SHARC INTERNATIONAL SYSTEMS INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2026

Unaudited
Expressed in Canadian dollars

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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, 2026 (unaudited) $	December 31, 2025 (audited) $
ASSETS			
Current			
Cash		317,538	262,513
Receivables, net of bad debt allowance	4,5	406,218	227,693
Prepaid expenses		46,379	75,777
Inventory	6	771,234	1,035,687
Total current assets		**1,541,369**	**1,601,670**
Restricted cash	7	108,711	108,039
Property and equipment	8	336,520	386,786
Total assets		**1,986,600**	**2,096,495**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	5	1,084,490	1,333,864
Deferred revenue	9	766,017	95,383
Debenture	10	160,000	160,000
Lease liabilities	12	184,879	179,441
Total current liabilities		**2,195,386**	**1,768,688**
Debenture	10	1,681,702	1,609,523
Convertible debenture	11	1,574,843	1,289,595
Warranty provisions		206,662	147,753
Lease liabilities	12	126,628	174,939
Total Liabilities		**5,785,221**	**4,990,498**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	13	36,746,291	36,746,291
Reserves	13	4,919,133	4,872,236
Currency translation reserve		(56,574)	(12,437)
Deficit		(45,407,471)	(44,500,093)
Total shareholders' equity (deficiency)		**(3,798,621)**	**(2,894,003)**
Total liabilities and shareholders' equity (deficiency)		**1,986,600**	**2,096,495**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.
Nature of Operations and Going Concern [Note 1]
Subsequent Events [Note 17]

Approved on behalf of the Board of Directors on June 1, 2026:

/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,	
		2026	2025
	Note	$	$
Revenue	17	492,709	1,012,936
Cost of Sales		(337,447)	(697,245)
Gross Margin		**155,262**	**315,691**
Expenses			
Accounting and legal		58,364	62,194
Advertising and promotion		47,896	45,894
Consulting	5	102,331	134,713
Depreciation	8	50,266	51,799
Insurance		10,648	14,301
Interest and financing expense	10,11,12	140,439	83,427
Office and miscellaneous		32,804	34,157
Regulatory and filing fees		11,096	17,296
Rent	12	17,225	17,225
Repairs and maintenance		5,579	3,411
Research and development		(19,482)	40,500
Share-based payments	5,13	11,340	132,804
Telephone and utilities		30,171	28,804
Travel		41,557	39,046
Wages and benefits	5	499,689	526,295
Warranty expense		61,340	—
		1,101,263	**1,231,866**
		(946,001)	**(916,175)**
Interest income		14	580
Foreign exchange		28,034	87
Loss before income taxes		**(917,953)**	**(915,508)**
Deferred tax recovery		10,575	—
Loss for the period		**(907,378)**	**(915,508)**
Other comprehensive income			
Foreign currency translation		(44,137)	(20,871)
Loss and comprehensive loss for the period		**(951,515)**	**(936,379)**
Basic and diluted loss per common share		**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding – basic and diluted		**164,563,824**	**162,105,680**

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

SHARC International Systems Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Common Shares		Reserves	Currency translation reserve	Obligation to issue shares	Deficit	Total
	Number	$	$	$	$	$	$
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)	-	-	-	**-**
Issuance of convertible debt	-	-	127,114	-	-	-	**127,114**
Fair value of finder's warrants	-	-	35,521	-	-	-	**35,521**
Settlement of RSU Units	2,351,402	638,733	(587,951)	-	(50,782)	-	**-**
Options issued for loan	-	-	40,035	-	-	-	**40,035**
Currency translation adjustment	-	-	-	85,009	-	-	**85,009**
Share-based payments	-	-	191,759	-	-	-	**191,759**
Loss for the year	-	-	-	-	-	(3,480,598)	**(3,480,598)**
Balance, December 31, 2025	**164,563,824**	**36,746,291**	**4,872,236**	**(12,437)**	**-**	**(44,500,093)**	**(2,894,003)**
Issuance of convertible debt	-	-	23,941	-	-	-	**23,941**
Fair value of finder's warrants	-	-	11,616	-	-	-	**11,616**
Currency translation adjustment	-	-	-	(44,137)	-	-	**(44,137)**
Share-based payments	-	-	11,340	-	-	-	**11,340**
Loss for the year	-	-	-	-	-	(907,378)	**(907,378)**
Balance, March 31, 2026	**164,563,824**	**36,746,291**	**4,919,133**	**(56,574)**	**-**	**(45,407,471)**	**(3,798,621)**

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

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

	Three months ended March 31,	
	2026	**2025**
	$	**$**
OPERATING ACTIVITIES		
Loss for the period	(907,378)	(915,508)
Add: Items not affecting cash		
Depreciation	50,266	51,799
Unrealized foreign exchange	(44,365)	(20,871)
Share based payments	11,340	132,804
Accrued interest expense	140,439	83,427
Deferred tax recovery	(10,575)	—
Changes in non-cash working capital items:		
Receivables	(178,525)	150,964
Prepaid expenses and deposits	29,398	144,875
Inventory	264,453	550,940
Accounts payable and accrued liabilities	(252,574)	(117,888)
Deferred revenue	670,634	(500,470)
Warranty provisions	58,465	—
Cash used in operating activities	**(168,423)**	**(439,928)**
INVESTING ACTIVITY		
Transfer of restricted cash	—	50,000
Cash used in investing activity	—	**50,000**
FINANCING ACTIVITIES		
Proceeds on exercise of stock options	—	83,750
Proceeds from issuance of convertible debentures	276,000	—
Payment of lease liabilities	(52,552)	(52,552)
Cash provided by (used in) financing activities	**223,448**	**1,569,425**
Increase (decrease) in cash	55,025	(358,730)
Cash, beginning of the period	262,513	818,259
Cash, end of the period	**317,538**	**459,529**

Supplemental disclosure with respect to cash flow (Note 16)
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, 2026, the Company has an accumulated deficit of $45,407,471 and negative working capital of $654,017. 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, 2025, which have been prepared with International Financial Reporting Standards ("IFRS"). These Financial Statements were approved by the Company's Board of Directors on April 30, 2026.

[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:

		Ownership % as at	
Company	**Location**	**March 31, 2026**	**December 31, 2025**
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, 2025.

4. RECEIVABLES

	As at March 31, 2026 $	As at December 31, 2025 $
GST recoverable	10,227	25,543
Other receivables	37,389	42,925
Trade receivables, net of expected credit losses	358,602	159,225
Total	**406,218**	**227,693**

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, 2026 $	2025 $
Consulting Fees [i]	56,833	56,220
Wages and Benefits [ii]	140,159	147,122
Share-based payments [iii]	7,711	72,496
	204,702	275,838

i. The Company paid consulting fees to a company controlled by the Chief Financial Officer and former Chief Operating Officer and to the Chairman of the Board.

ii. The Company paid wages and benefits to the Chief Executive Officer and to the Vice President of Business Development & 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 $37,389 (December 31, 2025 - $42,925) due from related parties.

Included in accounts payable and accrued liabilities is $229,994 (December 31, 2025 - $185,031) due to related parties.

(Unaudited - expressed in Canadian dollars)

6. INVENTORY

	As at March 31, 2026 $	As at December 31, 2025 $
Materials and supplies	666,848	666,848
Work-in-progress	104,386	321,797
Finished goods	—	47,042
Total	**771,234**	**1,035,687**

7. RESTRICTED CASH

The restricted cash balance of $108,711 (December 31, 2025 - $108,039) 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, 2024	**145,506**	**126,832**	**76,314**	**1,106,824**	**1,455,476**
Additions	3,784	666	—	—	4,450
Balance, December 31, 2025	**149,290**	**127,498**	**76,314**	**1,106,824**	**1,459,926**
Additions	—	—	—	—	—
Balance, March 31, 2026	**149,290**	**127,498**	**76,314**	**1,106,824**	**1,459,926**
ACCUMULATED DEPRECIATION:					
Balance, December 31, 2024	**86,963**	**106,149**	**55,319**	**616,851**	**865,283**
Depreciation expense	12,186	9,381	10,555	175,736	207,858
Balance, December 31, 2025	**99,149**	**115,530**	**65,874**	**792,587**	**1,073,140**
Depreciation expense	2,506	1,645	2,180	43,935	50,266
Balance, March 31, 2026	**101,655**	**117,175**	**68,054**	**836,522**	**1,123,406**
NET BOOK VALUE:					
Balance, December 31, 2025	**50,141**	**11,968**	**10,440**	**314,237**	**386,786**
Balance, March 31, 2026	**47,635**	**10,323**	**8,260**	**270,302**	**336,520**

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, 2026, the balance was $766,017 (December 31, 2025 - $95,383).

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 period ended March 31, 2026 was $72,179 (March 31, 2025 - $68,922) of which $nil relates to interest paid.

(Unaudited - expressed in Canadian dollars)

10. DEBENTURE (CONTINUED)

Balance, December 31, 2024	**1,642,513**
Accretion expense	287,010
Interest payable	(160,000)
Balance, December 31, 2025	**1,769,523**
Accretion expense	72,179
Interest payable	—
Balance, March 31, 2026	**1,841,702**

11. CONVERTIBLE DEBENTURE

On August 15th, 2025, the Company issued unsecured debentures with a total principal amount of $1,570,000. The debenture matures on August 15, 2028, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $125,600 in cash, 1,004,800 finder's warrants valued at $35,521, and regulatory & legal fees of $11,321 were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $35,521 was assigned to the 1,004,800 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 76.64% which is based on historical volatility, risk-free rate of return of 2.72% 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 non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $1,365,031 ($1,215,102 net of transaction costs) and the equity portion were $204,969 ($127,114 net of transaction costs and tax effect).

On February 23rd, 2026, the Company issued unsecured debentures with a total principal amount of $300,000. The debenture matures on February 23, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $24,000 in cash, 192,000 finder's warrants valued at $11,616, and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $11,616 was assigned to the 192,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66%

(Unaudited - expressed in Canadian dollars)

11. CONVERTIBLE DEBENTURE (CONTINUED)

which is based on historical volatility, risk-free rate of return of 2.37% 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 non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $260,834 ($229,868 net of transaction costs) and the equity portion were $39,166 ($23,941 net of transaction costs and tax effect).

Accretion charges included in interest and financing expense on the statements of loss and comprehensive loss, attributable to all the convertible debentures for the period ended March 31, 2026 was $55,380 of which $nil (March 31, 2025 was $nil, of which $nil) relates to interest paid.

Balance, December 31, 2024	—
Principal	1,570,000
Equity component	(182,456)
Transaction costs	(172,442)
Accretion expense	74,493
Balance, December 31, 2025	**1,289,595**
Principal	300,000
Equity component	(34,516)
Transaction costs	(35,616)
Accretion expense	55,380
Balance, March 31, 2026	**1,574,843**

(Unaudited - expressed in Canadian dollars)

12. 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, 2026 $	As at December 31, 2025 $
Balance, beginning of year	**354,379**	**513,625**
Additions	—	---
Interest	9,680	50,963
Lease payments	(52,552)	(210,209)
Balance, end of year	**311,507**	**354,379**
Less: non-current portion	(126,628)	(174,938)
Balance, current portion	**184,879**	**179,441**

Undiscounted lease payments	**$**
Not later than one year	210,209
Later than one year and not later than 5 years	131,003
March 31, 2026	**341,212**

For the three months ended March 31, 2026, $17,225 of variable lease payments (three months ended March 31, 2025 - $17,225) were included in rent expense on the statements of loss and comprehensive loss.

13. 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, 2025

[i] 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.

[ii] issued 2,351,402 common shares pursuant to the vesting of employee restricted share units.

(Unaudited - expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

[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, 2024	**14,573,585**	**0.22**
Issued	1,004,800	0.125
Forfeited	(3,773,585)	0.265
Balance, December 31, 2025	**11,804,800**	**0.19**
Issued	192,000	0.125
Balance, March 31, 2026	**11,996,800**	**0.19**

Date of Expiry	Exercise price $	Warrants outstanding	Warrants exercisable
July 8, 2027	0.200	10,800,000	10,800,000
August 15, 2028	0.125	1,004,800	1,004,800
February 23, 2029	0.125	192,000	192,000
Balance, March 31, 2026		**11,996,800**	**11,996,800**

[d] Stock options

On August 7, 2020 and as amended on August 10, 2023, 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 period ended March 31, 2026, the Company recorded share-based payment expense of $11,340 (March 31, 2024 - $34,234) 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, 2024	**4,841,141**	**0.26**
Issued	800,000	0.10
Exercised	(950,000)	0.09
Expired/Cancelled	(3,891,141)	0.30
Balance, December 31, 2025 & March 31, 2026	**800,000**	**0.10**

(Unaudited - expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

Date of Expiry	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
May 16, 2028	0.10	800,000	800,000
Balance, March 31, 2026	**0.10**	**800,000**	**800,000**

As of March 31, 2026 the weighted average remaining life for outstanding options was 2.12 years (December 31, 2025: 2.37 years).

[e] Restricted Share Units ("RSU")

On August 7, 2020 and as amended August 10, 2023, 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, 2026, the Company recorded share-based payments expense of $nil, directly related to the RSUs (March 31, 2025: $98,570)

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

	Number	Weighted Average Fair Value $
Balance, December 31, 2024	**2,913,037**	**0.27**
Exercised	(1,966,000)	0.27
Exercised	(204,037)	0.28
Forfeited/Expired	(743,000)	0.27
Balance, December 31, 2025 & March 31, 2026	**—**	**—**

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).

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 year. 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, deposits, accounts payable and accrued liabilities and debentures approximate their carrying values due to the short-term to maturity. The fair value of the debenture and lease liabilities are 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, restricted cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash and restricted cash by placing these instruments with institutions of high credit worthiness. Receivables are primarily from sales. The Company believes these parties to be of sound creditworthiness. As at March 31, 2026 the Company is exposed to credit risk arising from receivables and recorded a loss allowance of $50,000 (December 31, 2025 - $50,000).

[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.

[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 December 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.

At March 31, 2026, the Company had US denominated current assets of US$186,250 and US denominated current liabilities of US$480,165 (December 31, 2025 - US$191,922 and US$563,159, respectively). Accordingly, a 10% change in the foreign exchange rate would result in $55,305 credit or charge to operations (December 31, 2025 - $69,984).

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Three months ended March 31,	
	2026	**2025**
	$	**$**
Fair value of stock options exercised	—	67,654
Issuance of convertible debt—equity component	34,516	—
Fair value of broker warrants	11,616	—

16. SEGMENTED INFORMATION

The Company has a single operating segment, the sales and marketing of Wastewater Energy Transfer ("**WET**") Equipment. As at March 31, 2026 and December 31, 2025, all of the Company's main operations, assets and employees are in Canada.

Disaggregation of revenues

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

	Three months ended March 31,	
	2026	**2025**
	$	**$**
Equipment leases	3,600	3,600
Service and maintenance agreements	92,666	106,269
Product sales	396,443	903,067
Total	**492,709**	**1,012,936**

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2025:

a) The Company has closed a non-brokered private placement of unsecured convertible debentures of the Company for a principal amount of $2,200,000.

The debentures bear interest from their issue date at 8.0% per annum calculated annually and paid on maturity and will mature three years following the date of issuance. The debentures are unsecured and will rank *pari passu* in right of payment of principal and interest with all current and future unsecured indebtedness of the Company. The debentures, including any accrued and unpaid interest, will be convertible into common shares of the Company at a price of $0.125 per common share at the option of the holder.

In connection with the offering, the Company paid a cash finders' fee of $134,800 and issued 1,078,400 compensation warrants of the Company. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.125 for a period of three years following the date of issuance.