



Next Hydrogen Solutions Inc.

**Unaudited Condensed Interim Consolidated Financial
Statements**

For the three and nine months ended September 30, 2025

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2025 and December 31, 2024

(in Canadian dollars)

	September 30, 2025	December 31, 2024
Assets		
Current		
Cash and cash equivalents	\$ 874,922	\$ 3,586,374
Trade and other receivables (notes 3, 20)	910,161	392,420
Prepaid expenses and deposits	307,186	372,407
Inventory (note 4)	3,233,619	3,048,954
	5,325,888	7,400,155
Trade and other receivables (notes 3, 20)	10,444	26,011
Prepaid expenses and deposits	97,391	94,332
Equipment (note 5)	6,836,752	6,005,019
Right of use asset (note 6)	1,164,911	1,312,576
Patents (note 7)	435,533	490,034
Intangible assets (note 8)	120,699	134,626
	\$ 13,991,618	\$ 15,462,753
Liabilities		
Current		
Trade and other payables (note 9)	\$ 3,600,811	\$ 3,057,985
Loan from related parties (note 10)	467,323	—
Deferred revenue (note 11)	680,879	2,640,472
Deferred government grants (note 12)	224,541	266,688
Provisions (note 13)	357,982	—
Finance lease liability (note 14)	164,246	114,062
Long-term debt (note 15)	117,863	22,562
Convertible debenture (note 16)	68,125	—
	5,681,770	6,101,769
Deferred revenue (note 11)	2,678,142	2,678,142
Deferred government grants (note 12)	280,123	359,926
Provisions (note 13)	3,150,000	3,150,000
Finance lease liability (note 14)	1,416,933	1,543,858
Long-term debt (note 15)	5,193,660	551,412
Convertible debenture (note 16)	2,540,132	2,448,119
	20,940,760	16,833,226
Shareholders' Equity		
Share capital (note 18)	76,498,036	76,418,695
Contributed surplus (notes 17, 19)	6,695,415	6,580,513
Retained deficit	(90,142,593)	(84,369,681)
	(6,949,142)	(1,370,473)
	\$ 13,991,618	\$ 15,462,753

On behalf of the Board

“Raveel Afzaal”

“Allan Mackenzie”

The accompanying unaudited condensed consolidated interim 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.

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

Unaudited Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
three and nine months ended September 30, 2025 and 2024 (in Canadian dollars)

	3 months ended September 30, 2025	3 months ended September 30, 2024	9 months ended September 30, 2025	9 months ended September 30, 2024
Revenue (note 23)	\$ 2,291,147	\$ 120,407	\$ 2,897,663	\$ 1,247,566
Expenses				
Cost of sales {includes impairment of \$5,605 and \$10,327 (2024: \$192,309 and \$422,401) for the three and nine months respectively} (note 4)	220,139	383,349	986,530	1,650,585
Research and development	871,433	2,180,126	3,475,071	6,839,078
General and administrative (note 20)	768,556	1,332,594	3,222,435	3,694,738
Marketing and sales	47,110	119,216	296,951	357,718
	1,907,238	4,015,285	7,980,987	12,542,119
Profit / (loss) before the following	383,909	(3,894,878)	(5,083,324)	(11,294,553)
Finance (income) costs, net (note 21)	296,397	27,119	689,588	(58,955)
Net profit / (loss) and comprehensive profit / (loss)	\$ 87,512	\$ (3,921,997)	\$ (5,772,912)	\$ (11,235,598)
Profit / (loss) per share:				
Basic	\$ 0.00	\$ (0.17)	\$ (0.25)	\$ (0.49)
Diluted	\$ 0.00	\$ (0.17)	\$ (0.25)	\$ (0.49)
Weighted average number of shares outstanding: (note 18)				
Basic	23,132,640	22,888,436	22,979,641	22,888,436
Diluted	23,132,640	22,888,436	22,979,641	22,888,436

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Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
nine months ended September 30, 2025 and 2024 (in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Deficit	Total
Balances as at December 31, 2024	\$ 76,418,695	\$ 6,580,513	\$ (84,369,681)	\$ (1,370,473)
DSU exercise	25,000	(25,000)	—	—
Issue of bonus shares (note 10)	54,341	—	—	—
Share-based compensation expense (note 19)	—	139,902	—	139,902
Net loss and comprehensive loss	—	—	(5,772,912)	(5,772,912)
Balances as at September 30, 2025	\$ 76,498,036	\$ 6,695,415	\$ (90,142,593)	\$ (6,949,142)
Balances as at December 31, 2023	\$ 76,418,695	\$ 5,959,992	\$ (69,772,774)	\$ 12,605,913
Share-based compensation expense (note 19)	—	398,767	—	398,767
Net loss and comprehensive loss	—	—	(11,235,598)	(11,235,598)
Balances as at September 30, 2024	\$ 76,418,695	\$ 6,358,759	\$ (81,008,372)	\$ 1,769,082

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Unaudited Condensed Interim Consolidated Statements of Cash Flows
three and nine months ended September 30, 2025 and 2024

(in Canadian dollars)

	3 months ended September 30, 2025	3 months ended September 30, 2024	9 months ended September 30, 2025	9 months ended September 30, 2024
Cash flows used in operating activities				
Net profit / (loss) and comprehensive profit / (loss)	\$ 87,512	\$ (3,921,997)	\$ (5,772,912)	\$ (11,235,598)
Adjustments:				
Finance (income) costs, net (note 21)	296,397	27,119	689,588	(58,955)
Depreciation and amortization	290,871	222,482	761,179	666,415
Gain on sale of equipment	—	—	(2,425)	—
Inventory impairment (note 4)	5,605	192,309	10,327	422,401
Provisions (note 13)	—	—	357,982	—
Share-based compensation (note 19)	31,737	106,570	139,903	398,767
Government grant	(81,167)	—	(319,790)	—
	630,955	(3,373,517)	(4,136,148)	(9,806,970)
Net change in non-cash operating working capital (note 22)	(2,972,290)	1,178,233	(2,229,193)	2,305,420
	(2,341,335)	(2,195,284)	(6,365,341)	(7,501,550)
Interest received (note 21)	5,422	29,148	25,551	228,066
	(2,335,913)	(2,166,136)	(6,339,790)	(7,273,484)
Cash flows used in investing activities				
Acquisition of equipment (note 5)	(162,137)	(243,458)	(1,370,730)	(446,108)
Disposal of equipment	—	—	3,000	—
Acquisition of patents (note 7)	—	—	(6,663)	—
	(162,137)	(243,458)	(1,374,393)	(446,108)
Cash flows from financing activities				
Proceeds from loan from related parties (note 10)	499,217	—	499,217	—
Proceeds from long term financing (note 15)	1,165,175	322,371	4,903,043	322,371
Repayment of long-term debt (note 15)	(2,792)	(16,231)	(29,162)	(48,696)
Interest paid on convertible debentures (note 16)	—	—	(137,370)	—
Repayment of finance lease liability	(57,973)	(85,314)	(232,997)	(254,292)
	1,603,627	220,826	5,002,731	19,383
Decrease in cash and cash equivalents	(894,423)	(2,188,768)	(2,711,452)	(7,700,209)
Cash and cash equivalents, beginning	1,769,345	5,397,620	3,586,374	10,909,061
Cash and cash equivalents, ending	\$ 874,922	\$ 3,208,852	\$ 874,922	\$ 3,208,852

The accompanying unaudited condensed consolidated interim 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.

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

1. CORPORATE INFORMATION AND GOING CONCERN

Next Hydrogen Solutions Inc. (“the Company”) incorporated in February 11, 2014 is domiciled in Canada. The Company's registered office is at 6610 Edwards Blvd, Mississauga, Ontario, L5T 2V6. The Company is primarily involved in designing and manufacturing electrolyzers that use water and electricity as inputs to generate clean hydrogen for use as an energy source.

The common shares of the Company trade on the TSX Venture Exchange under the symbol “NXH” and on the OTCQX under the symbol “NXHSF.”

The unaudited condensed consolidated interim financial statements (the “Consolidated Interim Financial Statements”) include the accounts of the Company and its subsidiaries. As at September 30, 2025, the Company's subsidiaries are:

- Next Hydrogen Corporation,
- Next Hydrogen USA, and
- Next Hydrogen Global LLC (incorporated May 8, 2025)

During the nine months ended September 30, 2025, the Company incorporated Next Hydrogen Global LLC, which has been consolidated from its date of incorporation.

The Condensed Interim Consolidated Financial Statements of the Company have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

For the nine months ended September 30, 2025, the Company had a net loss of \$5,772,912, negative cash flow from operations of \$6,339,790 and has negative working capital of \$355,882. The continuation of the Company as a going concern is dependent upon its ability to meet the relevant criteria of government grants and revenue contracts for additional funds to be received and to obtain financing through equity or debt, and there can be no assurance that it will be able to obtain adequate financing in the future or on terms acceptable to the Company. These circumstances represent a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

The Condensed Interim Consolidated Financial Statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2024.

The accounting policies described in Note 2 of the 2024 annual consolidated financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise indicated.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 13, 2025.

Changes in Accounting Standards

Lack of exchangeability (Amendment to IAS 21 The effects of changes in foreign exchange rates)

In August 2023, the IASB issued amendments to IAS 21 to clarify the exchangeability of a currency into another, and the process to estimate a spot rate when a currency lacks exchangeability. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted.

The Company performed an assessment of this amendment and determined this standard to have no effect on its consolidated financial statements

Future Accounting Pronouncements

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures)

In May 2024, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 in response to feedback from the post-implementation review. The amendments clarify the settlement of financial liabilities through electronic payment systems and the assessment of contractual cash flow characteristics, including those with environmental, social and governance (ESG)-linked features. Additionally, the amendments update disclosure requirements for equity investments designated at fair value through other comprehensive income and introduce new disclosure requirements for financial instruments with contingent features that go beyond basic lending risks and costs. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted.

The Company will perform an assessment of this amendment on its consolidated financial statements prior to the effective date.

IFRS 18, Presentation and Disclosure in Financial Statements

IFRS 18 was issued by the International Accounting Standards Board (IASB) on April 9, 2024. IFRS 18 replaces IAS 18 and introduces changes to financial statement presentation and disclosure requirements. The new standard requires a revised income statement format with three categories: operating, investing, and financing, and mandates subtotals for operating profit or loss and profit or loss before financing and income taxes. Operating expenses must be presented directly on the income statement, with enhanced disclosure requirements.

IFRS 18 also provides guidance on aggregating and disaggregating information, introduces new disclosure requirements for management-defined performance measures, and eliminates classification options for interest and dividends in the statement of cash flows. These changes aim to improve the clarity and consistency of financial statement presentation. The new standard is effective January 1, 2027.

Annual Improvements to IFRS Accounting Standards—Volume 11

In July 2024, the International Accounting Standards Board (IASB) issued Annual Improvements to IFRS Accounting Standards—Volume 11, which includes minor amendments to several IFRS standards aimed at clarifying wording, correcting unintended consequences, and resolving inconsistencies. The

amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted.

The amendments affect standards including IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7, addressing topics such as hedge accounting by first-time adopters, financial instrument disclosures, lessee accounting for lease liabilities, and terminology updates.

The Company has assessed these amendments and determined that they are not expected to have a material impact on its consolidated financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Consolidated Interim Financial Statements.

Critical Accounting Estimates and Significant Judgments

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3. TRADE AND OTHER RECEIVABLES

	September 30, 2025	December 31, 2024
Trade receivables	\$ 846,754	\$ 316,121
GST/HST receivable	33,995	52,146
Employee loan receivable	39,856	50,164
	<u>\$ 920,605</u>	<u>\$ 418,431</u>
Current	910,161	392,420
Non-current	10,444	26,011

The non-current portion of trade and other receivables is comprised of employee loans expected to be received by 2027.

4. INVENTORY

	September 30, 2025	December 31, 2024
Spare parts	\$ 2,151,075	\$ 1,994,495
Work in progress	1,082,544	1,054,459
	<u>\$ 3,233,619</u>	<u>\$ 3,048,954</u>

During the three and nine months ended September 30, 2025, inventory impairment of \$5,605 and \$10,327, respectively (three and nine months ended September 30, 2024 - \$192,309 and \$422,401, respectively) was recognized in cost of sales.

Notes to Unaudited Condensed Interim Consolidated Financial Statements
three and nine months ended September 30, 2025 and 2024

(in Canadian dollars)

5. EQUIPMENT

	Equipment	Equipment under Constr'n	Computer Hardware	Furniture and Fixtures	Leasehold Improv'ts	Total
Cost						
Balances as at						
December 31, 2024	\$ 5,574,422	\$ 1,398,589	\$ 319,682	\$ 99,846	\$ 355,932	\$ 7,748,471
Additions	39,463	1,323,991	5,176	861	1,239	1,370,730
Transfers	1,067,528	(1,067,528)	—	—	—	—
Disposals	—	—	(6,889)	—	—	(6,889)
Balances as at September 30, 2025	6,681,413	1,655,052	317,969	100,707	357,171	9,112,312
Accumulated depreciation						
Balances as at						
December 31, 2024	(1,394,732)	—	(228,991)	(27,487)	(92,242)	(1,743,452)
Depreciation	(471,385)	—	(33,384)	(7,510)	(26,144)	(538,423)
Disposals	—	—	6,315	—	—	6,315
Balances as at September 30, 2025	(1,866,117)	—	(256,060)	(34,997)	(118,386)	(2,275,560)
Net carrying amounts						
As at September 30, 2025	\$ 4,815,296	\$ 1,655,052	\$ 61,909	\$ 65,710	\$ 238,785	\$ 6,836,752

	Equipment	Equipment under Constr'n	Computer Hardware	Furniture and Fixtures	Leasehold Improv'ts	Total
Cost						
Balances as at						
December 31, 2023	\$ 5,084,008	\$ 2,155,962	\$ 258,171	\$ 94,102	\$ 334,516	\$ 7,926,759
Additions	18,831	583,536	61,511	5,744	21,416	691,038
Transfers within Equipment	527,083	(527,083)	—	—	—	—
Transfers to Inventory ⁽¹⁾	—	(89,027)	—	—	—	(89,027)
Disposals	(55,500)	—	—	—	—	(55,500)
Write-offs ⁽²⁾	—	(724,799)	—	—	—	(724,799)
Balances as at December 31, 2024	5,574,422	1,398,589	319,682	99,846	355,932	7,748,471
Accumulated depreciation						
Balances as at						
December 31, 2023	(878,019)	—	(155,343)	(17,846)	(58,130)	(1,109,338)
Depreciation	(535,453)	—	(73,648)	(9,641)	(34,112)	(652,854)
Disposals	18,740	—	—	—	—	18,740
Balances as at December 31, 2024	(1,394,732)	—	(228,991)	(27,487)	(92,242)	(1,743,452)
Net carrying amounts						
As at December 31, 2024	\$ 4,179,690	\$ 1,398,589	\$ 90,691	\$ 72,359	\$ 263,690	\$ 6,005,019

(1) Relates to assets moved from Equipment Under Construction into Inventory.

(2) Write-offs of equipment-under-construction during the year ended December 31, 2024 relate to an older version of the electrolyzer module that will no longer be utilized and were recorded in research and development in the consolidated statements of net loss and comprehensive loss.

6. RIGHT OF USE ASSET

The right of use asset relates to a lease of the Company's head office and assembly facility, which started on September 1, 2021.

	Cost	Accumulated Amortization	Net
Balances as at December 31, 2023	\$ 1,968,864	\$ (459,402)	\$ 1,509,462
Amortization	—	(196,886)	(196,886)
Balances as at December 31, 2024	1,968,864	(656,288)	1,312,576
Amortization	—	(147,665)	(147,665)
Balances as at September 30, 2025	\$ 1,968,864	\$ (803,953)	\$ 1,164,911

7. PATENTS

	Cost	Accumulated Amortization	Net
Balances as at December 31, 2023	\$ 1,055,709	\$ (484,247)	\$ 571,462
Amortization	—	(81,428)	(81,428)
Balances as at December 31, 2024	1,055,709	(565,675)	490,034
Additions	6,663	—	6,663
Amortization	—	(61,164)	(61,164)
Balances as at September 30, 2025	\$ 1,062,372	\$ (626,839)	\$ 435,533

8. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net
Balances as at December 31, 2023	\$ 354,910	\$ (201,715)	\$ 153,195
Amortization	—	(18,569)	(18,569)
Balances as at December 31, 2024	354,910	(220,284)	134,626
Amortization	—	(13,927)	(13,927)
Balances as at September 30, 2025	\$ 354,910	\$ (234,211)	\$ 120,699

9. TRADE AND OTHER PAYABLES

	September 30, 2025	December 31, 2024
Trade payables	\$ 1,140,381	\$ 1,006,416
Accrued payables	2,444,358	2,011,565
Other payables	16,072	40,004
	\$ 3,600,811	\$ 3,057,985

10. LOAN FROM RELATED PARTIES

On July 23, 2025, the Company entered into a loan agreement with certain directors, officers, and a related corporation for aggregate proceeds of \$530,000 (the "Loan"). The Loan bears interest at 5.0% per annum, is unsecured, and matures on July 23, 2026. The Loan may be prepaid at any time without penalty. Subject to TSXV approval, the Company may, at its option, convert all or part of the Loan into common shares at a conversion price based on market price in accordance with TSXV policies.

The Loan is a compound financial instrument containing both a liability component and equity components. The proceeds have been allocated as follows:

Gross proceeds received	\$	530,000
Less: Equity component		(57,691)
Debt component before transaction costs		472,309
Less: Transaction costs allocated to debt		(27,433)
Initial carrying value of liability	\$	<u>444,876</u>

In consideration for the Loan, the Company issued 214,140 bonus common shares to the lenders at a deemed price of \$0.495 per share, subject to TSXV approval. Transaction costs of \$30,783 were allocated proportionately between the liability component (\$27,433) and the equity component (\$3,350). The equity component of \$57,691, net of transaction costs of \$3,350, totaling \$54,341, was recorded in share capital (see consolidated statement of changes in equity).

The movement in the carrying value of the Loan is as follows:

		As at and for the nine months ended September 30, 2025
Initial carrying value	\$	444,876
Interest expense		22,447
	\$	<u>467,323</u>

11. DEFERRED REVENUE

Deferred revenue relates to amounts received in advance from the company's customers. Revenue is recognized as the performance obligations in the revenue contracts are fulfilled.

	As at and for the nine months ended September 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 5,318,614	\$ 5,079,534
Advance consideration	592,889	1,300,391
Revenue recognized	(2,552,482)	(1,061,311)
	<u>\$ 3,359,021</u>	<u>\$ 5,318,614</u>
Current	680,879	2,640,472
Non-current	2,678,142	2,678,142

12. GOVERNMENT GRANTS

	As at and for the nine months ended September 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 626,614	\$ 359,926
Grant received	1,110,648	2,013,585
Offset against expenses	(1,232,598)	(1,746,897)
	<u>\$ 504,664</u>	<u>\$ 626,614</u>
Current	224,541	266,688
Non-current	280,123	359,926

During Q1 2025, the Company received a third milestone grant of \$610,520 from Sustainable Development Technology Canada; the first milestone grant of \$1,944,659 was received in 2023 and the second milestone grant of \$1,992,777 was received in 2024. As the grant has been provided with specific conditions, Next Hydrogen has implemented the income approach to recognizing the grant. During the three months and nine months ended September 30, 2025, \$19,996 and \$876,615 respectively, have been offset against the related expenditure under research and development expenses (three and nine months ended September 30, 2024 - \$415,754 and \$1,400,365 respectively).

During the year ended December 31, 2024, the Company received a grant from the National Research Council of Canada under the Industrial Research Assistance Program ("INSAT"). The total grant approved was \$2,000,000. During the three and nine months ended September 30, 2025, \$195,231 and \$1,053,866 respectively, (three and nine months ended September 30, 2024 - \$Nil) were received from INSAT, all of which has been offset against the related expenditure under research and development expenses.

During the period, the Company received a grant from the National Research Council of Canada under the Industrial Research Assistance Program ("IRAP"). The total grant approved and received was \$277,600. During the three and nine months ended September 30, 2025, \$Nil and \$277,600 respectively, (three and nine months ended September 30, 2024 - \$Nil), were offset against the related expenditure under research and development expenses. This grant was utilized to support with costs incurred for our next generation product lines.

During the period, the Company received a grant from the Ontario Centre of Innovation ("OVIN"). This grant will be utilized to cover expenses incurred on research for the development of high-efficiency, low-cost electrolyzers needed for establishing hydrogen production infrastructure. The total grant approved was \$750,000, of which \$210,767 and \$444,656 were received during the three and nine months ended September 30, 2025, \$350,582 of which has been offset against the related expenditure within the consolidated statement of net loss and comprehensive loss, and the remainder \$94,074 is recorded as a deferred government grant.

13. PROVISIONS

During the nine months ended September 30, 2025, a provision amounting to \$357,982 was recorded in cost of sales as an onerous contract.

The Company's provisions consist of onerous contract obligations as follows:

	As at and for the nine months ended September 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 3,150,000	\$ 3,850,000
Additions	357,982	76,403
Utilized	—	(76,403)
Reversal	—	(700,000)
	<u>\$ 3,507,982</u>	<u>\$ 3,150,000</u>
Current	357,982	—
Non-current	3,150,000	3,150,000

14. FINANCE LEASE LIABILITY

The finance lease liability relates to the lease of the Company's head office and assembly facility, which commenced on September 1, 2021. The lease expires on August 31, 2026, with an option to extend for an additional five years. The lease liability was initially valued at \$1,872,412, using a weighted average incremental borrowing rate of 14% and the obligation is as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Future minimum lease payments	\$ 359,140	\$ 1,547,322	\$ 379,593	\$ 2,286,055
Interest	(194,894)	(489,944)	(20,038)	(704,876)
	<u>\$ 164,246</u>	<u>\$ 1,057,378</u>	<u>\$ 359,555</u>	<u>\$ 1,581,179</u>
Current				164,246
Non-current				1,416,933

15. LONG-TERM DEBT

Included in long-term debt is a zero-interest loan received from the Federal Economic Development Agency for Southern Ontario ("FedDev Ontario"). On May 7, 2024, the Company entered into a Contribution Agreement with FedDev Ontario to support the Company's project ("FedDev Ontario Project") to strengthen its capabilities and productivity in manufacturing the next generation of electrolyzer modules for large-scale, green hydrogen producers by enhancing manufacturing process development, quality control, supply chain development, and the development of manufacturing tooling and equipment.

The Contribution Agreement provides for a repayable contribution of 50% of eligible and supported costs of the FedDev Ontario Project to the Company up to \$2,000,000 (which is 50% of the \$4,000,000 attributed to the FedDev Ontario Project). The contributions will be received in tranches and are based on qualifying expenses submitted by the Company and approved by the Agency.

The FedDev Ontario Project loan received is fully repayable by Next Hydrogen in equal monthly installments from August 1, 2026, to July 1, 2031.

During the period, the Company received \$786,438 and \$200,000 as the third and the fourth tranches from FedDev Ontario; the first and the second tranches of 624,226 and \$389,336 were received during the year ended December 31, 2024. Since it is a zero-interest loan, the loan tranches have been fair valued using a discounted cash flow model and an interest rate of 15.8%, 14.9%, 12.0% and 18.6% respectively which resulted in a fair value of \$1,147,041, with the remaining \$852,959 recognized as a government grant. The portion recognized as a government grant has been recognized as an offset to applicable commercialization expenses within the consolidated statement of net loss and comprehensive loss.

Included in long-term debt is a loan facility received from Export Development Canada ("EDC"). On April 15, 2025, the Company entered into a Loan Agreement with EDC to support the Company's working capital requirements and general corporate purposes.

The Loan Agreement provides for a term loan facility of up to \$5,000,000, available in multiple tranches. The first and the second tranches of \$3,000,000 and \$1,000,000 were drawn on April 23, 2025 and July 24, 2025 respectively. The loan tranches were initially recognized net of directly attributable transaction costs, resulting in a carrying amount of \$2,951,430 and \$965,175.

The facility bears interest at a floating rate equal to the prime rate plus a margin of 2.55% per annum, with semi-annually interest payments. The principal and final accrued interest amount is repayable in a single installment on November 16, 2026, unless earlier repayment is triggered.

The table below shows the movement in all long term debt:

	As at and for the nine months ended September 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 573,974	\$ 85,389
Proceeds	4,903,043	1,013,562
Repayments	(29,162)	(64,928)
Amount recognized as government grant	(375,261)	(477,697)
Interest	238,929	17,648
	\$ 5,311,523	\$ 573,974
Current	117,863	22,562
Non-current	5,193,660	551,412

16. CONVERTIBLE DEBENTURE

During the year ended December 31, 2024, the Company issued a private placement offering (the "Offering") of unsecured convertible debentures (each, a "Convertible Debenture") consisting of up to \$2,725,000 principal amount of Convertible Debentures. The Company received \$2,725,000, and incurred transaction costs of \$76,881. Maturity is 24 months from issuance and will bear interest of 10% per annum calculated and paid in cash on a semi-annual basis. These Convertible Debentures may be converted into Common Shares at a price of \$1.00 per share. The Company estimated the fair value of the debt component using a market interest rate that would be representative of a debt offering that had no conversion option. Upon determination of the fair value of the debt portion the residual amount of \$200,000 was attributed to the conversion feature and recognized in equity.

The table below shows the movement in convertible debentures:

	As at and for the nine months ended September 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 2,448,119	\$ —
Proceeds	—	2,725,000
Transaction cost	—	(76,881)
Interest expense	297,508	—
Interest payment	(137,370)	—
	<u>\$ 2,608,257</u>	<u>\$ 2,648,119</u>
Fair value of conversion options	—	(200,000)
	<u>\$ 2,608,257</u>	<u>\$ 2,448,119</u>
Current	68,125	—
Non-current	2,540,132	2,448,119

17. DEFERRED SHARE UNIT

The Company had a deferred share unit ("DSU") plan for certain employees, directors and consultants that was administered by the Board of Directors and could have been settled in cash or equity. In July 2022, 135,288 DSUs were issued to the board of directors in settlement of directors' fees owing of \$225,000, which vested on July 1, 2023; no DSUs were issued in the nine months ended September 2025 and 2024. Each DSU entitles its holder to receive one common share upon settlement and vests over one year. During the nine months ended September 30, 2025, 15,032 (2024 - NIL) DSUs were settled in shares; therefore, 105,224 (December 31, 2024 - 120,256) DSUs were outstanding as at September 30, 2025.

18. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value.

As at September 30, 2025, the Company has 23,132,640 (December 31, 2024 - 22,903,468) common shares issued and outstanding and there were 229,172 shares issued and no shares were canceled during the period.

19. CONTRIBUTED SURPLUS

The Company offers a stock option plan for the benefit of certain directors, employees and consultants. The plan is administered by the Board of Directors and the maximum number of shares which may be issued under this plan may not exceed 20% of the number of issued and outstanding shares of the Company. Each stock option entitles its holder to receive one common share upon exercise and all options expire 5 years from issuance.

The following table summarizes the Company's stock options:

	Weighted Average Exercise Price	Options
	\$	#
Balances as at December 31, 2023	2.38	3,171,626
Issued	0.56	185,000
Cancelled	2.00	(142,500)
Forfeited	1.01	(93,750)
Balances as at December 31, 2024	2.33	3,120,376
Issued	0.63	495,000
Cancelled	0.76	(568,750)
Forfeited	1.00	(82,500)
Balances as at September 30, 2025	2.18	2,964,126

The majority of stock options vest in tranches over three or four years, such that one-third or one-fourth, respectively, of the stock options vest annually. There were 495,000 stock options issued during the nine months ended September 30, 2025 (2024 – 115,000). During the nine months ended September 30, 2025, 350,000 (2024 – NIL) stock options were issued to board members and key management, however, one key management individual retired. Therefore, the total stock options outstanding as of September 30, 2025, 2,151,626 (December 31, 2024 - 2,401,626) were held by board members and key management.

The following table summarizes information about stock options outstanding as at September 30, 2025:

Exercise Price	Options Outstanding	Weighted Avg Remaining Life	Options Exercisable
\$	#	#	#
0 to 0.99	1,017,500	3.9	182,500
1 to 1.99	435,000	1.4	297,500
2 to 2.99	835,000	0.5	812,500
3 to 3.99	200,000	1.3	150,000
4 to 4.99	10,000	1.1	7,500
5 to 5.99	20,000	1.1	16,250
6 to 6.99	10,000	0.8	10,000
7 to 7.99	436,626	0.8	436,626
2.18	2,964,126	1.9	1,912,876

The following table summarizes information about stock options outstanding as at December 31, 2024:

Exercise Price \$	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0 to 0.99	1,105,000	2.3	637,500
1 to 1.99	463,750	2.3	292,500
2 to 2.99	845,000	1.3	795,000
3 to 3.99	225,000	2.0	112,500
4 to 4.99	10,000	1.8	7,500
5 to 5.99	25,000	1.8	18,750
6 to 6.99	10,000	1.6	7,500
7 to 7.99	436,626	1.5	336,220
2.33	3,120,376	1.9	2,207,470

Included in expenses for the nine months ended September 30, 2025 is a share-based compensation expense of \$31,737 (September 30, 2024 - \$106,750) for the three month period and \$139,903 (September 30, 2024 - \$398,767) for the nine month period ended September 30, 2025.

20. RELATED PARTY TRANSACTIONS

Included in trade and other receivables, are two employee loans to key management employees, in the total amount of \$33,995 (2024 - \$50,164). Of this amount, \$23,551 (2024 - \$26,011) is expected to be received beyond 12 months after year-end and is thus classified as non-current. These loans are granted at no interest, and the non-current portion is to be received by 2027.

Included in general and administrative expenses are the following wages and consulting fees paid to key management:

	3 months ended September 30, 2025	3 months ended September 30, 2024	9 months ended September 30, 2025	9 months ended September 30, 2024
Salaries and benefits	\$ 301,844	\$ 586,182	\$ 1,098,080	\$ 1,654,962
Share-based compensation expense	25,516	66,731	119,646	300,100
	<u>\$ 327,360</u>	<u>\$ 652,913</u>	<u>\$ 1,217,726</u>	<u>\$ 1,955,062</u>

Board of directors and executive officers are deemed to be key management.

21. FINANCE (INCOME) COSTS, NET

	3 months ended September 30, 2025	3 months ended September 30, 2024	9 months ended September 30, 2025	9 months ended September 30, 2024
Interest income	\$ (5,422)	\$ (29,148)	\$ (25,551)	\$ (228,066)
Interest expense	301,819	56,267	715,139	169,111
	<u>\$ 296,397</u>	<u>\$ 27,119</u>	<u>\$ 689,588</u>	<u>\$ (58,955)</u>

22. CHANGE IN NON-CASH WORKING CAPITAL

	3 months ended September 30, 2025	3 months ended September 30, 2024	9 months ended September 30, 2025	9 months ended September 30, 2024
Trade and other receivables	\$ (544,076)	\$ 959,950	\$ (502,174)	\$ 1,409,041
Prepaid expenses and deposits	217,013	14,617	62,162	(105,803)
Inventory	(56,466)	50,370	(194,992)	(109,159)
Trade and other payables	(847,041)	149,527	542,825	276,145
Deferred revenue	(1,728,972)	419,523	(1,959,593)	242,784
Deferred government grants	(12,748)	(415,754)	(177,421)	592,412
	<u>\$ (2,972,290)</u>	<u>\$ 1,178,233</u>	<u>\$ (2,229,193)</u>	<u>\$ 2,305,420</u>

23. SEGMENTED INFORMATION AND MAJOR CUSTOMERS

The Company mainly operates in one segment, being the development and sale of electrolyzers and balance of plant equipment.

All of the Company's assets are located in Canada. During the nine months ended September 30, 2025, two customers provided 85% and 13% respectively of the Company's revenues, during the three months ended September 30, 2025 the same customers provided 87% and 11% of the Company's revenues.

The same customers provided 74% and 11%, during the nine months ended September 30, 2024, and 21% and 35% during the three months ended September 30, 2024, respectively of the Company's revenues.

The Company has three streams of revenue; two active streams of revenue were applicable to the following periods:

	3 months ended September 30, 2025	3 months ended September 30, 2024	9 months ended September 30, 2025	9 months ended September 30, 2024
Service revenue	\$ 156,176	\$ 42,090	\$ 385,681	\$ 136,510
Revenue from development contract	2,134,971	78,317	2,511,982	1,111,056
	<u>\$ 2,291,147</u>	<u>\$ 120,407</u>	<u>\$ 2,897,663</u>	<u>\$ 1,247,566</u>

24. FINANCIAL INSTRUMENTS

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework but has delegated to management the responsibility for monitoring and managing the risks that the Company faces. Financial instruments present a number of specific risks as identified below:

Fair Value

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to their nature or capacity for prompt liquidation. The carrying values of long-term debt, convertible debenture and loan from related parties are based on the contractual interest rates. Using the market interest rates for similar arrangements as at September 30, 2025 and December 31, 2024 would result in the following effects:

	September 30, 2025	December 31, 2024
Long-term debt - carrying value	\$ 5,311,523	\$ 573,974
Long-term debt - fair value	5,339,838	613,361
Convertible debenture - carrying value	2,608,257	2,448,119
Convertible debenture - fair value	2,638,374	2,448,119
Loan from related parties - carrying value	467,323	—
Loan from related parties - fair value	483,068	—

Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. Level 2 valuation methods have been used to determine fair values. Level 1 uses quoted prices in active markets for identical assets or liabilities. Level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Credit Risk

Credit risk arises from the potential that debtors will fail to satisfy their obligations as they come due. Credit risk with respect to trade and other receivables is considered low as the balance is largely made up of sales taxes as well as large customers with strong credit. Credit risk with respect to cash and cash equivalents is considered low; the Company held cash and cash equivalents of \$874,922 at September 30, 2025 (December 31, 2024 - \$3,586,374). The cash and cash equivalents are held with a major Canadian financial institution which is rated AA1, based on Moody's ratings. As such, no provision for lifetime expected credit losses has been made.

Market Risk

Market risk refers to the risk that a change in one or more general market conditions will result in losses to the Company. The Company is exposed to interest rate risk and manages this risk through regular monitoring of its financial instruments. The Company is not exposed to other price risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will have a negative effect on the value of financial instruments. The Company is exposed to interest rate cash flow risk on its cash and cash equivalents balances, which earn interest at a floating rate.

Exposure to interest rate risk: Next Hydrogen holds financial assets of \$846,754 (December 31, 2024 - \$316,121) at a fixed rate and is obligated to financial liabilities of \$5,920,832 (December 31, 2024 - \$4,680,013) at fixed rates; these are accounted for at amortized cost. The Company also had variable rate financial liabilities of \$4,047,450 (December 31, 2024 - \$Nil) related to the Export Development Canada loan facility. A 1% change in interest rates would increase or decrease annual interest expense by approximately \$40,000, with a corresponding impact on net loss and equity.

(ii) Foreign 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 Company enters into foreign currency purchase and sale transactions resulting in exposure to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. However, given that the volume and magnitude of foreign currency transactions is low, the effect this risk has on the Company's earnings is not significant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing, on an ongoing basis, its financial requirements for operations and capital expenditures and ensuring financing is available when necessary. As at September 30, 2025, the Company had cash and cash equivalents of \$874,922 (2024 - \$3,586,374) and current trade and other accounts receivables of \$910,161 (2024 - \$392,420) which were available to settle current trade and other payables of \$3,600,811 (2024 - \$3,057,985), loan from related parties of \$467,323 (2024 - \$Nil), current portion of finance lease liability of \$164,246 (2024 - \$114,062), current portion of long-term debt \$117,863 (2024 - \$22,562) and current portion of convertible debt of \$68,125 (2024 - \$Nil).

Next Hydrogen plans to focus on research and development while building out the necessary infrastructure to commercialize its business and will use its working capital to carry out such initiatives. The continuation of the Company as a going concern is dependent upon its ability to meet the relevant criteria of government grants and revenue contracts for additional funds to be received and to obtain financing through equity or debt, and there can be no assurance that it will be able to obtain adequate financing in the future or on terms acceptable to the Company. These circumstances represent a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

The following table sets out the Company's financial commitments as follows:

	Carrying amount	Total	1 year	2 to 5 years	After 5 years
Trade and other payables	\$ 3,600,811	\$ 3,600,811	\$ 3,600,811	\$ —	\$ —
Loan from related parties	467,323	576,500	576,500	—	—
Finance lease liability	1,581,179	1,581,179	164,246	1,057,378	359,555
Long-term debt	5,311,523	6,438,823	335,462	5,770,028	333,333
Convertible debenture	2,608,257	3,133,750	272,500	2,861,250	—
	<u>\$ 13,569,093</u>	<u>\$ 15,331,063</u>	<u>\$ 4,949,519</u>	<u>\$ 9,688,656</u>	<u>\$ 692,888</u>