



Next Hydrogen Solutions Inc.

Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

To the Shareholders of Next Hydrogen Solutions Inc.:

Opinion

We have audited the consolidated financial statements of Next Hydrogen Solutions Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2025 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Onerous Provision

Key Audit Matter Description

As described in Notes 2 and 12 to the consolidated financial statements, the Company recorded a non-current onerous provision of \$3,150,000 related to a contract entered into during a prior year. At the end of each reporting period, the Company is required to reassess the onerous provision, which is the lower of exit cost and unavoidable costs to complete the contract.

As described in Notes 2 and 4 to the consolidated financial statements, the Company also had work in progress inventory related to the contract that is required to be assessed for impairment as a result of being part of a loss contract.

We considered this to be a key audit matter due to the significant judgment made by management in estimating the present value of costs to fulfill the onerous contract and a high degree of auditor judgment and subjectivity in evaluating audit evidence relating to management's estimates.

Audit Response

We responded to this matter by performing audit procedures relating to the onerous provision. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained an understanding of management's internal process for measuring the onerous provision.
- We analyzed the underlying onerous contract to obtain an understanding of the key terms and conditions and to identify the necessary considerations that impact the onerous provision.
- We evaluated the reasonableness of significant assumptions used by management relating to both the estimated unavoidable costs to fulfill the contract and estimated costs to exit the contract. Key assumptions include the estimated costs to fulfill the contract and the timing of when those costs will be incurred. We considered (i) the current and historical costs to fulfill similar performance obligations and (ii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- We performed a sensitivity analysis by developing a range of independent estimates to assess the impact on the measurement of the onerous provision.
- We performed cost testing on work in progress inventory related to the onerous contract.
- We assessed the net realizable value of this work in progress inventory to ensure the necessary write down is appropriately recorded.
- We assessed the appropriateness of disclosure on the onerous provision in notes to the consolidated financial statements.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Matter

The consolidated financial statement for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2025.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Isabella Lee.

Mississauga, Ontario

March 30, 2026

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, black font, followed by 'LLP' in a smaller, black font.

Chartered Professional Accountants
Licensed Public Accountants

Consolidated Statements of Financial Position
As at December 31, 2025 and 2024

(in Canadian dollars)

	December 31, 2025	December 31, 2024
Assets		
Current		
Cash and cash equivalents	\$ 18,516,086	\$ 3,586,374
Trade and other receivables (notes 3 and 19)	328,445	392,420
Prepaid expenses and deposits	265,296	372,407
Inventory (note 4)	1,549,037	3,048,954
	20,658,864	7,400,155
Trade and other receivables (notes 3 and 19)	9,741	26,011
Prepaid expenses and deposits	89,662	94,332
Equipment (note 5)	6,683,497	6,005,019
Right of use asset (note 6)	1,115,690	1,312,576
Patents (note 7)	415,084	490,034
Intangible assets (note 8)	—	134,626
	\$ 28,972,538	\$ 15,462,753
Liabilities		
Current		
Trade and other payables (note 9)	\$ 2,306,440	\$ 3,057,985
Deferred revenue (note 10)	—	2,640,472
Deferred government grants (note 11)	159,738	266,688
Finance lease liability (note 13)	172,501	114,062
Long-term debt (note 14)	4,109,639	22,562
Convertible debenture (notes 15, 17 and 19)	1,522,267	—
	8,270,585	6,101,769
Deferred revenue (note 10)	2,677,693	2,678,142
Deferred government grants (note 11)	258,096	359,926
Provisions (note 12)	3,150,000	3,150,000
Finance lease liability (note 13)	1,371,237	1,543,858
Long-term debt (note 14)	1,161,656	551,412
Convertible debenture (notes 15, 17 and 19)	—	2,448,119
	16,889,267	16,833,226
Shareholders' Equity (Deficit)		
Share capital (notes 16 and 17)	97,353,280	76,418,695
Contributed surplus (note 18)	6,752,702	6,580,513
Deficit	(92,022,711)	(84,369,681)
	12,083,271	(1,370,473)
	\$ 28,972,538	\$ 15,462,753

On behalf of the Board

"Raveel Afzaal"

"Anthony Guglielmin"

Consolidated Statements of Net Loss and Comprehensive Loss
years ended December 31, 2025 and 2024

(in Canadian dollars)

	Year ended December 31, 2025	Year ended December 31, 2024
Revenue (note 23)	\$ 3,421,061	\$ 1,362,252
Expenses		
Cost of sales {includes \$1,631,017 (2024 - \$726,714) of inventory impairment} (note 4)	2,654,279	1,696,600
Research and development (note 19)	3,401,509	8,634,623
General and administrative (note 19)	3,389,079	5,145,861
Marketing and sales	381,772	532,295
	9,826,639	16,009,379
Loss before the following	(6,405,578)	(14,647,127)
Finance costs, net (note 20)	1,247,452	2,780
Net loss before recovery of income taxes	(7,653,030)	(14,649,907)
Income tax recovery (note 21)	—	(53,000)
Net loss and comprehensive loss	\$ (7,653,030)	\$ (14,596,907)
Loss per share:		
Basic	\$ (0.31)	\$ (0.64)
Diluted	\$ (0.31)	\$ (0.64)
Weighted average number of shares outstanding: (note 16)		
Basic (note 16)	24,916,654	22,903,468
Diluted (note 16)	24,916,654	22,903,468

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
years ended December 31, 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)
Private Placement (note 17)	20,855,244	—	—	20,855,244
Bonus shares (note 19)	54,341	—	—	54,341
Settlement of DSUs (note 18)	25,000	(25,000)	—	—
Share-based compensation expense (note 18)	—	279,758	—	279,758
Loss on modification of convertible debenture equity component (notes 15 and 17)	—	107,439	—	107,439
Transfer of equity component on conversion (notes 15 and 17)	—	(190,008)	—	(190,008)
Net loss and comprehensive loss	—	—	(7,653,030)	(7,653,030)
Balances as at December 31, 2025	\$ 97,353,280	\$ 6,752,702	\$ (92,022,711)	\$ 12,083,271
Balances as at December 31, 2023	\$ 76,418,695	\$ 5,959,992	\$ (69,772,774)	\$ 12,605,913
Share-based compensation expense (note 18)	—	473,521	—	473,521
Convertible debenture (note 15)	—	200,000	—	200,000
Deferred tax (note 21)	—	(53,000)	—	(53,000)
Net loss and comprehensive loss	—	—	(14,596,907)	(14,596,907)
Balances as at December 31, 2024	\$ 76,418,695	\$ 6,580,513	\$ (84,369,681)	\$ (1,370,473)

Consolidated Statements of Cash Flows
years ended December 31, 2025 and 2024

(in Canadian dollars)

	Year ended December 31, 2025	Year ended December 31, 2024
Cash flows used in operating activities		
Net loss and comprehensive loss	\$ (7,653,030)	\$ (14,596,907)
Adjustments:		
Finance costs, net (note 20)	1,247,452	2,780
Depreciation and amortization	1,080,613	949,737
Loss / (gain) on sale of equipment	(2,425)	23,760
Inventory impairment (note 4)	1,631,017	815,539
Impairment of intangible assets (note 8)	116,057	—
Provisions (note 12)	—	(700,000)
Equipment under construction write-off (note 5)	166,844	724,799
Share-based compensation (note 18)	279,758	473,521
Government grant (note 14)	(319,790)	(457,118)
Deferred tax recovery (note 21)	—	(53,000)
	(3,453,504)	(12,816,889)
Net change in non-cash operating working capital (note 22)	(3,595,794)	2,582,256
	(7,049,298)	(10,234,633)
Interest received (note 20)	28,556	236,980
	(7,020,742)	(9,997,653)
Cash flows used in investing activities		
Acquisition of equipment (note 5)	(1,488,050)	(691,038)
Disposal of equipment	3,000	13,000
Acquisition of patents (note 7)	(6,663)	—
	(1,491,713)	(678,038)
Cash flows from financing activities		
Proceeds from issuance of common shares, net of issuance costs (note 17)	18,841,527	—
Proceeds from convertible debenture (notes 15 and 19)	—	2,716,635
Proceeds from long term financing, net of transaction costs (note 14)	4,903,043	1,013,562
Proceeds from loan from related parties, net of transaction costs (note 19)	499,217	—
Repayment of long-term debt (note 14)	(205,070)	(64,928)
Repayment of finance lease liability (note 13)	(322,557)	(312,265)
Interest paid on convertible debentures (note 15)	(273,993)	—
	23,442,167	3,353,004
Increase / (decrease) in cash and cash equivalents	14,929,712	(7,322,687)
Cash and cash equivalents, beginning	3,586,374	10,909,061
Cash and cash equivalents, ending	\$ 18,516,086	\$ 3,586,374

1. CORPORATE INFORMATION AND GOING CONCERN

Next Hydrogen Solutions Inc. ("Next Hydrogen" or the "Company") was incorporated on February 11, 2014 under the British Columbia Business Corporations Act and its registered head office is at 6610 Edwards Blvd, Mississauga, Ontario, L5T 2V6.

Founded in 2007, the Company is a designer and manufacturer of electrolyzers that use water and low carbon electricity as inputs to generate clean hydrogen for use as an energy source. Next Hydrogen is scaling up its technology to deliver commercial solutions to decarbonize transportation, industrial and fuel sectors.

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 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 year ended December 31, 2025, the Company had a net loss of \$7,653,030, negative cash flow from operations of \$7,020,742 and cash and cash equivalents of \$18,516,086 and working capital (Current assets less Current liabilities) of \$12,388,279. The continuation of the Company as a going concern is dependent upon its ability to meet the relevant criteria of government grants and positive margin revenue contracts for additional funds to be received and obtaining financing through equity or debt. During the year, the Company was able to obtain financing (as mentioned in notes 14 and 17) to continue its operations, however, there can be no assurance that the Company 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 a significant doubt about the Company to continue as a going concern.

The 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. MATERIAL ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS[®] Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 30, 2026.

Basis of Measurement

These consolidated financial statements have been prepared on a going concern basis using historical cost.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of Next Hydrogen Solutions Inc. and Next Hydrogen Corporation. The functional currency of Next Hydrogen

USA, Inc. and Next Hydrogen Global LLC is the United States dollar. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated.

Basis of Consolidation

The consolidated financial statements consolidate the accounts of the Company and its subsidiaries, Next Hydrogen Corporation, Next Hydrogen USA, Inc and Next Hydrogen Global LLC (incorporated May 8, 2025). Subsidiaries are entities over which the Company has the power to govern financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company, and are de-consolidated from the date control ceases. Fully consolidated means that all transactions with subsidiaries and any intercompany balances, gains or losses with subsidiaries have been eliminated on consolidation. The accounting policies have been applied consistently by all subsidiaries.

The Company's subsidiaries are wholly-owned and are domiciled in Canada and the United States.

Revenue Recognition*Revenue from contracts with customers*

The Company generates revenue from customer contracts from three principal sources: (1) product and equipment sales; (2) services as well as aftermarket sales; and (3) development contracts. Product and equipment sales are generated from standard and customized products.

Revenue is recognized when control of the goods or services are transferred to the customer and is measured based on the consideration to which the Company expects to be entitled as specified in the contract with the customer.

Based on the specific contract and its obligations, revenue is recognized either at a point in time or over time.

Revenue from sale of standard products and equipment

The Company recognizes revenue at the point in time at which it satisfies a performance obligation by transferring the control of a good or service to the customer, which is generally at the time the equipment is commissioned at the customer's location and ready for use. The customer has control of a good or service when it has the ability to direct the use of and obtain substantially all of the remaining benefits from the good or service. The point in time measurement basis is the main method of recognizing revenue relating to electrolyzers and balance of plant equipment.

In circumstances where the cost directly related to a contract is expected to exceed the directly related revenues, the estimated loss on the contract will be recognized in its entirety in the period when this is identified.

The Company periodically enters into arrangements with customers that involve multiple elements. The Company assesses such contracts to evaluate whether there are multiple performance obligations and whether the transaction price under the arrangement is being appropriately allocated to each of the performance obligations.

Service and aftermarket sales

For contracts where the Company has agreed to provide routine maintenance services and warranty services over a period of time as part of the original contract, a portion of the transaction price is allocated to these performance obligations and revenue is recognized evenly over the contract period.

For sales of aftermarket parts, revenue is recognized when the performance obligation is satisfied, generally upon delivery of parts.

The Company accounts for a significant financing component on contracts where timing of cash receipts and revenue recognition differ substantially. The contracts typically require the customer to pay the full contract value by the time the product is ready for delivery, which is well before the delivery of maintenance and warranty services and therefore a financing component is accounted for separately. The result is that interest expense is accrued during the advance period and the transaction price will be increased by a corresponding amount.

Revenue from development contracts

The Company enters into development contracts with customers from time to time, which consists of multiple milestones, ranging from design to inspection, and from installation to testing. The Company recognizes revenue over time as services are provided. The stage of completion for determining the amount of revenue to be recognized is measured by the milestones and the weighting of the hours to complete each of the milestones as determined by the scope of the project. The contract price is allocated to these performance obligations and revenue is recognized over the contract period. Advances received are included in deferred revenue.

In circumstances where the cost directly related to a contract is expected to exceed the revenues, the estimated loss on the contract will be recognized in its entirety in the period when this is identified.

Deferred Revenue

Deferred revenue is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a deferred revenue liability is recognized when the payment is made. Deferred revenue liabilities are recognized as revenue when the Company meets its performance obligations under the contract. Advances received are included within deferred revenue.

Financial Instruments

Financial instruments are initially recognized at fair value and are subsequently measured at either (i) amortized cost, (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) fair value through profit or loss ("FVTPL"), based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest. Financial liabilities are classified and measured at amortized cost or FVTPL.

Financial instruments classified and measured at amortized cost include both financial assets and financial liabilities. Financial assets measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest. Financial liabilities are measured at amortized cost unless designated at FVTPL. All financial instruments measured classified at amortized cost are initially measured at fair value, plus adjustments for

transaction costs, and subsequently amortized using the effective interest method. Financial instruments measured at amortized cost include: cash and cash equivalents, trade and other receivables (excluding sales taxes), trade and other payables, long-term debt, convertible debenture liability component and finance lease liability.

Financial instruments classified and measured at FVTPL are those assets and liabilities that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not solely payments of principal and interest, or are not held within a business model whose objective is achieved through contractual cash flows or through both contractual cash flows and through the selling of the financial instrument. Financial instruments classified at FVTPL are initially measured at fair value and subsequently carried at fair value, with changes in fair value recorded through profit or loss. Transaction costs are expensed as incurred through profit and loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The impairment model under IFRS 9 is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial asset subject to impairment are trade and other receivables (excluding sales taxes), which are measured at amortized cost. The Company uses specific account identification to estimate lifetime expected impairment. Losses are recognized in profit and loss and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through profit and loss.

Convertible notes

The convertible notes are classified as a compound financial instrument consisting of a financial liability host and an equity conversion feature. The liability component is recognized initially at its fair value. The equity component representing the conversion feature is recognized as the difference between the face value of the convertible notes as a whole and the value of the liability component, as a separate component of equity. The liability component is subsequently measured at amortized cost using the effective interest method. Interest, gains and losses related to the liability component are recognized in profit or loss.

Upon modification of the equity conversion feature, the Company recognizes any difference between the fair value of the equity component immediately before and after the modification in profit or loss at the date of modification.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash within 90 days of original maturity.

Inventory

Inventory is made up of parts purchased for the assembly of the Company's electrolyzers and balance of plant equipment and is measured at the lower of cost and net realizable value, with cost being determined on a first in, first out basis. Net realizable value represents the estimated selling price less all estimated costs of completion and selling costs.

Equipment

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs that are directly attributable to bringing the asset to a working condition for its intended use. When significant components of an item of equipment have different useful lives, they are accounted for as separate items of equipment. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and the net is recognized within profit or loss.

Equipment under construction represents the cost of equipment not yet available for its intended use, including costs directly attributable to bringing the asset to the condition necessary for it to operate as intended. Equipment under construction is not depreciated until the asset is available for use and is reclassified to the appropriate equipment category at that point.

Depreciation is recognized in profit or loss on straight line basis over the estimated useful lives of equipment, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation methods, useful lives and residual values are reviewed each year and adjusted prospectively, if appropriate. Depreciation is provided for using the following useful lives:

Computer hardware	3 years
Equipment	3 - 10 years
Furniture and fixtures	10 years
Leasehold improvements	10 years

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. All other borrowing costs are expensed as incurred in the period in which they are incurred.

Where funds are borrowed from a general pool and used for the purpose of obtaining a qualifying asset, the amount eligible for capitalization is determined by applying a weighted average capitalization rate to expenditures on the asset. The capitalization rate is the weighted average of the borrowing costs applicable to the Company's outstanding borrowings during the period, excluding any borrowings made specifically for the purpose of obtaining a qualifying asset.

Capitalization commences when expenditures on the asset are being incurred, borrowing costs are being incurred, and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when substantially all activities necessary to prepare the qualifying asset for its intended use are

complete. Where active development is interrupted for an extended period, capitalization is suspended for the duration of that interruption.

Intangible Assets and Patents

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. If intangible assets are acquired through a business combination, costs are measured at the estimated fair value on acquisition. For other intangible assets, costs include any costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives and recorded on the consolidated statements of net loss and comprehensive loss. The Company assesses the useful lives, residual values and amortization methods annually and recognize the effects of changes in estimates in the consolidated statements of net loss and comprehensive loss prospectively.

Amortization of intangible assets is provided for using the following useful lives:

Customer list	11 years
Patents	8 - 22 years

Intangible assets are assessed for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. If there is any indication of impairment, the carrying amount of the asset is compared to its recoverable amount and any excess is charged to earnings or loss.

Finance lease liabilities and right of use assets

At the inception of a contract, a right-of-use asset and a lease liability are recognized at the lease commencement date when the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations.

The asset is initially measured at cost, comprised of the initial amount of the lease liability adjusted for any pre-commencement lease payments, plus any initial direct costs incurred. The asset is subsequently depreciated using the straight-line method from the commencement date of the lease to the end of the useful life of the asset if the lease transfers ownership of the underlying asset by the end of the lease term, or the right of use asset reflects that the Company will exercise a purchase option. Otherwise, the asset is depreciated using the straight-line method from the commencement date of the lease to the end of the lease term. The estimated useful lives of leased assets are determined on the same basis as those of property and equipment. The carrying amount of the leased asset is adjusted by remeasurement of the lease liability and reduced by impairment losses, if any.

The lease liability is initially measured at the present value of future lease payments, less any lease incentive received, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. In the event of a change in the Company's assessment of whether it will exercise a purchase, extension or termination option, the lease liability will be remeasured and an adjustment will be made to the carrying amount of the right-of-use asset, or recognized in the consolidated statements of net loss and comprehensive loss if the carrying value of the leased asset is zero.

Provisions

Provisions are recognized when the Company has a material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash flows.

Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products or at the time the obligation was committed to, and is recognized at management's best estimate of the expenditures required to settle the Company's obligation.

Onerous Contracts

Certain of the Company's sales contracts are onerous contracts as the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract.

If it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it, a provision for onerous contracts is recorded as an expense, with the interest component being recorded as a financing expense. Unavoidable costs include the costs that relate directly to the contract such as anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of exiting the contract.

Deferred Share Units

The expense associated with the Company's deferred share unit ("DSU") plan is determined based on the market price of the Company's common shares on the grant date. The expense is recognized in the consolidated statements of net loss and comprehensive loss in the period in which the units are granted with a corresponding equity component recorded on the consolidated statements of financial position. Each DSU entitles its holder to receive one common share upon settlement and vests over one year.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of consideration paid, including direct costs, net of tax effects, is recognized as a deduction from equity.

Share-Based Compensation

The grant date fair value of share-based payment awards granted is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the individual becomes entitled to the awards. The fair value of stock options granted is determined using the Black-Scholes option pricing model. The fair value of deferred share units granted is determined using the fair value of the Company's common shares on the date of grant. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service performance conditions at the vesting date.

When stock option awards are exercised, the proceeds, together with the amount originally recorded in contributed surplus, are recorded in share capital.

Government Grants

The Company uses the income-based approach to account for government grants. Government grants are initially recognized as deferred government grants at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized in profit or loss as a reduction in the related expense on a systematic basis in the periods in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are included within deferred government grants, and are recognized in profit or loss on a systematic basis over the useful life of the asset as reduced depreciation expense for the underlying asset.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Investment Tax Credits

Investment tax credits ("ITC") are recognized where there is reasonable assurance that the ITC will be received and all attached conditions will be complied with. When the ITC relates to an expense item, it is netted against the related expense. Where the ITC relates to an asset, it reduces the carrying amount of the asset. The ITC is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. The Company is actively engaged in research and product development ("R&D") and, accordingly, has previously filed for ITC refunds under both the Canadian federal and Ontario provincial Scientific Research and Experimental Development ("SR&ED") tax incentive programs.

The ITCs recorded in the accounts are based on management's interpretation of the Income Tax Act of Canada provisions, which govern the eligibility of R&D costs. The claims are subject to review by the Canada Revenue Agency and the Minister of Revenue for Ontario before the refunds can be released.

Research and Product Development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Development activities that involve a plan or design for the production of new or substantially improved products and processes are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. All of the Company's development expenditures to date have been expensed as incurred.

Finance Costs

Finance costs are comprised of interest expense on long-term debt, convertible debenture and finance lease liability, losses on extinguishment of financial liabilities, and losses on modification of financial instruments, offset by interest income earned on cash and cash equivalents. Interest income or expense is recognized under the effective interest method. Gains and losses on extinguishment or modification of financial liabilities are recognized in profit or loss when the liability is derecognized or modified.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares using the treasury stock method. The calculation of diluted loss per share excludes the effects of outstanding instruments that would be anti-dilutive.

Foreign Currency Translation

Transactions denominated in a foreign currency have been translated at the rate of exchange in effect on the date of the transaction. Monetary items included in the consolidated statement of financial position have been translated at the rate of exchange in effect as at the consolidated statement of financial position date. Realized and unrealized gains and losses on translations of foreign currencies are included in profit and loss.

Change 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 has 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 is currently assessing the impact of these amendments on its consolidated financial statements.

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, with retroactive application required. The Company is currently assessing the impact of IFRS 18 on the presentation and disclosure of its consolidated financial statements.

Critical Accounting Estimates and Significant Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards, and to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Management makes estimates based on specific facts or circumstances as well as past experiences. Management periodically reviews its estimates and underlying assumptions and as adjustments become necessary, they are reported in profit and loss in the period in which they become known. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported.

Judgements

- a) *Revenue recognition*: In accounting for revenue, management must review each contract and allocate the transaction price to the various performance obligations based on the expected costs for each performance obligation.

- b) *Impairment of patents*: Patents are assessed for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, including significant changes in the technological, market, economic or legal environment, or evidence of obsolescence. In doing so, management must assess the future potential of its protected technology, and its ability to result in future benefit in the form of cost reductions or growth in revenues and profitability.
- c) *Going Concern*: The financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The assessment of going concern involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.
- d) *Provisions*: In assessing revenue contracts, management must analyze each performance obligation, and determine the onerous component (if any) of each revenue stream, based on the allocation of transaction price to the various performance obligations based on the expected costs for each performance obligation.
- e) *Settlement of debt with shares*: Management exercises judgement in determining whether a debtholder is acting in its capacity as a debtholder or a shareholder. This assessment determines whether the difference between the fair value of the shares issued to settlement the debt and the carrying amount should be recognized in profit or loss or recorded in equity.
- f) *Impairment of equipment*: Equipment is assessed for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, including significant declines in market value, evidence of obsolescence or physical damage, and significant changes in the technological or economic environment. In doing so, management must assess the recoverable amount of the asset and its ability to generate future economic benefits.

Estimates

- a) *Revenue recognition*: In accounting for revenue, management must review each contract and allocate the transaction price to the various performance obligations based on the expected costs for each performance obligation. The estimated costs are largely based on budgeted costs or quotes for costs and anticipated labour hours to complete the task.
- b) *Provisions*: The Company evaluates the unavoidable costs related to fulfilling onerous contracts as of the reporting date. This involves identifying and measuring performance obligations, along with other costs resulting from contract termination or inability to fulfil the contract. Predictions about future events, analysis of contractual legal terms, and estimations regarding future cash flows require judgment. Alterations to these estimates and assumptions can considerably affect the recognized provision amount for onerous contracts.
- c) *Inventory net realizable value*: The Company assesses at each reporting date whether inventories, including work-in-progress, are carried at the lower of cost and net realizable value. Significant judgment is required in determining net realizable value, particularly where inventory comprises bespoke or specialized components, where no active resale market exists in the inventory's current state, or where components are intended for incorporation into long-term customer arrangements. Management's estimates take into account contracted selling prices for comparable equipment, anticipated costs to complete and sell, and the likelihood of redeployment of components to alternative customer arrangements. Where circumstances that previously caused a write-down to net realizable value no longer exist, the write-down is reversed. Changes in management's assumptions regarding

future selling prices, completion costs, or redeployment prospects may give rise to material adjustments to inventory carrying amounts in future periods.

- d) *Share-based compensation*: The fair value of share-based compensation expense is estimated using the Black-Scholes option pricing model and relies on a number of estimates, such as the expected life of the option, the volatility of the underlying share price of similar companies and the risk-free rate of return.
- e) *Depreciation and impairment of equipment*: Estimates of useful lives for depreciation is based on management's judgment of the expected productive lives and planned uses for each respective asset.
- f) *Income taxes*: Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.
- g) *Conversion feature of convertible debentures*: The allocation of proceeds between the debt and equity components of convertible debentures requires estimation of a market interest rate for an equivalent non-convertible instrument at the date of issuance. This rate involves judgment and reflects the Company's credit risk and market conditions at initial recognition. The equity component, once determined, is not remeasured in subsequent periods.

3. TRADE AND OTHER RECEIVABLES

	As at December 31, 2025	As at December 31, 2024
Trade receivables	\$ 219,054	\$ 316,121
GST/HST receivable	87,096	52,146
Employee loan receivable	32,036	50,164
	<u>\$ 338,186</u>	<u>\$ 418,431</u>
Current	328,445	392,420
Non-current	9,741	26,011

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

4. INVENTORY

	As at December 31, 2025	As at December 31, 2024
Spare parts	\$ 1,549,037	\$ 1,994,495
Work in progress	—	1,054,459
	<u>\$ 1,549,037</u>	<u>\$ 3,048,954</u>

During the year, \$1,631,017 (2024 - \$815,539) was recorded as inventory impairment. Of this amount, \$1,631,017 (2024 - \$726,714) was expensed through cost of sales and \$NIL (2024 - \$88,825) through research and development expenses.

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	1,582,702	5,177	861	1,238	1,629,441
Transfers within Equipment	1,067,528	(1,067,528)	—	—	—	—
Disposals	—	—	(6,889)	—	—	(6,889)
Write-offs ⁽¹⁾	—	(166,844)	—	—	—	(166,844)
Balances, as at						
December 31, 2025	6,681,413	1,746,919	317,970	100,707	357,170	9,204,179
Accumulated depreciation						
Balances, as at						
December 31, 2024	(1,394,732)	—	(228,991)	(27,487)	(92,242)	(1,743,452)
Depreciation	(695,388)	—	(43,222)	(10,028)	(34,907)	(783,545)
Disposals	—	—	6,315	—	—	6,315
Balances, as at						
December 31, 2025	(2,090,120)	—	(265,898)	(37,515)	(127,149)	(2,520,682)
Net carrying amounts						
As at December 31, 2025	\$ 4,591,293	\$ 1,746,919	\$ 52,072	\$ 63,192	\$ 230,021	\$ 6,683,497

⁽¹⁾ Write-offs of equipment-under-construction during the year 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.

	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 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.

During the year ended December 31, 2025, the Company capitalized borrowing costs of \$141,390 (2024 - \$NIL) relating to equipment under construction. The weighted average capitalization rate applied ranged from 12.1% to 15.8% throughout the year.

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	—	(196,886)	(196,886)
Balances, as at December 31, 2025	<u>\$ 1,968,864</u>	<u>\$ (853,174)</u>	<u>\$ 1,115,690</u>

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	—	(81,613)	(81,613)
Balances, as at December 31, 2025	<u>\$ 1,062,372</u>	<u>\$ (647,288)</u>	<u>\$ 415,084</u>

8. INTANGIBLE ASSETS

Intangible assets comprise of a customer list. During the year ended December 31, 2025, the customer list was fully impaired as management determined it no longer has the ability to generate future economic benefits.

	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	—	(18,569)	(18,569)
Impairment	(354,910)	238,853	(116,057)
Balances, as at December 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

9. TRADE AND OTHER PAYABLES

	As at December 31, 2025	As at December 31, 2024
Trade payables	\$ 759,929	\$ 1,006,416
Accrued payables	907,828	2,011,565
Customer refund (note 10)	625,034	—
Other payables	13,649	40,004
	<u>\$ 2,306,440</u>	<u>\$ 3,057,985</u>

10. 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 year ended December 31, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 5,318,614	\$ 5,079,534
Advance consideration	766,889	1,300,391
Cancelled contract and transferred to other payables	(631,729)	—
Revenue recognized	(2,776,081)	(1,061,311)
	\$ 2,677,693	\$ 5,318,614
Current	—	2,640,472
Non-current	2,677,693	2,678,142

11. GOVERNMENT GRANTS

	SDTC ⁽¹⁾	FedDev Ontario ⁽²⁾	INSAT ⁽³⁾	OVIN ⁽⁴⁾	IRAP ⁽⁵⁾	HIF ⁽⁶⁾	Total
Balance as at Dec 31, 2024	\$ 606,035	\$ 20,579	\$ —	\$ —	\$ —	\$ —	\$ 626,614
Grant received	1,093,021	375,261	1,341,590	517,697	277,600	197,958	3,803,127
Offset against expenses	(1,389,109)	(327,811)	(1,341,590)	(477,839)	(277,600)	(197,958)	(4,011,907)
Balance as at Dec 31, 2025	\$ 309,947	\$ 68,029	\$ —	\$ 39,858	\$ —	\$ —	\$ 417,834
Current	109,392	10,488	—	39,858	—	—	159,738
Non-current	200,555	57,541	—	—	—	—	258,096

	SDTC ⁽¹⁾	FedDev Ontario ⁽²⁾	INSAT ⁽³⁾	OVIN ⁽⁴⁾	IRAP ⁽⁵⁾	HIF ⁽⁶⁾	Total
Balance as at Dec 31, 2023	\$ 359,926	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 359,926
Grant received	1,992,777	477,697	658,410	—	—	233,431	3,362,315
Offset against expenses	(1,746,668)	(457,118)	(658,410)	—	—	(233,431)	(3,095,627)
Balance as at Dec 31, 2024	\$ 606,035	\$ 20,579	\$ —	\$ —	\$ —	\$ —	\$ 626,614
Current	246,109	20,579	—	—	—	—	266,688
Non-current	359,926	—	—	—	—	—	359,926

(1) The Sustainable Development Technology Canada ("SDTC") supports the Company's electrolyzer research and development program. During the year, the Company received the entire grant, including the holdback portion.

(2) The Federal Economic Development Agency for Southern Ontario ("FedDev Ontario") provides funding in the form of interest-free loans, with the below-market benefit recognized as a government grant. During the year, the entire amount was received.

(3) The Initiative for Sustainable Aviation Technology ("INSAT") supports research for the development of high-efficiency, low-cost electrolyzers for hydrogen production infrastructure in the aviation industry. During the year, the entire grant was received.

(4) The Ontario Centre of Innovation ("OVIN") supports research for the development of high-efficiency, low-cost electrolyzers. The remaining deferred balance will be released as related inventory is consumed.

(5) The Industrial Research Assistance Program ("IRAP") supports costs incurred for the Company's next generation product lines. During the year, the entire grant was received.

- (6) The Hydrogen Innovation Fund ("HIF") provides funding for demonstrating the capability of the Company's GEN2 electrolyzer modules for grid management services, structured across three milestones. The first two milestones have been completed; the third milestone is currently being worked on.

12. PROVISIONS

During the year ended December 31, 2025, the Company recorded a provision of \$357,982 in cost of sales for an onerous contract. Subsequently, the Company decided not to proceed with this contract and reversed the provision of \$357,982 into cost of sales, resulting in no net impact for the year.

The non-current provision of \$3,150,000 relates to an onerous contract from a prior year. During the year ended December 31, 2024, a separate onerous contract provision of \$700,000 was reversed into cost of sales following modification of the performance obligations in that revenue contract.

	As at and for the year ended December 31, 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	(357,982)	(700,000)
	<u>\$ 3,150,000</u>	<u>\$ 3,150,000</u>
Current	—	—
Non-current	3,150,000	3,150,000

13. FINANCE LEASE LIABILITY

The finance lease liability relates to the lease of the Company's head office and assembly facility, which started on September 1, 2021. The lease expires on August 31, 2026, with an option to extend for an additional five years, which the Company is reasonably certain to exercise. The lease term of ten years through August 31, 2031 has been used in measuring the lease liability. 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:

	As at and for the year ended December 31, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 1,657,920	\$ 1,748,073
Interest	208,375	222,112
Repayment	(322,557)	(312,265)
	<u>\$ 1,543,738</u>	<u>\$ 1,657,920</u>
Current	172,501	114,062
Non-current	1,371,237	1,543,858

The future minimum lease payments are as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Future minimum lease payments	\$ 361,821	\$ 1,558,871	\$ 276,787	\$ 2,197,479
Interest	(189,320)	(454,186)	(10,235)	(653,741)
	<u>\$ 172,501</u>	<u>\$ 1,104,685</u>	<u>\$ 266,552</u>	<u>\$ 1,543,738</u>

14. LONG-TERM DEBT

	As at and for the year ended December 31, 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	(205,070)	(64,927)
Amount recognized as government grant	(375,261)	(477,697)
Interest	374,609	17,647
	<u>\$ 5,271,295</u>	<u>\$ 573,974</u>
Current	4,109,639	22,562
Non-current	1,161,656	551,412

Included in long-term debt is a zero-interest loan received from 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. This loan is unsecured.

During the current year, 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 \$852,958 recognized as a government grant. Of the \$375,261 (2024 - \$477,697) recognized as a government grant during the year, \$319,790 (2024 - \$457,118) was offset immediately against applicable commercialization expenses, and \$55,471

(2024 - \$20,579) was deferred and amortized against research and development 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, respectively.

The facility bears interest at a floating rate equal to the prime rate plus a margin of 2.55% per annum, with semi-annual 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 facility is secured by a first-ranking security interest over all present and future personal and movable property (including Intellectual Property) of the Company and its subsidiaries.

15. CONVERTIBLE DEBENTURE

	As at and for the year ended December 31, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 2,448,119	\$ —
Proceeds	—	2,725,000
Transaction costs	—	(76,881)
Converted to shares	(1,063,887)	—
Interest expense	412,028	—
Interest payment	(273,993)	—
	<u>\$ 1,522,267</u>	<u>\$ 2,648,119</u>
Initial recognition of conversion feature	—	(200,000)
	<u>\$ 1,522,267</u>	<u>\$ 2,448,119</u>
Current	1,522,267	—
Non-current	—	2,448,119

During the year ended December 31, 2024, the Company issued a private placement offering of unsecured convertible debentures (each, a “Convertible Debenture”) consisting of up to \$2,725,000 of 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.

In December 2025, in connection with the Private Placement (note 17), holders of Convertible Debentures representing \$1,125,000 in principal converted their debentures into 2,499,998 common shares at a

modified conversion price of \$0.45 per share, resulting in a loss on modification of \$107,439 recognized in finance costs (note 20). The remaining Convertible Debentures continue under their original terms.

16. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value.

	Common Shares #	Share Capital \$
Issued		
Balances, as at December 31, 2023	22,903,468	76,418,695
Balances, as at December 31, 2024	22,903,468	76,418,695
Private placement, net of transaction costs (note 17)	46,180,309	20,855,244
Bonus shares (note 19)	214,140	54,341
Settlement of DSUs (note 18)	15,032	25,000
Balances, as at December 31, 2025	69,312,949	97,353,280

The weighted average number of common shares outstanding has been calculated as follows:

	2025	2024
Issued common shares at January 1	22,903,468	22,903,468
Effect of issued common shares	2,013,186	—
Weighted average number of common shares	24,916,654	22,903,468

No adjustments to loss or the weighted average number of shares for the effects of dilutive potential ordinary shares were necessary. Dilutive potential ordinary shares are financial instruments or contracts that may entitle its holder to ordinary shares, where the conversion, exercise or issuance of the financial instrument or warrant would result in a reduction in earnings per share or an increase in loss per share.

17. PRIVATE PLACEMENT

During the year ended December 31, 2025, the Company completed a private placement offering of 46,180,309 common shares at a price of \$0.45 per share.

The Private Placement was comprised of the following:

	Common Shares #	Share Capital \$
Cash subscriptions	42,323,590	19,045,616
Conversion of convertible debentures (note 15)	2,499,998	1,253,895
Conversion of loan from related parties (note 19)	1,245,610	759,822
Consulting fees settled in shares	111,111	50,000
Gross amount	46,180,309	21,109,333
Transaction costs	—	(254,089)
Net amount	46,180,309	20,855,244

Conversion of Convertible Debentures:

As part of the Private Placement, the Company offered all Convertible Debenture holders the opportunity to participate at a reduced conversion price of \$0.45 per share (originally \$1.00 per share). Holders of

Convertible Debentures representing \$1,125,000 in principal elected to accept the modified terms and converted their debentures into 2,499,998 common shares. The modification resulted in a loss of \$107,439 recognized in finance costs. Upon conversion, the Company derecognized the liability component of \$1,063,887 and the equity component of \$190,008, with \$1,253,895 recorded in share capital (Note 15).

Conversion of Loan from related parties:

As part of the Private Placement, the Company exercised its option to convert the loan from related parties with a carrying amount of \$493,979 into 1,245,610 common shares at the subscription price of \$0.45 per share. The shares issued were measured at their fair value of \$0.61 per share on the conversion date, resulting in \$759,822 being recorded in share capital and a loss on extinguishment of \$265,843 recognized in finance costs (note 19).

Transaction Costs:

The Company incurred transaction costs of \$254,089 in connection with the Private Placement, out of which \$50,000 was settled through the issuance of 111,111 common shares at the Offering Price of \$0.45 per share for prior consulting and advisory services rendered, both recorded as a reduction to share capital.

18. 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 after issuance. The following table summarizes the changes in outstanding stock options during the years ended December 31, 2024 and December 31, 2025:

	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	0.52	2,100,000
Cancelled	1.99	(956,250)
Forfeited	0.91	(202,500)
Balances, as at December 31, 2025	1.54	4,061,626

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 2,100,000 stock options issued during the year ended December 31, 2025. Of the total stock options issued during the year ended December 31, 2025, 1,575,000 (2024 - NIL) were issued to key management. Of the total stock options outstanding as of December 31, 2025, 3,076,626 (2024 - 2,401,626) were held by key management. Subsequent to the reporting period, no stock options were granted to key management.

The following table summarizes information about stock options outstanding as at December 31, 2024 and December 31, 2025:

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

December 31, 2025:

Exercise Price \$	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0 to 0.99	2,485,000	4.5	507,500
1 to 1.99	250,000	1.9	183,750
2 to 2.99	820,000	0.2	801,250
3 to 3.99	200,000	1.0	150,000
4 to 4.99	10,000	0.8	10,000
5 to 5.99	15,000	0.7	15,000
6 to 6.99	—	—	—
7 to 7.99	281,626	0.5	281,626
1.54	4,061,626	3.0	1,949,126

The estimated fair value of stock options issued during the period was calculated using the Black-Scholes option pricing model with the following assumptions: i) the time to maturity is 3-4 years (2024 – 3-4 years); ii) the risk free rate is 2.67% (2024 - 3.63%); iii) the dividend yield will be \$NIL (2024 - \$NIL); and iv) expected weighted average volatility is 98.43% (2024 – 81.47%), which is calculated based on the standard deviation of the Company's stock price since going public. Included in expenses is a share-based compensation expense of \$279,758 (2024 - \$473,521).

The Company has a deferred share unit ("DSU") plan for certain employees, directors and consultants that is 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 2024 or 2025. Each DSU entitles its holder to receive one common share upon settlement and vests over one year. The following table summarizes the changes in DSUs during the years ended December 31, 2024 and December 31, 2025:

	Weighted Average Price \$	DSUs #
Balances, as at December 31, 2023	1.66	120,256
Balances, as at December 31, 2024	1.66	120,256
Settled	1.66	(15,032)
Balances, as at December 31, 2025	1.66	105,224

During the year ended December 31, 2025, 15,032 (2024 - NIL) DSUs were settled in shares; therefore, 105,224 (December 31, 2024 - 120,256) DSUs were outstanding as at December 31, 2025.

19. RELATED PARTY TRANSACTIONS

On July 23, 2025, the Company entered into a loan agreement with certain directors, officers, and a corporation controlled by a director of the Company for aggregate proceeds of \$530,000 (the "Loan"), bearing interest at 5.0% per annum. The Loan was unsecured and matured on July 23, 2026, with a prepayment option at any time without penalty. 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. The Loan was a compound financial instrument, with proceeds allocated between a liability component of \$444,876 (net of transaction costs of \$27,433) and an equity component of \$54,341 (net of transaction costs of \$3,350), recorded in share capital.

In connection with the Private Placement in December 2025, the Company exercised its option to convert the Loan with a carrying amount of \$493,979 into 1,245,610 common shares at \$0.45 per share. The shares issued were measured at their fair value of \$0.61 per share on the conversion date, resulting in \$759,822 recorded in share capital and a loss on extinguishment of \$265,843 recognized in finance costs (Note 20). The balance of the Loan at December 31, 2025 is \$NIL (2024 - \$NIL).

In connection with the Private Placement, 111,111 common shares were issued at \$0.45 per share to a member of the Board of Directors in settlement of \$50,000 for consulting and advisory services rendered in connection with the Private Placement.

Included in trade and other receivables are two (2024 - two) employee loans to key management employees, in the total amount of \$32,036 (2024 - \$50,164). Of this amount, \$9,741 (2024 - \$26,011) is expected to be received beyond twelve months after year-end and is thus classified as non-current. These loans are granted at no interest, with monthly principal repayments through 2027.

During 2024, members of the Board of Directors participated in the offering of Convertible Debentures on the same terms offered to other holders. The Company issued \$750,000 Convertible Debentures to Board Members. These debentures were fully converted to common shares during the Private Placement.

Key management compensation included in the consolidated statements of net loss and comprehensive loss comprises:

	<u>2025</u>	<u>2024</u>
Salaries, benefits, and consultant fees	\$ 1,170,602	\$ 2,044,406
Share-based compensation expense	240,447	369,283
	<u>\$ 1,411,049</u>	<u>\$ 2,413,689</u>

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

20. FINANCE COSTS, NET

	<u>2025</u>	<u>2024</u>
Interest expense	\$ 902,726	\$ 239,760
Loss on extinguishment of financial liability (note 19)	265,843	—
Loss on modification of convertible debentures (note 15)	107,439	—
Interest income	(28,556)	(236,980)
	<u>\$ 1,247,452</u>	<u>\$ 2,780</u>

21. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2024 - 26.5%) to the effective tax rate is as follows:

	<u>2025</u>	<u>2024</u>
Net loss before income taxes	\$ (7,653,030)	\$ (14,649,907)
Statutory income tax rate	26.50 %	26.50 %
Expected income tax recovery	(2,028,050)	(3,882,230)
Non-deductible & other expenses	66,540	132,850
Change in tax benefits not recognized	1,961,510	3,696,380
Income tax (recovery)	<u>\$ —</u>	<u>\$ (53,000)</u>

The following table summarizes the components of deferred tax:

	<u>2025</u>	<u>2024</u>
Deferred Tax Assets		
Finance lease liability	\$ 295,660	\$ 347,830
Operating tax losses carried forward	20,600	80,000
	<u>316,260</u>	<u>427,830</u>
Deferred Tax Liabilities		
Finance lease liability	(295,660)	(347,830)
Convertible debentures	(20,600)	(80,000)
	<u>(316,260)</u>	<u>(427,830)</u>
Net deferred tax liability	<u>\$ —</u>	<u>\$ —</u>

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	\$ —	\$ —
Recognized in profit/loss	—	53,000
Recognized in equity	—	(53,000)
Balance at the end of the year	<u>\$ —</u>	<u>\$ —</u>

Deferred taxes are provided as a result of temporary differences that arise due to differences between income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	<u>2025</u>	<u>2024</u>
Operating tax losses carried forward	\$ 66,057,240	\$ 58,053,720
Operating tax losses carried forward - USA	25,120	20,210
Reserves	3,150,000	3,200,000
Share issuance costs	524,910	1,373,670
Scientific research expenditures	4,667,110	2,216,870
Equipment	3,248,110	2,467,830

Patents	477,930	396,320
Intangible assets and goodwill	467,900	333,280
Tax credits	657,970	153,960
Finance lease liability	428,050	345,340
	<u>\$ 79,704,340</u>	<u>\$ 68,561,200</u>

The Canadian operating tax loss carry forwards expire as noted in the table below. The U.S. operating tax losses can be carried forward indefinitely. Share issue costs will be fully amortized by 2029. Tax credits will expire between 2042 and 2043. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian operating tax losses expire as follows:

2028	\$	128,580
2029		41,360
2030		183,980
2031		325,090
2032		65,070
2033		549,870
2034		640,030
2035		183,950
2036		719,860
2037		968,820
2038		704,240
2039		2,162,230
2040		3,459,710
2041		12,982,950
2042		11,103,940
2043		9,498,930
2044		15,209,840
2045		7,128,790
	\$	<u>66,057,240</u>

22. CHANGE IN NON-CASH WORKING CAPITAL

	<u>2025</u>	<u>2024</u>
Trade and other receivables	\$ 80,245	\$ 1,142,067
Prepaid expenses and deposits	111,781	148,199
Inventory	(131,100)	(468,185)
Trade and other payables	(751,548)	1,274,987
Deferred revenue	(2,640,921)	239,079
Deferred government grants	(264,251)	246,109
	<u>\$ (3,595,794)</u>	<u>\$ 2,582,256</u>

23. SEGMENTED INFORMATION, MAJOR CUSTOMERS, AND REVENUE

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 year ended December 31, 2025, one customer provided 78% (2024 - 68%) of the Company's revenues.

The Company's revenue streams are as follows:

	<u>2025</u>	<u>2024</u>
Service revenue	\$ 685,480	\$ 194,491
Revenue from development contract	2,735,581	1,167,761
	<u>\$ 3,421,061</u>	<u>\$ 1,362,252</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 (excluding sales tax) and trade and other payables approximate their fair values due to their nature or capacity for prompt liquidation. The carrying values of finance lease liability and long-term debt are based on the contractual interest rates, which is the market rate at the time the contract was entered. Using the market interest rates for similar arrangements as at December 31, 2025 would result in the following effects:

	<u>2025</u>	<u>2024</u>
Long-term debt - carrying value	\$ 5,271,295	\$ 573,974
Long-term debt - fair value	5,288,172	613,361
Convertible debenture - carrying value	1,522,267	2,448,119
Convertible debenture - fair value	1,528,730	2,448,119

Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are: 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. Level 3 uses inputs that are not based on observable market data. Level 2 valuation methods have been used to determine fair values of Convertible debenture and Long-term debt. The fair values of Convertible Debenture and Long-term debt are determined using the present value of expected payments, discounted using a risk-adjusted discount rate.

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. As at December 31, 2025, trade receivables of \$105,982 were past due but not impaired. No receivables were considered impaired at the reporting date.

Credit risk with respect to cash and cash equivalents is considered low; the Company held cash and cash equivalents of \$18,516,086 at December 31, 2025 (2024 - \$3,586,374). The cash and cash equivalents are held with one 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 \$219,054 (2024 - \$316,121) at a fixed rate and is obligated to financial liabilities of \$4,375,648 (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 \$3,961,652 (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 December 31, 2025, the Company had cash and cash equivalents of \$18,516,086 (2024 - \$3,586,374) and current trade and other accounts receivable of \$328,445 (2024 - \$392,420) which were available to settle current trade and other payables of \$2,306,440 (2024 - \$3,057,985), current portion of finance lease liability of \$172,501 (2024 - \$114,062), current portion of long-term debt of \$4,109,639 (2024 - \$22,562) and current portion of convertible debt of \$1,522,267 (2024 - \$NIL).

In December 2025, the Company completed a private placement that raised net proceeds of \$18,841,527 (note 17), significantly strengthening its liquidity position. The Company remains focused on advancing its commercialization strategy and the development of next-generation technology and will continue to manage its cash resources prudently in support of these priorities.

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	\$ 2,306,440	\$ 2,306,440	\$ 2,306,440	\$ —	\$ —
Finance lease liability	1,543,738	2,197,478	361,821	1,558,871	276,786
Long-term debt	5,271,295	6,400,288	4,566,955	1,600,000	233,333
Convertible debenture	1,522,267	1,760,000	1,760,000	—	—
	\$ 10,643,740	\$ 12,664,206	\$ 8,995,216	\$ 3,158,871	\$ 510,119

25. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. Management defines capital as the aggregate of its equity, which is comprised of share capital, contributed surplus and retained earnings. The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company may issue new shares or new debt, acquire or dispose of assets, or repay long-term debt. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets. The Company is not subject to externally imposed capital requirements and there was no change to the Company's approach to capital management during the year.