

Next Hydrogen Solutions Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2026

Unaudited Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2026 and December 31, 2025 (in Canadian dollars)

	September 30, 2026	December 31, 2025
Assets		
Current		
Cash and cash equivalents	**$ 10,781,173**	$ 18,516,086
Trade and other receivables (notes 3 and 18)	**244,075**	328,445
Prepaid expenses and deposits (note 4)	**1,102,727**	265,296
Inventory (note 5)	**97,867**	1,549,037
	12,225,842	20,658,864
Trade and other receivables (notes 3 and 18)	**—**	9,741
Prepaid expenses and deposits (note 4)	**98,257**	89,662
Equipment (note 6)	**4,495,214**	6,683,497
Right of use asset (note 7)	**2,053,308**	1,115,690
Patents (note 8)	**365,024**	415,084
	$ 19,237,645	$ 28,972,538
Liabilities		
Current		
Trade and other payables (note 9)	**$ 1,533,991**	$ 2,306,440
Deferred revenue (note 10)	**2,093,382**	—
Deferred government grants (note 11)	**130,463**	159,738
Finance lease liability (note 13)	**117,619**	172,501
Long-term debt (note 14)	**4,443,954**	4,109,639
Convertible debenture (note 15)	**1,626,611**	1,522,267
	9,946,020	8,270,585
Deferred revenue (note 10)	**1,857,316**	2,677,693
Deferred government grants (note 11)	**149,675**	258,096
Provisions (note 12)	**3,150,000**	3,150,000
Finance lease liability (note 13)	**2,438,372**	1,371,237
Long-term debt (note 14)	**1,019,098**	1,161,656
	18,560,481	16,889,267
Shareholders' Equity		
Share capital (note 16)	**97,353,280**	97,353,280
Contributed surplus (note 17)	**7,527,134**	6,752,702
Retained deficit	**(104,203,250)**	(92,022,711)
	677,164	12,083,271
	$ 19,237,645	$ 28,972,538

On behalf of the Board

"Jocelyne Moyer" *"Anthony Guglielmin"*

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

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

Unaudited Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
three and nine months ended September 30, 2026 and 2025 (in Canadian dollars)

	3 months ended September 30, 2026	3 months ended September 30, 2025	9 months ended September 30, 2026	9 months ended September 30, 2025
Revenue (note 21)	**$ 988,687**	$ 2,291,147	**$ 2,168,308**	$ 2,897,663
Expenses				
Cost of sales (notes 5 and 22)	**1,736,657**	220,139	**3,265,203**	986,530
Research and development (notes 5, 6 and 22)	**3,966,934**	871,433	**6,428,304**	3,475,071
General and administrative (notes 18 and 22)	**1,167,008**	768,556	**3,320,432**	3,222,435
Marketing and sales (note 22)	**399,047**	47,110	**915,396**	296,951
	7,269,646	1,907,238	**13,929,335**	7,980,987
Income / (loss) before the following	**(6,280,959)**	383,909	**(11,761,027)**	(5,083,324)
Finance costs, net (note 19)	**175,422**	296,397	**419,512**	689,588
Net income / (loss) and comprehensive income / (loss)	**$ (6,456,381)**	$ 87,512	**$ (12,180,539)**	$ (5,772,912)
Earnings / (loss) per share:				
Basic	**$ (0.09)**	$ 0.00	**$ (0.18)**	$ (0.25)
Diluted	**$ (0.09)**	$ 0.00	**$ (0.18)**	$ (0.25)
Weighted average number of shares outstanding: (note 16)				
Basic	**69,312,949**	23,132,640	**69,312,949**	22,979,641
Diluted	**69,312,949**	23,132,640	**69,312,949**	22,979,641

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Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
nine months ended September 30, 2026 and 2025 (in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Deficit	Total
Balances as at December 31, 2025	$ 97,353,280	$ 6,752,702	$ (92,022,711)	$ 12,083,271
Share-based compensation expense (note 17)	—	352,926	—	352,926
DSU Issuance (note 17)	—	421,506	—	421,506
Net loss and comprehensive loss	—	—	(12,180,539)	(12,180,539)
Balances as at September 30, 2026	$ 97,353,280	$ 7,527,134	$ (104,203,250)	$ 677,164
Balances as at December 31, 2024	$ 76,418,695	$ 6,580,513	$ (84,369,681)	$ (1,370,473)
Settlement of DSUs	25,000	(25,000)	—	—
Bonus shares	54,341	—	—	54,341
Share-based compensation expense (note 17)	—	139,902	—	139,902
Net loss and comprehensive loss	—	—	(5,772,912)	(5,772,912)
Balances as at September 30, 2025	$ 76,498,036	$ 6,695,415	$ (90,142,593)	$ (6,949,142)

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Unaudited Condensed Interim Consolidated Statements of Cash Flows
three and nine months ended September 30, 2026 and 2025 (in Canadian dollars)

	3 months ended September 30, 2026	3 months ended September 30, 2025	9 months ended September 30, 2026	9 months ended September 30, 2025
Cash flows used in operating activities				
Net income / (loss) and comprehensive income / (loss)	**$ (6,456,381)**	$ 87,512	**$ (12,180,539)**	$ (5,772,912)
Adjustments:				
Finance costs, net (note 19)	**175,422**	296,397	**419,512**	689,588
Depreciation and amortization	**321,735**	290,871	**959,078**	761,179
Gain on sale of equipment	**—**	—	**—**	(2,425)
Inventory write-down (note 5)	**1,645,477**	5,605	**1,704,520**	10,327
Provisions (note 12)	**—**	—	**—**	357,982
Equipment impairment (note 6)	**1,709,750**	—	**1,709,750**	—
Share-based compensation (note 17)	**147,289**	31,737	**352,926**	139,903
Government grant (note 11)	**—**	(81,167)	**—**	(319,790)
	(2,456,708)	630,955	**(7,034,753)**	(4,136,148)
Net change in non-cash operating working capital (note 20)	**1,110,713**	(2,972,290)	**(220,897)**	(2,229,193)
	(1,345,995)	(2,341,335)	**(7,255,650)**	(6,365,341)
Interest received (note 19)	**81,126**	5,422	**264,870**	25,551
	(1,264,869)	(2,335,913)	**(6,990,780)**	(6,339,790)
Cash flows used in investing activities				
Acquisition of equipment (note 6)	**35,507**	(162,137)	**(174,344)**	(1,370,730)
Disposal of equipment	**—**	—	**—**	3,000
Acquisition of patents (note 8)	**—**	—	**(11,530)**	(6,663)
	35,507	(162,137)	**(185,874)**	(1,374,393)
Cash flows from / (used in) financing activities				
Proceeds from loan from related parties	**—**	499,217	**—**	499,217
Proceeds from long term financing (note 14)	**—**	1,165,175	**—**	4,903,043
Repayment of long-term debt (note 14)	**(66,666)**	(2,792)	**(206,270)**	(29,162)
Interest paid on convertible debentures (note 15)	**—**	—	**(79,788)**	(137,370)
Repayment of finance lease liability (note 13)	**(93,077)**	(57,973)	**(272,201)**	(232,997)
	(159,743)	1,603,627	**(558,259)**	5,002,731
Decrease in cash and cash equivalents	**(1,389,105)**	(894,423)	**(7,734,913)**	(2,711,452)
Cash and cash equivalents, beginning	**12,170,278**	1,769,345	**18,516,086**	3,586,374
Cash and cash equivalents, ending	**$ 10,781,173**	$ 874,922	**$ 10,781,173**	$ 874,922

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

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

1. CORPORATE INFORMATION AND GOING CONCERN

Next Hydrogen Solutions Inc. ("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 to generate clean hydrogen for use as an energy source. Next Hydrogen delivers 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 unaudited condensed consolidated interim financial statements (the "Consolidated Interim Financial Statements") include the accounts of the Company and its subsidiaries.

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

For the nine months ended September 30, 2026, the Company had a net loss of $12,180,539, negative cash flow from operations of $6,990,780 and had working capital of $2,279,822. The Company has long-term debt of $5,463,052 with $4,073,425 of that amount maturing in March 2027 (note 14) and a convertible debenture of $1,626,611 maturing in December 2026 (note 15). 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. 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 significant doubt on the Company's ability to continue as a going concern.

The Consolidated Interim 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2025.

The accounting policies described in Note 2 of the 2025 annual consolidated financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise indicated.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 16, 2026.

Changes in Accounting Standards

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 performed an assessment and determined these amendments to have no material effect on its consolidated financial statements.

Future Accounting Pronouncements

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 1 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. Entities that present operating expenses by function will also be required to provide specified expense information by nature.

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

IFRS 19, Subsidiaries without Public Accountability: Disclosures

In May 2024, the International Accounting Standards Board (IASB) issued IFRS 19, *Subsidiaries without Public Accountability: Disclosures*, which is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The standard allows eligible subsidiaries to apply IFRS Accounting Standards while providing a reduced set of disclosure requirements. The Company is publicly accountable and, accordingly, does not expect IFRS 19 to have an impact on its consolidated financial statements.

Critical Accounting Estimates and Significant Judgments

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

3. TRADE AND OTHER RECEIVABLES

	As at September 30, 2026	As at December 31, 2025
Trade receivables	$ 213,844	$ 219,054
Employee loan receivable	—	32,036
GST/HST receivable	30,231	87,096
	$ 244,075	$ 338,186
Current	244,075	328,445
Non-current	—	9,741

4. PREPAID EXPENSES AND DEPOSITS

	As at September 30, 2026	As at December 31, 2025
Advances to suppliers	$ 869,453	$ 95,270
Prepaid expenses	233,274	171,361
Deposits	98,257	88,327
	$ 1,200,984	$ 354,958
Current	1,102,727	265,296
Non-current	98,257	89,662

Advances to suppliers relate primarily to equipment being manufactured under a development contract (note 21).

5. INVENTORY

As at September 30, 2026, inventory consisted of spare parts of $97,867 (December 31, 2025 – $1,549,037).

During the nine months ended September 30, 2026, the Company recorded inventory write-downs of $1,704,520 (2025 – $10,327), of which $897,499 (2025 – $10,327) was recognized in cost of sales and $807,021 (2025 – $Nil) in research and development expenses.

Of the total write-downs, $1,645,477 was recognized during the three months ended September 30, 2026, primarily relating to materials associated with a different generation electrolyzer module and superseded balance-of-stack designs that are no longer expected to be used commercially ($807,021 recognized in research and development expenses), as well as materials associated with an onerous customer contract ($838,456 recognized in cost of sales).

6. EQUIPMENT

	Equipment	Equipment under Constr'n	Computer Hardware	Furniture and Fixtures	Leasehold Improv'ts	Total
Cost						
Balances as at December 31, 2025	$ 6,681,413	$ 1,746,919	$ 317,970	$ 100,707	$ 357,170	$ 9,204,179
Additions	126,425	118,105	21,489	—	186	266,205
Transfers within equipment [2]	50,275	(50,275)	—	—	—	—
Balances as at September 30, 2026	6,858,113	1,814,749	339,459	100,707	357,356	9,470,384
Accumulated depreciation and impairment						
Balances as at December 31, 2025	(2,090,120)	—	(265,898)	(37,515)	(127,149)	(2,520,682)
Depreciation	(681,042)	—	(29,669)	(7,553)	(26,474)	(744,738)
Impairment [1]	—	(1,709,750)	—	—	—	(1,709,750)
Balances as at September 30, 2026	(2,771,162)	(1,709,750)	(295,567)	(45,068)	(153,623)	(4,975,170)
Net carrying amounts						
As at September 30, 2026	$ 4,086,951	$ 104,999	$ 43,892	$ 55,639	$ 203,733	$ 4,495,214

[1] During the three months ended September 30, 2026, the Company indefinitely deferred development of its new-generation factory acceptance testing (FAT 2.0) infrastructure. As a result, the related equipment under construction, including $233,252 of capitalized borrowing costs, was fully impaired as the assets have no identified alternative use or recoverable value. The impairment was recognized in research and development expense.

[2] Transfers within Equipment relate to an enclosure, with a carrying amount of $50,275, that formed part of FAT 2.0 and remains in use.

	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 ended December 31, 2025, 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 nine months ended September 30, 2026, the Company capitalized borrowing costs of $91,862 relating to equipment under construction, at a weighted average capitalization rate ranging from 10.13% to 10.72%. Capitalization ceased upon the deferral of FAT 2.0.

7. 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. In March 2026, the lease was modified (note 13), resulting in an adjustment of $1,090,368 to the right of use asset.

	Cost	Accumulated Amortization	Net
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	1,968,864	(853,174)	1,115,690
Lease extension/modification	1,090,368	—	1,090,368
Amortization	—	(152,750)	(152,750)
Balances as at September 30, 2026	$ 3,059,232	$ (1,005,924)	$ 2,053,308

8. PATENTS

	Cost	Accumulated Amortization	Net
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	1,062,372	(647,288)	415,084
Additions	11,530	—	11,530
Amortization	—	(61,590)	(61,590)
Balances as at September 30, 2026	$ 1,073,902	$ (708,878)	$ 365,024

9. TRADE AND OTHER PAYABLES

	As at September 30, 2026	As at December 31, 2025
Trade payables	$ 414,348	$ 759,929
Accrued payables	1,049,200	907,828
Customer refund (note 10)	—	625,034
Other payables	25,995	13,649
GST/HST payable	44,448	—
	$ 1,533,991	$ 2,306,440

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 nine months ended September 30, 2026	As at and for the year ended December 31, 2025
Opening balance	$ 2,677,693	$ 5,318,614
Advance consideration	2,574,576	766,889
Cancelled contract and transferred to other payables	—	(631,729)
Revenue recognized	(1,301,571)	(2,776,081)
	$ 3,950,698	$ 2,677,693
Current	2,093,382	—
Non-current	1,857,316	2,677,693

11. GOVERNMENT GRANTS

	SDTC[1]	FedDev Ontario [2]	INSAT[3]	OVIN[4]	IRAP[5]	HIF[6]	Total
Balances as at Dec 31, 2025	$ 309,947	$ 68,029	$ —	$ 39,858	$ —	$ —	$ 417,834
Grant received	22,829	—	273,738	234,998	—	—	531,565
Offset against expenses	(112,810)	(7,857)	(273,738)	(274,856)	—	—	(669,261)
Balances, as at September 30, 2026	$ 219,966	$ 60,172	$ —	$ —	$ —	$ —	$ 280,138
Current	119,975	10,488	—	—	—	—	130,463
Non-current	99,991	49,684	—	—	—	—	149,675

	SDTC[1]	FedDev Ontario [2]	INSAT[3]	OVIN[4]	IRAP[5]	HIF[6]	Total
Balances 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)
Balances 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

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

(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. The entire amount has been 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. The entire amount has been received.

(4) The Ontario Centre of Innovation ("OVIN") supports research for the development of high-efficiency, low-cost electrolyzers. The entire grant, including the holdback portion, has been received. The remaining deferred balance was offset against expenses when the related inventory was written down (note 5).

(5) The Industrial Research Assistance Program ("IRAP") supports costs incurred for the Company's next generation product lines. The entire amount has been 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 and the third milestone is currently being worked on.

12. PROVISIONS

The non-current provision of $3,150,000 relates to an onerous contract from a prior year. There were no movements in the provision during the nine months ended September 30, 2026. During the nine months ended September 30, 2025, an onerous contract provision of $357,982 was recognized and subsequently reversed in the fourth quarter of 2025.

	As at and for the nine months ended September 30, 2026	As at and for the year ended December 31, 2025
Opening balance	$ 3,150,000	$ 3,150,000
Additions	—	357,982
Reversal	—	(357,982)
	$ 3,150,000	$ 3,150,000
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. During the nine months ended September 30, 2026, the Company signed a five-year lease extension, with an option to extend for an additional five years. The change in payments due to this extension resulted in an increase in lease liability by $1,090,368. The lease liability is measured at amortized cost by discounting the lease payments over the remaining term of the lease at the Company's revised incremental borrowing rate of 11.94%.

	As at and for the nine months ended September 30, 2026	As at and for the year ended December 31, 2025
Opening balance	$ 1,543,738	$ 1,657,920
Interest	194,086	208,375
Repayment	(272,201)	(322,557)
Modification	1,090,368	—
	$ 2,555,991	$ 1,543,738
Current	117,619	172,501
Non-current	2,438,372	1,371,237

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Future minimum lease payments	$ 401,337	$ 1,717,534	$ 2,194,507	$ 4,313,378
Interest	(283,718)	(955,737)	(517,932)	(1,757,387)
	$ 117,619	$ 761,797	$ 1,676,575	$ 2,555,991

14. LONG-TERM DEBT

	As at and for the nine months ended September 30, 2026	As at and for the year ended December 31, 2025
Opening balance	$ 5,271,295	$ 573,974
Proceeds	—	4,903,043
Repayments	(206,270)	(205,070)
Amount recognized as government grant	—	(375,261)
Interest	398,027	374,609
	$ 5,463,052	$ 5,271,295
Current	4,443,954	4,109,639
Non-current	1,019,098	1,161,656

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 the Company in equal monthly installments from August 1, 2026, to July 1, 2031. This loan is unsecured.

The Company received the four tranches of the FedDev Ontario loan totaling $2,000,000 between 2024 and 2025. Since the loan bears no interest, the tranches were fair valued using a discounted cash flow model with discount rates ranging from 12.0% to 18.6%, resulting in a fair value of $1,147,041 and a government grant of $852,958. Of the $375,261 recognized as a government grant during the year ended December 31, 2025, $319,790 was offset against applicable commercialization expenses, and $55,471 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. Subsequent to September 30, 2026, the Company and Export Development Canada agreed to extend the maturity of the loan facility, under which $4,000,000 is outstanding, from November 16, 2026 to March 16, 2027. All other terms remain unchanged.

The facility bears interest at a floating rate equal to the prime rate plus 2.55% per annum, with semi-annual interest payments. The principal and final accrued interest amount is repayable in a single installment on March 16, 2027, 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 nine months ended September 30, 2026	As at and for the year ended December 31, 2025
Opening balance	$ 1,522,267	$ 2,448,119
Converted to shares	—	(1,063,887)
Interest expense	184,132	412,028
Interest payment	(79,788)	(273,993)
	$ 1,626,611	$ 1,522,267
Current	1,626,611	1,522,267
Non-current	—	—

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 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, 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 during the year ended December 31, 2025. The remaining Convertible Debentures continue under their original terms.

16. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value.

As at September 30, 2026, the Company has 69,312,949 (December 31, 2025 – 69,312,949) common shares issued and outstanding and there were no shares issued or cancelled during the period.

17. 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 the aggregate of 6,931,295 common shares of the Company; plus

such number of common shares of the Company as is equal to a further ten percent (10%) of the number of Shares as may be issued and outstanding from time to time.

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 periods ended December 31, 2025 and September 30, 2026:

	Weighted Average Exercise Price $	Options #
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
Issued	0.51	2,905,000
Cancelled	3.39	(1,277,876)
Forfeited	0.69	(138,750)
Balances as at September 30, 2026	0.60	5,550,000

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 2,905,000 stock options issued during the nine months ended September 30, 2026 (2025 – 495,000). Of the total stock options outstanding as of September 30, 2026, 3,655,000 (December 31, 2025 – 3,076,626) were held by Board members and key management. Subsequent to the reporting period, no stock options were granted to board members or key management.

The following table summarizes information about stock options outstanding as at September 30, 2026:

Exercise Price $	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0 to 0.99	5,205,000	4.3381	563,750
1 to 1.99	250,000	1.1978	190,000
2 to 2.99	75,000	0.6062	75,000
3 to 3.99	—	—	—
4 to 4.99	10,000	0.0972	10,000
5 to 5.99	10,000	0.1643	10,000
6 to 6.99	—	—	—
7 to 7.99	—	—	—
0.60	5,550,000	4.1311	848,750

The following table summarizes information about stock options outstanding as at 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

Included in expenses for the nine months ended September 30, 2026 is a share-based compensation expense of $352,926 (nine months ended September 30, 2025 - $139,903).

The Company has a deferred share unit ("DSU") plan for certain employees, directors and consultants that is administered by the Board of Directors and may be settled in cash or equity. During the nine months ended September 30, 2026, 778,761 (nine months ended September 30, 2025: NIL) DSUs were issued to the Board of Directors in settlement of accrued directors' fees of $421,506. 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 periods ended December 31, 2025 and September 30, 2026.

	Weighted Average Price $	DSUs #
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
Issued	0.54	778,761
Balances, as at September 30, 2026	0.68	883,985

During the nine months ended September 30, 2026, NIL (2025 – 15,032) DSUs were settled in shares; therefore, 883,985 (December 31, 2025 – 105,224) DSUs were outstanding as at September 30, 2026. Subsequent to the reporting period, 237,568 DSUs were issued to the Board members in settlement of fees owed for the three-month period ended September 30, 2026.

18. RELATED PARTY TRANSACTIONS

As at September 30, 2026, there were no employee loans receivable from key management employees (December 31, 2025 - $32,036). All employee loans, granted at no interest, were fully repaid during the nine months ended September 30, 2026.

During the nine months ended September 30, 2026, the Company issued 778,761 DSUs to the Board of Directors in settlement of $421,506 accrued directors' fees (note 17).

During the nine months ended September 30, 2026, the Company incurred $110,918 (2025 – $NIL) for recruitment services provided by a firm in which a member of the Board of Directors is a partner.

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

	3 months ended September 30, 2026	3 months ended September 30, 2025	9 months ended September 30, 2026	9 months ended September 30, 2025
Salaries, benefits and consultant fees	$ 125,147	$ 301,844	$ 833,101	$ 1,098,080
Share-based compensation expense	91,616	25,516	245,860	119,646
	$ 216,763	$ 327,360	$ 1,078,961	$ 1,217,726

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

19. FINANCE COSTS, NET

	3 months ended September 30, 2026	3 months ended September 30, 2025	9 months ended September 30, 2026	9 months ended September 30, 2025
Interest income	$ (81,188)	$ (5,422)	$ (267,724)	$ (25,551)
Interest expense	256,610	301,819	687,236	715,139
	$ 175,422	$ 296,397	$ 419,512	$ 689,588

20. CHANGE IN NON-CASH WORKING CAPITAL

	3 months ended September 30, 2026	3 months ended September 30, 2025	9 months ended September 30, 2026	9 months ended September 30, 2025
Trade and other receivables	$ 539,224	$ (544,076)	$ 94,111	$ (502,174)
Prepaid expenses and deposits	(461,775)	217,013	(846,026)	62,162
Inventory	(33,743)	(56,466)	(253,350)	(194,992)
Trade and other payables	257,841	(847,041)	(350,941)	542,825
Deferred revenue	872,676	(1,728,972)	1,273,005	(1,959,593)
Deferred government grants	(63,510)	(12,748)	(137,696)	(177,421)
	$ 1,110,713	$ (2,972,290)	$ (220,897)	$ (2,229,193)

21. SEGMENTED INFORMATION AND MAJOR CUSTOMERS

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

All of the Company's assets are located in Canada. During the nine months ended September 30, 2026, revenue was derived from two customers, each representing approximately 50% of total revenue. For the nine months ended September 30, 2025, two customers represented approximately 85% and 13% of total revenue.

The Company's revenue streams are as follows:

	3 months ended September 30, 2026	3 months ended September 30, 2025	9 months ended September 30, 2026	9 months ended September 30, 2025
Service revenue	$ 513,459	$ 156,176	$ 1,092,725	$ 385,681
Revenue from development contract	475,228	2,134,971	1,075,583	2,511,982
	$ 988,687	$ 2,291,147	$ 2,168,308	$ 2,897,663

During the three months ended September 30, 2026, the Company revised its estimate of the delivery date for equipment under a development contract. The contract provides for liquidated damages for late delivery of up to 7.5% of the contract price. This change in accounting estimate reduced the transaction price by $281,532 and resulted in a reduction in revenue of $87,209 recognized in the current period.

22. EXPENSES BY NATURE

The following table presents the Company's expenses by nature for the periods presented:

	3 months ended September 30, 2026	3 months ended September 30, 2025	9 months ended September 30, 2026	9 months ended September 30, 2025
Salaries, Wages & Benefits	$ 2,307,304	$ 1,593,000	$ 6,177,598	$ 5,823,550
Inventory write-down	1,645,477	5,605	1,704,520	10,327
Equipment Impairment	1,709,750	—	1,709,750	—
Consultants	353,909	(18,648)	1,247,203	960,899
Materials and Supplies	610,646	68,048	1,043,473	1,220,099
Depreciation & Amortization	321,735	290,871	959,078	761,179
Professional Fees	215,797	40,858	623,952	527,549
Licenses and Certifications	125,041	169,369	368,592	502,976
Rent	79,556	69,100	239,278	194,171
Insurance	37,563	59,256	142,366	171,573
IT and Communications	41,214	13,162	125,962	68,933
Travel Costs	25,922	43,554	114,105	176,642
Utilities	54,502	27,104	90,743	104,576
Patent Maintenance	32,397	28,553	75,000	79,093
Shipping and Freight	20,106	8,710	54,307	77,576
Others	48,374	17,399	100,325	85,244
Onerous Contract Provision	—	—	—	357,982
SRED Tax Credit	(177,656)	(6,063)	(177,656)	(321,697)
Government Grant Offset	(181,991)	(502,640)	(669,261)	(2,819,685)
	$ 7,269,646	$ 1,907,238	$ 13,929,335	$ 7,980,987

23. 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 values of cash and cash equivalents, trade and other receivables and trade and other payables, excluding sales taxes, approximate their fair values due to their nature or capacity for prompt liquidation. The carrying values of long-term debt and convertible debenture are based on the contractual interest rates.

Using the market interest rates for similar arrangements as at September 30, 2026 and December 31, 2025 would result in the following effects:

	As at September 30, 2026	As at December 31, 2025
Long-term debt - carrying value	$ 5,463,052	$ 5,271,295
Long-term debt - fair value	5,505,157	5,288,172
Convertible debenture - carrying value	1,626,611	1,522,267
Convertible debenture - fair value	1,629,672	1,528,730

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 September 30, 2026, trade receivables amounted to $213,844. 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 $10,781,173 at September 30, 2026 (December 31, 2025 - $18,516,086). The cash and cash equivalents are held with two major Canadian financial institutions which are rated AA1 and AA2, 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: The Company holds financial assets of $213,844 (December 31, 2025 – $219,054) at a fixed rate and is obligated to financial liabilities of $5,572,229 (December 31, 2025 – $4,375,648) at fixed rates; these are accounted for at amortized cost. The Company also had variable rate financial liabilities of $4,073,425 (December 31, 2025 – $3,961,652) related to the Export Development Canada loan facility. A 1% change in interest rates would increase or decrease annual interest expense by approximately $41,000, with a corresponding impact on net loss and equity.

(ii) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions resulting in exposure to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. However, given that the volume and magnitude of foreign currency transactions is low, the effect this risk has on the Company's earnings is not significant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing, on an ongoing basis, its financial requirements for operations and capital expenditures and ensuring financing is available when necessary. As at September 30, 2026, the Company had cash and cash equivalents of $10,781,173 (December 31, 2025 - $18,516,086) and current trade and other receivables of $244,075 (December 31, 2025 - $328,445) which were available to settle current trade and other payables of $1,533,991 (December 31, 2025 - $2,306,440), current portion of finance lease liability of $117,619 (December 31, 2025 – $172,501), current portion of long-term debt of $4,443,954 (December 31, 2025 - $4,109,639) and current portion of convertible debenture of $1,626,611 (December 31, 2025 - $1,522,267).

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. 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 significant doubt on the Company's ability to continue as a going concern.

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

	Carrying amount	Total	1 year	2 to 5 years	After 5 years
Trade and other payables	$ 1,533,991	$ 1,533,991	$ 1,533,991	$ —	$ —
Finance lease liability	2,555,991	4,313,378	401,337	1,717,534	2,194,507
Long-term debt	5,463,052	6,050,703	4,517,370	1,533,333	—
Convertible debenture	1,626,611	1,680,000	1,680,000	—	—
	$ 11,179,645	$ 13,578,072	$ 8,132,698	$ 3,250,867	$ 2,194,507

24. 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 / (deficit). 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 period.

25. SUBSEQUENT EVENTS

Subsequent to September 30, 2026, the Company and Export Development Canada agreed to extend the maturity of the loan facility, under which $4,000,000 is outstanding, from November 16, 2026 to March 16, 2027. All other terms remain unchanged.

In September 2026, the Company entered into a non-repayable contribution agreement with Natural Resources Canada for funding of up to $2,000,000 to support the development of scalable fabrication processes for the Company's commercial electrolyzer modules. The Company filed its first claim under the agreement in November 2026.