using a risk adjusted discount rate, and a Black-Scholes pricing model to determine the value of warrants to be issued in the case of a conversion.

At the date of issuance, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option.

***Capital management***

The Corporation's objective in managing capital is to ensure sufficient liquidity to develop its technologies and commercialize its services, finance its general and administrative expenses and those related to its debt reimbursement. The Corporation is not exposed to external requirements by regulatory agencies regarding its capital.

Since its inception, the Corporation has financed its liquidity needs primarily through issuance of debentures, promissory notes and share capital.

The capital management objectives are to raise sufficient funds through debt and equity in order to meet its business plan and the start-up of its operations. The Corporation defines capital to include shareholders' equity as well as certain financial liabilities, comprised of promissory notes and debentures.

Currently, the Corporation's general policy on dividends is to retain funds to finance the Corporation's growth.

## 17. RELATED PARTIES

The related parties include key management personnel and their close family, and key management personnel's companies. Key management personnel include the directors and officers of the Corporation, who are also shareholders of the Corporation through their management companies.

At March 31, 2026, the amounts due to key management personnel directly or indirectly through their management companies and included in the accounts payable and accrued liabilities is $380,281 (as at December 31, 2025 - $350,177).

The key management compensation includes amounts incurred for the following:

| | Three-month period ended March 31, 2026 | Three-month period ended March 31, 2025 |
|---|---|---|
| Professional fees | $ 81,250 | $ 222,500 |
| Salaries and fringe benefits and board meetings | 173,464 | 153,750 |
| Share-based compensation | - | 153,847 |
| Total | $ 254,714 | $ 530,097 |

## 18. SUPPLEMENTAL CASH FLOW INFORMATION

| | Three-month period ended March 31, 2026 | Three-month period ended March 31, 2025 |
|---|---|---|
| **Supplemental cash flow information** | | |
| Net changes in non-cash working capital items: | | |
| Accounts receivable | $ 4,172 | $ 45,737 |
| Prepaid expenses | (32,937) | 28,074 |
| Accounts payable and accrued liabilities | (484,980) | 164,166 |
| | $ (513,745) | $ 237,977 |

Non-cash transactions in 2025:

- During the three-month period ended March 31, 2026, $385,592 of property, plant and equipment acquisitions remained included in accounts payable and accrued liabilities as at March 31, 2026 (December 31, 2025 – $3,859,440).
- As at March 31, 2026, interest on lease obligation of $16,942 and depreciation of right-of-use assets of $8,033 capitalized in property, plant and equipment;

## 19. SUBSEQUENT EVENTS

On April 29, 2026, the Corporation has closed a secured convertible loan facility for up to $10 million of financing from Riverfort Global Opportunities PCC Ltd. including the first drawdown amount of $3 million. The first drawdown is convertible, at the option of the Lender, into units composed of one common share of the Corporation and 0.3 of a warrant, at a conversion price of $0.15 per unit. The warrants are exercisable at a price of $0.195 for a period of 48 months, subject to a maximum of 5 years from the closing date. The convertible notes are bearing 12% annual interests payable in cash every 4 months. The Corporation paid an implementation fee of 5% of the first drawdown and a nonrefundable $20,000 due diligence fee.

Up to April 22, 2026, the $0.85 million balance of the September 2025 Convertible Replacement Debentures, issued on September 30, 2025, has been fully converted into common shares at the conversion rate of $0.07.