SHARC INTERNATIONAL SYSTEMS INC.
Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025

Unaudited
Expressed in Canadian dollars

SHARC INTERNATIONAL SYSTEMS INC.

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed financial statements; the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial information by an entity's auditor.

Management has prepared the information and representations in this interim report. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the condensed financial statements.

The company maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

SHARC International Systems Inc.
Condensed Consolidated Interim Statement of Financial Position
(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2025 (unaudited) $	December 31, 2024 (audited) $
ASSETS			
Current			
Cash		459,529	818,259
Receivables	4,5	627,448	778,412
Prepaid expenses		45.595	190,470
Inventory	6	1,268,695	1,373,062
Total current assets		**2,401,267**	**3,160,203**
Restricted cash	7	110,362	160,362
Deposits		1,200	1,200
Property and equipment	8	538,395	590,194
Total assets		**3,051,224**	**3,911,959**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities		984,984	656,298
Deferred revenue	9	481,211	981,681
Debenture	10	160,000	160,000
Lease liabilities	11	164,071	159,245
Total current liabilities		**1,790,266**	**1,957,224**
Warranty provisions		94,434	94,434
Debenture	10	1,551,435	1,482,513
Lease liabilities	11	311,507	354,380
Total Liabilities		**3,747,642**	**3,888,551**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	12	36,107,558	35,956,154
Reserves	12	5,198,562	5,133,412
Obligation to issue shares		50,782	50,782
Currency translation reserve		(118,317)	(97,446)
Deficit		(41,935,003)	(41,019,494)
Total shareholders' equity (deficiency)		**(696,418)**	**23,408**
Total liabilities and shareholders' equity (deficiency)		**3,051,224**	**3,911,959**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.
Nature of Operations and Going Concern [Note 1]

Approved on behalf of the Board of Directors on May 30, 2025:

/s/ Lynn Mueller
Director

/s/Felix Fred Andriano
Director

SHARC International Systems Inc.
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian dollars)

		Three months ended March 31,	
		2025	**2024**
	Note	**$**	**$**
Revenue	16	1,012,936	778,095
Cost of Sales		(697,245)	(480,174)
Gross Margin		**315,691**	**297,921**
Expenses			
Accounting and legal		62,194	50,527
Advertising and promotion		45,894	40,467
Consulting	5	134,713	114,255
Depreciation	8	51,799	35,513
Insurance		14,301	13,297
Interest and financing expense	10,11	83,427	3,565
Office and miscellaneous		34,157	21,939
Regulatory and filing fees		17,296	14,684
Rent		17,225	12,000
Repairs and maintenance		3,411	3,367
Research and development		40,500	5,590
Share-based payments	12	132,804	202,243
Telephone and utilities		28,804	23,782
Travel		39,046	58,833
Wages and benefits		526,295	480,122
		1,231,866	**1,080,184**
		(916,175)	**(782,263)**
Interest income		580	198
Foreign exchange		87	17,620
Loss before income taxes		**(915,508)**	**(764,445)**
Deferred tax recovery		—	—
Loss for the period		**(915,508)**	**(764,445)**
Other comprehensive income			
Foreign currency translation		(20,871)	(11,799)
Loss and comprehensive loss for the period		**(936,379)**	**(776,244)**
Basic and diluted loss per common share		**(0.01)**	**(0.00)**
Weighted average number of common shares outstanding – basic and diluted		**162,105,680**	**156,949,660**

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

SHARC International Systems Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)

(Unaudited - expressed in Canadian dollars)

	Common Shares		Reserves	Currency translation reserve	Obligation to issue shares	Deficit	Total
	Number	$	$	$	$	$	$
Balance, December 31, 2023	**156,949,660**	**35,045,174**	**4,882,983**	**2,002**	**77,888**	**(37,300,637)**	**2,707,410**
Stock options exercised	2,508,000	209,095	-	-	-	-	**209,095**
Fair value of stock options exercised	-	168,539	(168,539)	-	-	-	**-**
Issuance of debenture	-	-	189,741	-	-	-	**189,741**
Shares for debt	431,818	73,409	-	-	-	-	**73,409**
Share-based payments	-	-	662,058	-	-	-	**662,058**
Settlement of RSU units	1,372,944	459,937	(459,937)	-	-	-	**-**
Reversal of expired and forfeited options	-	-	27,106	-	(27,106)	-	**-**
Currency translation adjustment	-	-	-	(99,448)	-	-	**(99,448)**
Loss for the year	-	-	-	-	-	(3,718,858)	**(3,718,858)**
Balance, December 31, 2024	**161,262,422**	**35,956,154**	**5,133,412**	**(97,446)**	**50,782**	**(41,019,495)**	**23,407**
Stock options exercised	950,000	83,750	-	-	-	-	**83,750**
Fair value of stock options exercised	-	67,654	(67,654)	-	-	-	**-**
Currency translation adjustment	-	-	-	(20,871)	-	-	**(20,871)**
Share Based Payments	-	-	132,804	-	-	-	**132,804**
Loss for the year	-	-	-	-	-	(915,508)	**(915,508)**
Balance, March 31, 2025	**162,212,422**	**36,107,558**	**5,198,562**	**(118,317)**	**50,782**	**(41,935,003)**	**(696,418)**

SHARC International Systems Inc.
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited - expressed in Canadian dollars)

	Three months ended March 31, 2025	2024
	$	**$**
OPERATING ACTIVITIES		
Loss for the period	(915,508)	(764,445)
Add: Items not affecting cash		
Depreciation	51,799	35,513
Unrealized foreign exchange	(20,871)	(13,801)
Share based payments	132,804	202,243
Accrued interest expense	83,427	3,565
Deferred tax recovery	—	—
Changes in non-cash working capital items:		
Receivables	150,964	(445,327)
Prepaid expenses and deposits	144,875	23,659
Inventory	550,940	377,793
Accounts payable and accrued liabilities	(117,888)	(96,854)
Deferred revenue	(500,470)	(46,684)
Warranty provisions	—	1,377
Cash used in operating activities	**(439,928)**	**(722,961)**
INVESTING ACTIVITIES		
Purchase of property and equipment	—	(1,354)
Transfer of restricted cash	50,000	—
Cash used in investing activities	**50,000**	**(1,354)**
FINANCING ACTIVITIES		
Proceeds on exercise of stock options	83,750	—
Payment of lease liabilities	(52,552)	(35,350)
Cash provided by (used in) financing activities	**31,198**	**1,569,425**
Increase (decrease) in cash	(358,730)	(759,665)
Cash, beginning of the period	818,259	1,242,268
Cash, end of the period	**459,529**	**482,603**

Supplemental disclosure with respect to cash flow (Note 15)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

SHARC International Systems Inc. (the "**Company**" or "**SHARC Energy**") was incorporated under the *Business Corporations Act* (British Columbia) on February 4, 2011. The Company's shares are listed on the Canadian Securities Exchange (the "**CSE**") under the trading symbol "**SHRC**", Frankfurt Stock Exchange (the "**FSE**") under the trading symbol "**IWIA**" and the OTC under the symbol "**INTWF**". The Company is engaged in providing Wastewater Energy Transfer ("**WET**") expertise and products that service commercial, industrial, public utilities and residential development projects objectives of reducing their carbon footprint while saving on energy costs. The Company's registered and records office is located at 1443 Spitfire Place, Port Coquitlam, British Columbia, Canada, V3C 6L4.

These condensed consolidated interim financial statements (the "**Financial Statements**") have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern. As at March 31, 2025, the Company has an accumulated deficit of $41,935,003 and positive working capital of $611,001. The Company will continue to pursue opportunities to raise additional capital through equity markets and/or debt to fund its operating activities. Management anticipates it can maintain operating activities for the subsequent 12 months. These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and their effects on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the fiscal year ended December 31, 2024, which have been prepared with International Financial Reporting Standards ("IFRS"). These Financial Statements were approved by the Company's Board of Directors on May 30, 2024.

[b] Basis of measurement and consolidation

These Financial Statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities measured at fair value.

These Financial Statements include the accounts of the Company's subsidiaries:

2. BASIS OF PRESENTATION (CONTINUED)

[b] Basis of measurement and consolidation (continued)

These Financial Statements include the accounts of the Company's subsidiaries:

Company	Location	Ownership % as at March 31, 2024	December 31, 2023
SHARC Energy Systems Inc. ("**SES**")	Canada	100	100
SHARC Energy (US) Systems Inc. (**"SHARC US"**)	United States	100	100

The Company includes assets, liabilities and operations of subsidiaries from the date of acquisition to the date of disposal.

All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

[c] Functional and presentation currency

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiary SES. The functional currency of its subsidiary, SHARC US is US dollars. The results of SHARC US have been converted and are reflected in Canadian dollars within these Financial Statements.

[d] Significant accounting estimates and judgments

The preparation of these Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company reviews its estimates and underlying assumptions on an ongoing basis.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

2. BASIS OF PRESENTATION (CONTINUED)

i. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.

ii. The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

ii. Warranty provisions are recognized for the future obligations to provide services for the repairs and maintenance of products sold to its customers. The Company assesses its warranty provision based on experience. Actual costs incurred may differ from those amounts estimated.

iii. The Company estimates the net realizable values of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market drive changes that may reduce future selling prices.

iv. The Company may enter into contracts for product sales with custom specifications whereby the product has no alternative use. Revenue associated with these products are recognized over the time of production of the unit. Judgement is made when utilizing the cost-based input method and determining the revenue and associated cumulative cost-plus estimated margin to recognized at the end of each reporting period.

v. The equity component of the convertible debenture is calculated using a discounted cash flow method which requires management to make an estimate on an appropriate discount rate.

vi. The fair value of share purchase warrants with non-market vesting conditions requires the Company to estimate probability of vesting conditions occurring which may be affected by several factors that may be highly speculative. Changes in these assumptions can materially affect the fair value estimate. Management is required to reassess the probability assigned at each period end.

(Unaudited - expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION

These Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended December 31, 2024.

4. RECEIVABLES

	As at March 31, 2025 $	As at December 31, 2024 $
GST recoverable	11,250	31,339
Other receivables	44,832	42,925
Trade receivables, net of expected credit losses	571,366	704,147
Total	**627,448**	**778,411**

5. RELATED PARTY DISCLOSURE

Transactions with related parties

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors.

The Company incurred the following charges with key management personnel:

	Three months ended March 31, 2025 $	Three months ended March 31, 2024 $
Consulting Fees [i]	56,220	39,000
Wages and Benefits [ii]	147,122	134,564
Share-based payments [iii]	72,496	142,136
	275,838	315,700

i. The Company paid consulting fees to a company controlled by the Chief Financial Officer & Chief Operating Officer and to the Chairman of the Board.
ii. The Company paid wages and benefits to the Chief Executive Officer, President and Director and the Vice-Chairman of the Board.
iii. Share-based payments were recognized in connection with the vesting of options granted to director and officers of the Company.

Included in receivables is $42,925 (December 31, 2024 - $42,925) due from related parties.

Included in accounts payable and accrued liabilities is $129,150 (December 31, 2024 - $107,785) due to related parties.

(Unaudited - expressed in Canadian dollars)

6. INVENTORY

	As at March 31, 2025 $	As at December 31, 2024 $
Materials and supplies	1,029,981	253,740
Work-in-progress	173,038	1,053,647
Finished goods	65,675	65,675
Total	**1,268,695**	**1,373,062**

7. RESTRICTED CASH

The restricted cash balance of $110,362 (March 31, 2024 - $50,000) is comprised of a bank lien, in the form of an interest bearing GIC, on funds held as collateral for the Company's corporate credit card limits.

8. PROPERTY AND EQUIPMENT

	Equipment, Furniture & Fixtures $	Computer Hardware $	Leasehold Improvements $	Right-of-use assets $	Total $
COST:					
Balance, December 31, 2023	144,152	109,231	76,315	610,553	940,251
Additions	1,354	17,601	—	496,270	515,225
Balance, December 31, 2024	**145,506**	**126,832**	**76,315**	**1,106,823**	**1,455,476**
Additions	—	—	—	—	—
Balance, March 31, 2025	**145,506**	**126,832**	**76,315**	**1,106,823**	**1,455,476**
ACCUMULATED DEPRECIATION:					
Balance, December 31, 2023	72,496	91,625	43,861	493,085	701,067
Depreciation expense	14,467	14,524	11,458	123,766	164,215
Balance, December 31, 2024	**86,963**	**106,149**	**55,319**	**616,851**	**865,283**
Depreciation expense	2,927	2,300	2,639	43,934	51,800
Balance, March 31, 2025	**89,890**	**108,448**	**57,960**	**660,785**	**917,083**
NET BOOK VALUE:					
Balance, December 31, 2024	58,543	20,684	20,994	489,972	590,193
Balance, March 31, 2025	**55,616**	**18,384**	**18,355**	**446,038**	**538,395**

9. DEFERRED REVENUE

Deferred revenue relates to on-going projects and service agreements at year end. Revenue is recognized on completion and sale of projects and over the length of term for the service agreements. As at March 31, 2025, the balance was $481,211 (December 31, 2024 - $981,681).

10. DEBENTURE

On July 8, 2024, the Company issued 2,000 unsecured debenture units with a total principal amount of $2,000,000. The debenture matures on July 8, 2027, and bears interest at an annual rate of 8% due annually. The debenture, including any accrued and unpaid interest, will be repayable in part or in full on any one or more occasions without penalty at any time prior to the maturity date at the option of the Company.

Each debenture unit consists of a $1,000 principal amount of 8.0% unsecured debenture of the Company; and 5,000 common share purchase warrants of the Company. Each warrant will entitle the holder to acquire one common share in the capital of the Company at an exercise price of $0.20 per share for a period of 36 months from the date of issuance.

Total finders' fee of $160,000 in cash, 800,000 finder's warrants valued at $57,368, and regulatory fees of $540 were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.20 per share for a period of three years following the date of issuance. The fair value of $57,368 was assigned to the 800,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 63.66% which is based on historical volatility, risk-free rate of return of 3.47% and an expected maturity of three years.

The debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 12%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The equity component consists of the warrants. The value attributed to the warrants was based on the relative fair value approach.

On initial recognition, the liability component was $1,786,856 ($1,592,147 net of transaction costs) and the warrants were $189,921 ($132,373 net of tax effect).

Accretion charges, included in interest and financing expense on the statements of loss and comprehensive loss, attributable to the debentures for the 3 months ended March 31, 2025 was $68,922, of which $nil relates to interest paid.

(Unaudited - expressed in Canadian dollars)

10. DEBENTURE (CONTINUED)

Balance, December 31, 2023	—
Principal	2,000,000
Warrant component	(189,921)
Transaction costs	(217,908)
Accretion expense	126,896
Interest payment	(76,554)
Balance, December 31, 2024	**1,642,513**
Accretion expense	68,922
Balance, March 31, 2025	**1,711,435**
Less: non-current portion	(1,551,435)
Balance, current portion	**160,000**

11. LEASE LIABILITIES

The Company leases vehicles and office space in Canada. The lease liabilities are discounted using an incremental borrowing rate of 12%.

	As at March 31, 2025 $	**As at December 31, 2024 $**
Balance, beginning of year	**513,625**	**141,149**
Additions	—	496,270
Interest	14,505	18,488
Lease payments	(52,552)	(142,282)
Balance, end of year	**475,578**	**513,625**
Less: non-current portion	(311,507)	(354,380)
Balance, current portion	**164,071**	**159,245**

Undiscounted lease payments	**$**
Not later than one year	210,209
Later than one year and not later than 5 years	341,212
March 31, 2025	**551,421**

For the three months ended March 31, 2025, $17,225 of variable lease payments (three months ended March 31, 2024 - $12,000) were included in rent expense on the statements of loss and comprehensive loss.

(Unaudited - expressed in Canadian dollars)

12. SHARE CAPITAL

[a] Authorized Share Capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

[b] Common shares

The Company had the following share capital transactions during the year ended December 31, 2024:

[i] issued 2,508,000 common shares pursuant to the exercise of stock options for aggregate gross proceeds of $209,095. The fair value increment adjustment of the options of $168,539 was transferred from reserves to share capital.

[ii] issued 1,372,944 common shares pursuant to the vesting of employee restricted share units.

[iii] issued 431,818 common shares valued at $0.17 each to settle debt of $47,500 owed by the Company. The Company recognized a loss on settlement of debt $25,909 based on the fair value of the shares of $73,409.

The Company had the following share capital transactions during the three months ended March 31, 2025

[iv] issued 950,000 common shares pursuant to the exercise of stock options for aggregate gross proceeds of $83,750. The fair value increment adjustment of the options of $67,654 was transferred from reserves to share capital.

[c] Common share purchase warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number	Weighted Average $
Balance, December 31, 2023	**8,773,585**	**0.34**
Issued	10,800,000	0.20
Expired	(5,000,000)	0.40
Balance, December 31, 2024 & March 31, 2025	**14,573,585**	**0.22**

Date of Expiry	Exercise price $	Warrants outstanding	Warrants exercisable
March 1, 2028	0.265	3,773,585	—
July 8, 2027	0.200	10,800,000	10,800,000
Balance, March 31, 2025		**14,573,585**	**10,800,000**

(Unaudited - expressed in Canadian dollars)

12. SHARE CAPITAL (CONTINUED)

[c] Common share purchase warrants (continued)

During the year ended December 31, 2023, 3,773,585 warrants were issued as part of a geothermal systems partnership agreement (the "**Partnership Agreement**") with Subterra Capital Partners Inc. ("**Subterra**") whereby Subterra may contribute up to $100,000,000 of funding for qualifying projects. Each warrant allows the holder to purchase one common share at an exercise price of $0.265 per share. The warrants are subject to vesting conditions: 20% of warrants issued vest on each date $20,000,000 of the capital commitment is incurred, over a period of 5 years. As at December 31, 2024, the probability of reaching the required capital commitment for vesting is assessed at nil%. As a result, the fair value of the warrants were assessed as $nil.

[d] Stock options

On November 1, 2011, the Company adopted a stock option plan for directors, officers, employees, and consultants of the Company. Under the terms of the plan, each vested option awarded entitles the option holder to receive one common share in the. The maximum number of options granted should not exceed 10% of the issued shares of the Company aggregated with all other security-based compensation arrangements.

During the three months ended March 31, 2025, the Company recorded share-based payment expense of $34,234 (March 31, 2024 - $54,963) directly related to stock options.

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price $
Balance, December 31, 2023	**7,980,543**	**0.20**
Exercised	(2,508,000)	0.08
Expired	(631,402)	0.24
Balance, December 31, 2024	**4,841,141**	**0.26**
Exercised	(950,000)	0.09
Expired	—	—
Balance, March 31, 2025	**3,891,141**	**0.30**

Date of Expiry	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
December 20, 2025	0.345	1,021,875	1,021,875
May 30, 2027	0.335	805,220	805,220
April 27, 2028	0.270	1,828,000	609,333
June 29, 2028	0.280	136,046	45,348
October 17, 2028	0.245	100,000	33,334
Balance, March 31, 2025	**0.260**	**3,891,141**	**2,515,110**

(Unaudited - expressed in Canadian dollars)

12. SHARE CAPITAL (CONTINUED)

As of March 31, 2025 the weighted average remaining life for outstanding options was 2.24 years (March 31, 2024: 2.09 years).

[e] Restricted Share Units ("RSU")

On August 7, 2020, the Company adopted an RSU plan for directors, officers, employees and consultants of the Company. Under the terms of the plan, each vested RSU awarded entitles the RSU holder to receive, subject to adjustment as provided for in the RSU Plan, either one common share in the Company or, at the Company's option, an equivalent cash payment. The maximum number of RSUs granted should not exceed 10% of the issued shares of the Company aggregated with all other security-based compensation arrangements.

During the three months ended March 31, 2025, the Company recorded share-based payments expense of $98,570, directly related to the RSUs (March 31, 2024: $147,280)

RSU transactions and the number of RSUs outstanding are summarized below:

	Number	Weighted Average Fair Value $
Balance, December 31, 2023	**4,458,742**	**0.29**
Exercised	(1,372,944)	0.34
Forfeited/Expired	(172,761)	0.33
Balance, December 31, 2024 & March 31, 2025	**2,913,037**	**0.27**

Date Issued	Expiry	Share Price on issuance $	RSUs Outstanding	RSUs Exercisable
April 27, 2023	December 31, 2025	0.270	2,709,000	-
June 29, 2023	December 31, 2025	0.280	204,037	181,365
Balance March 31, 2025		**0.270**	**2,913,037**	**181,365**

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to support the development of its business and maintain the necessary corporate and administration functions to facilitate these activities. The capital of the Company consists of items included in shareholders' equity (deficiency).

13. CAPITAL MANAGEMENT (CONTINUED)

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to raise new funds.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value
IFRS 13 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and restricted cash is based on Level 1 inputs. The fair value of the Company's cash, restricted cash, receivables and accounts payable and accrued liabilities approximate their carrying values due to the short-term to maturity. The fair value of long-term liabilities is initially recorded at fair value and subsequently carried at amortized cost using rates comparable to market interest rates.

[a] Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high creditworthiness. Receivables are primarily from sales. The Company believes these parties to be of sound creditworthiness, and to date, all receivables have been settled in accordance with agreed upon terms and conditions. As at March 31, 2025, the Company is exposed to credit risk arising from receivables and recorded a loss allowance of $77,248 (December 31, 2024 - $77,248)

[b] Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through debt financing. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. As at March 31, 2025, the Company is not exposed to significant liquidity risk.

[c] Market risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2025, the Company is not exposed to any significant interest rate risk.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[d] Foreign exchange rate risk

The Company operates in Canada and the United States of America and is, therefore, exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

[d] Foreign exchange rate risk (continued)

At March 31, 2025, the Company had US denominated current assets of US$239,076 and US denominated current liabilities of US$497,400 (December 31, 2024 – US$405,603 and US$878,907, respectively). Accordingly, a 10% change in the foreign exchange rate would result in a $25,832 credit or charge to operations (December 31, 2024 - $97,259).

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following is the non-cash operating, investing and financing activities:

	Three months ended March 31,	
	2025	**2024**
	$	**$**
Fair value of stock options exercised	67,654	—
Reversal of expired and forfeited stock options	—	77,865
Inventory in accounts payable and accrued liabilities	446,573	105,950

16. SEGMENTED INFORMATION

The Company has a single operating segment, the sales and marketing of WET Equipment. As at March 31, 2025 and December 31, 2024, all of the Company's main operations, assets and employees are in Canada.

Revenues for the sales and marketing of WET equipment are detailed as follows:

	Three months ended March 31,	
	2025	**2024**
	$	**$**
Equipment rentals	3,600	3,600
Service and maintenance agreements	106,269	113,929
Product sales	903,067	660,566
Totals	**1,012,936**	**778,095**

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2025:

a) the Company entered into a short-term working capital loan agreement for up to $400,000 (the "**Loan**"). The Loan matures on July 31, 2025, subject to mutual agreement for extension, and bears interest at an annual rate of 8%. The Loan is secured against all present and after acquired assets of the Company. In consideration of the Loan, the Company issued 800,000 stock options at $0.10 per common share for three years from the date of issuance.

   The Loan will be used for working capital purposes as the Company works through the working capital cycle of several ongoing SHARC and PIRANHA projects.

b) the Company issued 649,000 common shares pursuant to the exercise of employee restricted share units.