MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis (MD&A) comments on the consolidated financial position and financial performance of Hammond Manufacturing Company Limited (“Hammond” or “the Company”) for the year ended December 31, 2025. This discussion should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2025, and related notes. Additional information about the Company can be found on its website, www.hammfg.com, or through the SEDAR website at www.sedar.com which includes the Company’s Annual Information Form. The information contained herein is dated as of March 10, 2026.

The annual consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

All amounts in this report are in Canadian dollars unless otherwise stated.

Cautionary advisory–Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. This MD&A contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to among other things, the Company’s strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as “may”, “will”, “could”, “should”, “would”, “likely”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “objective” and “continue” and words and expressions of similar import. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings; and the ability to execute strategic plans. The Company does not undertake any obligation to update publicly or to revise any of the forward looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Hammond Manufacturing Company Limited manufactures electronic and electrical enclosures, outlet strips and electronic transformers that are used by manufacturers of a wide range of electronic and electrical products. Products are sold directly to Original Equipment Manufacturers (OEM) and through a global network of distributors and agents.

Facilities are situated in Canada, the United States of America (US), the United Kingdom (UK), Taiwan, and Australia, with agents and distributors located worldwide. The Company also maintains a 40% ownership share of RITEC Enclosures Inc. (RITEC) located in Taiwan. RITEC produces a line of small cases for sale through Hammond's sales channels and also manages the sourcing of die cast and plastic enclosures.

OPERATIONS

Hammond was founded in Guelph, Ontario, Canada in 1917. In the early years, the Company manufactured radios, power amplifiers and battery eliminators. The Company has grown over the years and has established a global name for quality products of Electrical Enclosures, Racks and Cabinets, Small Electronic Cases, Outlet Strips and Electronic Transformers. Customers include electrical, electronic and datacom OEM's/MRO's, utilities and institutions which are served through a network of agents and distributors.

Hammond has a team of over 1,000 employees with a commitment to ongoing capital investment and continuous improvement programs to affirm the Hammond reputation for quality. Ongoing efforts to differentiate through high levels of service and customer satisfaction are a key corporate focus. These are the cornerstones to future success.

Demand for the Company's products remained steady in 2025, with Hammond realizing its highest annual revenues in the Company's history.

Primary manufacturing is in Ontario, Canada with supporting manufacturing capabilities in the US and UK. In the summer of 2024 Hammond purchased 11.49 acres of land in Fergus, Ontario. This will secure needs for future growth.

The Company holds high levels of inventory to ensure customers are serviced well. This policy serves the Company well to ensure that customer demands are met and serviced in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Amounts are presented in thousands of Canadian dollars, except earnings per share, unless otherwise stated.

QUARTERLY INFORMATION

	2025				Year-to-date
	Q1	Q2	Q3	Q4	Total
Net sales	$67,159	$71,333	$70,787	$72,127	$281,406
Income from operating activities	7,120	6,134	5,733	3,306	22,293
Net income for the period	4,726	3,904	3,858	1,920	14,408
Earnings per share - Basic & diluted	$0.42	$0.34	$0.34	$0.17	$1.27

	2024				Year-to-date
	Q1	Q2	Q3	Q4	Total
Net sales	$59,086	$61,944	$62,166	$61,702	$244,898
Income from operating activities	6,859	7,329	6,463	6,949	27,600
Net income for the period	4,457	4,712	4,399	4,806	18,374
Earnings per share - Basic & diluted	$0.39	$0.42	$0.39	$0.42	$1.62

FOURTH QUARTER RESULTS

NET SALES

Net sales for the three months ended December 31, 2025, were $72,127, up 1.9% compared to net sales of $70,787 in the third quarter of 2025. Foreign exchange had a positive impact of $591, accounting for 0.8% of the increase. In local currencies, the Canadian market was down 2.0%, the US market was up 2.8% while UK, European and International markets were down 1.6%. Including the impact of foreign exchange, US net sales were up 4.1% and UK, European and International markets were down 1.7%.

Net sales for the current quarter were up 16.9% compared to net sales of $61,702 for the three months ended December 31, 2024. Foreign exchange had a positive impact of $97, accounting for 0.2% of the increase. In local currencies, the Canadian market was up 8.9%, the US market was up 21.7% while UK, European and International markets were up 6.0%. Including the impact of foreign exchange, US net sales were up 21.7% and UK, European and International markets were up 9.9%.

GROSS PROFIT

Gross profit of $22,111 for the fourth quarter of 2025 was 30.7% of net sales compared to 33.5% in the third quarter of 2025. Margins were significantly impacted by US tariff costs in the fourth quarter of 2025. In particular, the Company reversed an estimated US tariff receivable, established in the second quarter of 2025, of $2,608. Adjusting for the impact of foreign exchange and the reversal of the anticipated tariff refund, this quarter's gross margin is 34.1%.

Comparing the gross profit between the comparative fourth quarter of 2024 and 2025 there was a decrease from 38.1% to 30.7%. Margins were significantly impacted by US tariff costs in the fourth quarter of 2025. The impact of foreign exchange compared to levels in the fourth quarter of 2024 was negligible.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION, GENERAL AND ADMINISTRATIVE EXPENSES AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Fourth quarter selling and distribution, general and administrative expenses and loss on the disposal of property plant and equipment of $18,805 was 26.1% of net sales for the three months ended December 31, 2025. This compared with spending of $17,986 in the previous quarter, that was 25.4% of net sales. The fourth quarter of 2024 saw spending levels of $16,567 which was 26.9% of net sales.

Selling and distribution spending in the fourth quarter of 2025 was $16,534 (22.9% of net sales) up from $16,022 (22.6% of net sales) in the third quarter of 2025. Selling and distribution spending was up $1,849 over the fourth quarter spending of $14,685 in 2024 (23.8% of net sales) primarily due to freight, warehousing and commission costs.

General and administrative expenses of $2,268 (3.1% of net sales) in the fourth quarter are up 18.1% (or $347) over the previous quarter's spending of $1,921 (2.7% of net sales). This quarter's spending was up $393 compared to the fourth quarter of 2024 general and administrative expenses of $1,875 (3.0% of net sales).

INCOME FROM OPERATING ACTIVITIES

This quarter's income from operating activities was $3,306 (4.6% of net sales). This is down from the prior quarter of $5,733 (8.1% of net sales) and down from the fourth quarter of 2024 amount of $6,949 (11.3% of net sales).

INTEREST

The fourth quarter net interest expense was $511 compared to an expense of $742 for the fourth quarter 2024. Contributing to the reduction in net interest expense, the quarter's average cash balance increased $9.8 million and long-term debt reduced $5.2 million, while lease liabilities were up $9.4 million as additional space is secured to complement the growth of the business.

The following is a breakdown of net interest expense:

Three months ending		December 31, 2025		December 31, 2024
Long term debt interest	$	587	$	643
Bank indebtedness interest		3		34
Interest expense	$	590	$	677
Interest income earned on cash		(317)		(133)
Net interest expense before leases	$	273	$	544
Interest expense leases		238		198
Net interest expense	$	511	$	742

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

During the fourth quarter of 2025, the Company recognized a loss on transactional foreign exchange of $534 compared to a loss of $14 in the three months ended December 31, 2024. The loss is primarily driven by the strengthening of the Canadian dollar against the US dollar.

INCOME TAX EXPENSE

Fourth quarter tax expense was $309 and 13.9% of income before taxes, which brings the overall year's tax rate to 24.1% of income before taxes. The decrease in the Company's effective tax rate is primarily due to the jurisdictional mix of income.

MANAGEMENT DISCUSSION AND ANALYSIS

NET INCOME FOR THE PERIOD

Net income of $1,920 (2.7% return on net sales) was recognized for the fourth quarter ending December 31, 2025. This is down from a net return of $3,858 (5.5% return on net sales) in the previous quarter and down from the net return of $4,806 (7.8% return on net sales) recognized in the fourth quarter of 2024.

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

The translation adjustment for the fourth quarter of 2025 was a loss of $659 compared to a translation gain of $2,095 in the fourth quarter of 2024.

TOTAL COMPREHENSIVE INCOME

Comprehensive income for the fourth quarter ended December 31, 2025, was $1,261 (1.7% of net sales) down from the three months ended December 31, 2024, of $6,901 (11.2% of net sales) and down from the previous quarter's total comprehensive income of $4,509 (6.4% of net sales).

FULL YEAR RESULTS

NET SALES

Net sales of $281,406 in 2025 were up 14.9% from $244,898 reported in 2024. Foreign exchange had a positive impact of $4,220 in 2025, accounting for 1.7% of the increase. In local currencies, the Canadian market was up 12.6%, the US market was up 14.7% while UK, European and International markets were flat. Including the impact of foreign exchange, US net sales were up 17.0% and UK, European and International markets were up 5.2%.

GROSS PROFIT

In 2025, gross profit was $94,587 or 33.6% of net sales compared to $90,901 or 37.1% achieved in 2024. Foreign exchange had a positive impact of $969 in 2025. Removing the foreign exchange impact in 2025, gross margin would be 33.3%. The decline in margin is primarily attributed to the impact of US tariffs.

SELLING AND DISTRIBUTION, GENERAL AND ADMINISTRATIVE, AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Selling and distribution, general and administrative expenses and loss on the disposal of property plant and equipment of $72,294 (25.7% of net sales) was up 14.2% compared to the 2024 spend of $63,301 (25.8% of net sales). Of the change, $880 (1.4% of net sales) can be attributed to foreign exchange. This compares to a year-over-year net sales increase of 14.9%.

Selling and distribution expenses of $64,118 increased $7,932 or 14.1% compared to 2024, in line with revenue growth of 14.9%. Foreign exchange had the impact of increasing costs by $785. Including the foreign exchange impact, freight and warehousing expenses are up $4,774 or 15.0% while selling expenses are up $2,918 or 13.3% largely driven by commission costs.

General and administrative expenses of $8,130 were up $1,029 or 14.5% compared to 2024 spending levels of $7,101. Foreign exchange had the impact of increasing costs by $95. The largest driver of the cost increase came from salary and outside services costs.

The impact from the loss on the disposal of property, plant and equipment was $46. This compares to a loss of $14 recognized in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME FROM OPERATING ACTIVITIES

Overall, 2025 income from operating activities was $22,293 (7.9% of net sales) which is down compared to 2024 income from operating activities of $27,600 (10.6% of net sales).

INTEREST

Net interest expense was $2,334 compared to an expense of $2,875 for 2024. Contributing to the reduction in net interest expense, the year's average cash balances increased $12.2 million and long-term debt reduced $4.2 million, while lease liabilities were up $6.6 million as additional space was secured to complement the growth of the business.

The following is a breakdown of net interest expense:

Twelves months ending		December 31, 2025		December 31, 2024
Long term debt interest	$	2,359	$	2,566
Bank indebtedness interest		20		249
Interest expense	$	2,379	$	2,815
Interest income earned on cash		(910)		(595)
Net interest expense before leases	$	1,469	$	2,220
Interest expense leases		865		655
Net interest expense	$	2,334	$	2,875

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

The foreign exchange translation adjustment for 2025 was a loss of $829, compared to a loss of $221 in 2024. The Canadian dollar averaged 2024 at $1.00 USD to $1.369 CAD and closed 2024 at $1.00 USD to $1.439 CAD. The Canadian dollar averaged 2025 at $1.00 USD to $1.397 CAD and closed 2025 at $1.00 USD to $1.371.

INCOME TAX EXPENSE

2025 tax expense of $4,586 was 24.1% of income before income tax. This compares to a 2024 tax expense of $6,148 which was 25.1% of income before income tax. The decrease in the Company's effective tax rate is primarily due to the jurisdictional mix of income.

NET INCOME FOR THE YEAR

Net income for the year ending December 31, 2025, was $14,408 (5.1% of net sales) compared to the prior year net income of $18,374 (7.5% of net sales).

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

During 2025, a loss of $1,627 on translational foreign exchange was recorded compared to a gain of $2,842 in 2024.

TOTAL COMPREHENSIVE INCOME

Comprehensive income for 2025 was $12,781 (4.5% of net sales) compared to comprehensive income of $21,216 (8.7% of net sales) in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

SELECTED ANNUAL INFORMATION

Consolidated Statements of Comprehensive Income		2025		2024		2023
Net sales	**$**	**281,406**	$	244,898	$	238,285
Income from operating activities		**22,293**		27,600		28,088
Net income for the year		**14,408**		18,374		18,761
Per share - basic & fully diluted net earnings for the year		**$1.27**		$1.62		$1.66

Consolidated Statement of Financial Position		2025		2024		2023
Total assets	**$**	**235,130**	$	214,789	$	189,758
Total funded debt and lease liabilities		**60,299**		56,728		56,451
Working capital		**67,705**		56,044		43,075
Net cash generated from operating activities		**25,473**		33,665		16,895
Dividends declared and paid		**680**		680		680
Shareholders' equity	**$**	**131,636**	$	119,535	$	98,999

CAPITAL RESOURCES AND LIQUIDITY

Net cash generated in operating activities for 2025 was $25,473 (2024 – generated $33,665). Cash flows from financing activities used $10,167 primarily to pay down long-term debt and support leases (2024 – used $7,371). Net cash used in investing activities was $5,778 (2024 – used $12,039).

Trade and other receivables of $36,186 as at December 31, 2025 have increased 11.4% compared to 2024. The increase can be attributed to higher net sales and timing of incoming payments in the corresponding periods.

The year-end investment in inventory of $64,197 saw a decrease of 3.7% from the 2024 inventory value of $66,654. Inventory turnover increased to 2.9 from 2.3 in 2024 (cost of sales for the year divided by the twelve-month average inventory level). Turns of 2 to 3 reflect our historical levels. The Company's value statement hinges on having our standard product on our shelves.

Trade and other liabilities increased by $6,335, or 24.0% over 2024 to $32,721. Total long-term debt, lease liabilities and bank indebtedness increased by $3,571 over the prior year to $60,299 primarily due to new leases entered into in 2025. The Company's debt-to-equity ratio at year-end (excluding lease liabilities) was approximately 0.27:1 (2024 - 0.35:1). The debt-to-equity ratio inclusive of the lease liabilities was 0.46:1 (2024 - 0.47:1). Debt is made up of Bank Indebtedness, Long-term Debt and Lease Liabilities.

Total dividends paid in 2025 were $680 (2024 - $680).

Property, plant, equipment and intangible asset additions, excluding right of use assets, in 2025 were $5,778 compared to $12,039 in 2024.

The overall cash position increased by $8,361 primarily reflecting cash generated from operations and working capital movements, less capital expenditures on property, plant and equipment and the repayment of outstanding debt and leases, compared to a cash position increase of $15,820 in 2024. The excess cash will be utilized to fund future growth projects.

During 2025, the Company renewed and entered into several facility leases in key operating locations to support current operations and anticipated growth. These leases primarily relate to warehouse and manufacturing space and reflect management's assessment of long-term operational requirements in each region.

As a result of these activities, lease liabilities increased during the year. Substantially all lease commitments discussed in this MD&A are recognized as right-of-use assets and lease liabilities in the consolidated financial statements in accordance with IFRS 16.

The Company is compliant with all the bank covenants as at December 31, 2025, and the credit facilities are well designed to meet expected on-going requirements.

As at December 31, 2025 contractual obligations showing demand loans as current are as follows:

Contractual obligations *(In thousands)*	***Total***	***Current***	***1-2 Years***	***2-3 Years***	***3-4 Years***	***4-5 Years***	***After 5 Years***
Long-term debt	$ 35,097	$ 31,678	$ 1,551	$ 1,553	$ 315	$ -	$ -
Lease Liabilities	25,202	3,926	3,540	3,471	3,249	3,134	7,882
Total contractual obligations	$ 60,299	$ 35,604	$ 5,091	$ 5,024	$ 3,564	$ 3,134	$ 7,882

As at December 31, 2025 contractual obligations based on repayment not being called early are as follows:

Contractual obligations *(In thousands)*	***Total***	***Current***	***1-2 Years***	***2-3 Years***	***3-4 Years***	***4-5 Years***	***After 5 Years***
Long-term debt	$ 35,097	$ 7,249	$ 2,082	$ 25,451	$ 315	$ -	$ -
Lease Liabilities	25,202	3,926	3,540	3,471	3,249	3,134	7,882
Total contractual obligations	$ 60,299	$ 11,175	$ 5,622	$ 28,922	$ 3,564	$ 3,134	$ 7,882

In addition to the contractual obligations above, the Company has current obligations of $1,503 (2024 - $998) against open purchase orders for outstanding capital expenditures.

The Company also has open purchase commitments with RITEC as at December 31, 2025 of $1,124 (2024 - $985). This expenditure should be completed in the first half of 2026.

SHARE CAPITAL

As of March 10, 2026, 8,556,000 Class A subordinate voting shares and 2,778,300 Class B common shares were issued and outstanding. The Company also has a management share option plan, with no options currently outstanding.

EBITDA

EBITDA for 2025 was $32,367 compared to an EBITDA of $37,215 achieved in 2024.

EBITDA adjusted for transactional impact of foreign exchange was $33,196 (or 11.8% of net sales) in 2025 compared to an adjusted EBITDA of $37,436 (or 15.3% of net sales) in 2024. EBITDA and adjusted EBITDA are calculated as outlined in the following table.

The reconciliation of Net Earnings to Earnings Before Interest, Taxes Depreciation and Amortization (EBITDA)* and Adjustment EBITDA* is as follows:

	Year Ended:		Three Months Ended:	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Net income for the period	$ 14,408	$ 18,374	$ 1,920	$ 4,806
Add				
Income tax expense	4,586	6,148	309	1,502
Depreciation and amortization	7,449	6,840	1,893	2,506
Right-of-use depreciation	3,590	2,978	970	982
Finance costs on debt	1,469	2,220	273	82
Right-of-use finance costs	865	655	238	198
Subtotal	17,959	18,841	3,683	5,270
EBITDA*	$ 32,367	$ 37,215	$ 5,603	$ 10,076
Add:				
FX transactional loss	829	221	534	14
Adjusted EBITDA *	$ 33,196	$ 37,436	$ 6,137	$ 10,090

* EBITDA and Adjusted EBITDA are non-IFRS earnings measures, therefore they do not have any standardized meaning prescribed by International Financial Reporting Standards and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA removes the impact of foreign exchange transactional losses so management can assess the impact of this on the operating results. Management uses these measurements to evaluate the operating results of the Company. These measures are also important to management since they are used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA and Adjusted EBITDA to be useful information because they provide measures of the Company's operating performance.

ENVIRONMENTAL ISSUES

The Company holds a vacant investment property located at 2 Glen Road, Georgetown (the Glen Ewing Property) which is 50% co-tenancy with Hammond Power Solutions Inc. (HPSI). The soil has been contaminated by diesel oil, which is believed to be related to site operations of prior owners. The Company and HPSI, as co-tenants, have been working co-operatively with an environmental consultant, the Ministry of the Environment, Conservation and Park's (MECP) and the adjacent property owner to contain and remove any free-flowing contaminants. The parties have cooperatively developed a remediation action plan to contain and remove any free-flowing contaminants and began remediation in October 2009. The MECP is aware of the remediation and the process being used. It does not include obtaining a record of site condition. The Company's estimate of the remaining portion of the environmental remediation costs for the October 2009 plan for this site is $225 (2024 - $225) with $80 (2024 - $80) presented as a current liability in the consolidated financial statements. The provision covers the next four years' activities.

In March 2024, the MECP performed an inspection of the Glen Ewing Property which resulted in the MECP recommending certain additional remedial actions including further monitoring and implementation of systems to prevent migration of certain other contaminants. The MECP did not issue a formal regulatory order. However, a formal order may be issued if certain steps are not taken. The costs of the additional remedial actions are currently contingent on the completion of a feasibility study. The anticipated costs will be based on an external consultant's remediation plan and management's estimate, discounted for expected timing of expenditures. The cost of the initial feasibility study is estimated to be between $50 - $100, and shared with Hammond Power Solutions Incorporated. No amounts have been accrued as at December 31, 2025. The contamination did not result from the normal operations of the Company.

A third-party statement of claim was issued on March 6, 2019, against the Company with respect to an adjacent property to one of its Waterloo facilities. Records do not show any spills of chemicals at this location and management has made the decision not to make any provision/contingency in these consolidated financial statements.

Other than the above noted sites, management is not aware of any unusual or significant environmental issues.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

i) Inventory

Inventories are valued at the lower of cost or net realizable value. Estimates are required to allocate purchase price variances and manufacturing absorption based on average inventory turns. When necessary, the write-down of inventory to its net realizable value is recorded as a result of industry conditions. We have made certain assumptions when determining expected future demand by utilizing information such as inventory quantities and aging, historical sales of inventory and general market understanding. Reductions in demand for certain of our inventories or declining market values, as well as differences between actual results and the assumptions utilized by us when determining the market value of our inventories, could result in the recognition of write-down expenses in future periods.

ii) Amortization

Management makes estimates of the appropriate useful lives to be assigned to intangible assets based on the individual circumstances of an acquisition. Management reviews the appropriateness of the lives assigned and adjusts prospectively, where necessary.

iii) Impairment tests

Management makes estimates of sustainable earnings, future expected cash flows and discount rates in the determination of the value-in-use or fair value less costs of disposal of cash-generating units (“CGUs”).

iv) Provision against accounts receivable

Management makes estimates on the expected credit losses (“ECLs”) of accounts receivable balances based on customer specific facts and circumstances as well as experience of write-offs. Changes in the economic conditions in which the Company’s customers operate and their underlying financial stability may impact on these estimates.

v) Employee future benefits

Management estimates the discount rates, retirement age and future costs of benefits associated with providing future employee benefits and exercises judgment to determine how many employees will utilize these benefits.

vi) Tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

vii) Depreciation

Management estimates future residual values and the rate at which the useful lives of property and equipment are consumed to determine appropriate depreciation charges. Estimates of residual value and useful lives are based on data and information from various sources, including vendors, industry practice and Company-specific history. Management reviews the appropriateness of the lives assigned and adjusts prospectively, where necessary.

viii) Property value

Management estimates the value of the investment property to assess if impairment has occurred. The estimate is made by reviewing local land prices and current sales of similar properties as well as property tax value assessment.

ix) Environmental remediation:

Management estimates the value to complete the remediation project on the Glen Ewing Property each year by reviewing the project status and activities still to be completed. Any changes to the project scope are updated in the cost estimation model and any change in the required reserve is recorded in the current year.

x) Sales returns:

Management estimates the value of product that will be returned based on a historical analysis. Any change to the estimate is recorded as a reduction of revenue in the current period.

xi) Leases:

For the purpose of initial and subsequent measurement of leases the Company utilizes a discounted interest rate in the lease that is readily available or the Company’s incremental borrowing rate. The Company also utilizes its best estimate of any costs to dismantle and remove the assets at the end of the lease.

Use of judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions relating to the following items:

xii) Provision for claims

Judgment is exercised in deciding whether a liability for a claim meets the criteria of a present obligation and in assessing the probability of the outflow of economic resources.

xiii) Leases

The Company exercises judgement as to whether it is likely to extend the term of the lease when the option is provided.

xiv) Impairment tests

Management exercises judgment to determine whether there are factors that would indicate that an asset or a CGU is impaired. The determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about the Company's operations.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

(i) financial statements prepared for external purposes are in accordance with the Company's Generally Accepted Accounting Principles,

(ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,

(iii) receipts and expenditures of the Company are made only in accordance with the authorizations of the Company's management and directors, and

(iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected to prevent material error in financial statements.

Internal controls over financial reporting, no matter how well designed have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Evaluation of Disclosure Controls and Procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures. Under the supervision and with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer

(CFO), management evaluated the effectiveness of the Company's disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Management concluded that the Company's disclosure controls and procedures were effectively designed as at the December 31, 2025 year end.

Evaluation of Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining internal control over financial reporting. Under the supervision and with the participation of the Company's CEO and the CFO, management evaluated the effectiveness of the Company's internal control over financial reporting. Internal control is a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements. The CEO and CFO did not identify any material weaknesses in their evaluation of internal control, and concluded that the Company's internal control over financial reporting was effective, as at December 31, 2025.

RISKS AND UNCERTAINTIES

As with most businesses, the Company is subject to a few marketplaces, industry and economic related business risks, which could have some material impact on operating results.

These risks include:

- Security Breaches or Disruptions of Information Technology Systems Risk;
- Key personnel;
- The cyclical effects, unpredictability and volatility of market driven commodity costs, raw materials such as copper and steel pricing and supply and demand;
- A significant, unexpected change in the global demand for resources;
- The variability of the Canadian dollar versus the US dollar;
- Rising interest rates;
- Economic slowdown in the US and Canada;
- Trade restrictions;
- Labour costs and labour relations;

- Competition;
- Global political unrest; and
- Tariffs

The Company continuously works to minimize the negative impact of these risks and strengthen its position through diversification of its core business, market channel expansion, geographic diversity of its operations and business hedging strategies. There are, however, several risks that deserve particular attention.

Security Breaches or Disruptions of Information Technology Systems Risk

The Company utilizes a variety of information technology systems to manage and operate its businesses. These information systems may be owned and maintained by the Company, outsource providers or third parties such as customers, vendors and contractors. These information systems are subject to attacks, failures, and access denials from several potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, hard drives, communication lines and networking equipment. Despite the implementation of extensive security measures (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of back-up and protective systems), the Company's information technology systems are potentially vulnerable to interruptions or delays, unauthorized access, computer viruses, cyber-attack and other events, ranging from individual attempts to advanced persistent threats. It is possible a security breach could result in theft of trade secrets or other intellectual property or disclosure of confidential customer, supplier or employee information. Should the Company be unable to prevent security breaches, disruptions could have an adverse effect on the Company's operations and financial results, as well as expose the Company to litigation, increased cyber security protection costs, and reputational damage.

Key Personnel

The Company is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan. If the Company were to experience a substantial turnover in its leadership or other key employees, business results from operations and financial condition could be materially adversely affected.

Commodity Prices

The Company is exposed to fluctuations in the price of commodity metals, primarily steel and copper. The Company does not currently utilize future contracts. Strategic supply agreements are in place with major suppliers to ensure adequate supply and competitive market pricing.

Foreign Exchange

The Company's operating results are reported in Canadian dollars. A significant portion of net sales is denominated in US dollars. A change in the value of the Canadian dollar against the US dollar will impact revenues and earnings. This risk is partially offset by a corresponding change in the cost of materials purchased from the US and commodities tied to US dollar pricing. In general, a lower value for the Canadian dollar compared to the US dollar will have a beneficial impact on the Company's results; or, inversely, a higher value for the Canadian dollar compared to the US dollar will have a negative impact on the Company's profitability. In a sensitivity review, a one cent change in the value of the Canadian to US dollar value would have an approximate impact on income from operations of $1,444 in 2025. The Company also has a US operating subsidiary and US dollar assets. The exchange rate between the

Canadian and US dollar can vary significantly from year to year. There is a corresponding positive or negative impact to the Company's Consolidated Statements of Comprehensive Income solely related to the foreign exchange translation of its Consolidated Statements of Financial Position. The Company periodically institutes price increases / reductions to help offset the negative / positive impact of changes in foreign exchange and product cost increases / decreases. The Company is also exposed to the impact from the British pound sterling and the Euro as well as to the Australian dollar but not to the level of exposure of the US dollar.

Interest Rates

The Company is cognizant that a rise in interest rates negatively impacts the financial results of the Company. The Company continuously reviews its strategy of mitigating this risk by fixing interest rates on part of its total debt.

North American Economy

The Company will continue to react to the market conditions to grow its business. Efforts over the next 12 months will continue to be on projects that will reduce costs and improve manufacturing flexibility. Being nimble as an organization will become even more important in order to respond quickly to both unexpected opportunities as well as challenges. Expanding access to a variety of markets, both global and domestic, through our OEM and distributor channels will help the Company expand its market share.

Global Political Unrest

Today's politics can have significant repercussions on business, especially as issues are constantly changing. The Company continuously assesses the potential outcomes of the different issues and remains diligent to react to or mitigate those issues that would have a negative impact on business.

Tariffs

Tariffs from the US have created disruption within the supply chain due to enhanced compliance requirements and cost impacts. At this time, The Company is awaiting completion of the review of the Canada-United States-Mexico Agreement and associated Section 232 tariffs. The Company will remain diligent on the topic and be prepared to react as needed to support the business.

ACCOUNTING POLICY CHANGES

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Company.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments introduce a new accounting model which impacts how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction.

The amendments were adopted on January 1, 2025. The impact of adoption of these amendments did not have an impact on the business.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (amendments to IAS 1), to improve the information a company provides about long-term debt with covenants.

The amendments were adopted on January 1, 2025. The impact of adoption of these amendments did not have an impact on the business.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

On May 25, 2024, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Company's liabilities and cash flows, and the Company's exposure to liquidity risk.

The amendments were adopted on January 1, 2025. The Company does not have any supplier financing arrangements and therefore the impact of the adoption of these amendments did not have an impact on the business.

FUTURE ACCOUNTING CHANGES

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company and it is still to be determined if any will have a material impact or if they are applicable for the Company's financial statements.

Lack of Exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates)

Effective for annual periods beginning on or after 1 January 2026.

The amendments clarify how an entity determines the exchange rate when a currency is not exchangeable and introduce related disclosure requirements.

The Company is assessing whether circumstances of lack of exchangeability exist in any of the jurisdictions in which it operates and, if so, how the amendments may affect the determination of exchange rates and related disclosures. At the date of these financial statements, the Company has not yet completed its assessment of the impact of these amendments.

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

Effective for annual periods beginning on or after 1 January 2026

The amendments address:

- the classification and measurement of financial assets with environmental, social and governance (ESG) linked features; and
- the recognition of financial liabilities settled through electronic payment systems.
  The Company is currently evaluating whether any of its financial instruments are affected by these amendments and the extent of any additional disclosure requirements. The

Company does not expect the amendments to have a material impact on the classification of its existing financial assets; however, enhanced disclosures may be required.

Annual Improvements to IFRS Accounting Standards (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)

Effective for annual periods beginning on or after 1 January 2026

The annual improvements clarify or amend certain aspects of the referenced standards, primarily to address unintended consequences or clarify wording.

The Company does not expect these amendments to have a material impact on its consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

Effective for annual periods beginning on or after 1 January 2026

The amendments provide specific guidance on the application of hedge accounting and disclosure requirements for contracts that reference electricity generated from nature-dependent sources.

The Company is assessing whether it enters into contracts within the scope of these amendments. Based on preliminary analysis, the Company does not expect a material impact on recognition and measurement but may be subject to additional disclosures.

IFRS 18 – Presentation and Disclosure in Financial Statements

Effective for annual periods beginning on or after 1 January 2027

IFRS 18 introduces a new structure for the statement of profit or loss, including defined subtotals, enhanced requirements for aggregation and disaggregation, and new disclosure requirements for management-defined performance measures.

The Company is assessing the impact of IFRS 18 on the presentation of its primary financial statements and related disclosures. While IFRS 18 will not affect the recognition or measurement of items, it is expected to significantly affect the presentation and disclosure of financial performance. The quantitative impact has not yet been determined.