

Decarbonizing the Circular Economy through
Advanced Design, Technology & Environmental Services.

**CONSOLIDATED
FINANCIAL
STATEMENTS**

Years Ended
September 30, 2025 and 2024

Expressed in Canadian Dollars

To the Shareholders of Char Technologies Ltd.:

Opinion

We have audited the consolidated financial statements of Char Technologies Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2025 and September 30, 2024, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2025 and September 30, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended September 30, 2025 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting Treatment for Investment in Joint Venture

Key Audit Matter Description

As described in Note 8 to the consolidated financial statements, the Company entered into agreements with Bioveld Canada Inc. ("Bioveld") and BMI Industrial Inc. ("BMI") to form CHAR Bioveld LP ("the Thorold LP"). The Company contributed assets and liabilities to acquire a 50% ownership interest in the Thorold LP. The cost of the Company's interest in the Thorold LP was initially measured at the fair value of the contributed assets and liabilities using a market-based approach, which was the fair value of the cash contribution from Bioveld and BMI to the Thorold LP. The fair value is adjusted for the unrealized gain or loss relating to the Company's equity interest in the joint venture. The arrangement is a joint venture under IFRS 11 and accounted for using the equity method in accordance with IAS 28.

The investment in the joint venture was \$3.3 million as at September 30, 2025. We considered this to be a key audit matter due to the complexity and non-routine nature of the transaction.

Audit Response

We responded to this matter by performing audit procedures relating to the accounting treatment for the investment in the Thorold LP joint venture. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding on management's process of determination of the accounting treatment for the interest in Thorold LP.
- Obtained the signed partnership and contribution agreements and assessed the key terms and conditions for accounting implications related to the accounting treatment of the investment. In addition, consulted with our internal technical accounting specialists on management's accounting treatment of the joint arrangement.
- Assessed management's calculation of the contribution of assets and liabilities, initial recognition of the investment in the Thorold LP, fair value of the contribution, downstream elimination of unrealized gain, and the resulting gain on contribution, ensuring they were in accordance with IFRS. In addition, our internal valuation specialists were consulted in assessing management's fair value of cash contribution from Bioveld and BMI to the Thorold LP.
- Evaluated the disclosures included in the consolidated financial statements and ensured they are in compliance with the requirements under IFRS.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zahra Alnoor Bhanji.

Mississauga, Ontario

January 27, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

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Char Technologies Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at September 30, 2025 \$	As at September 30, 2024 \$
ASSETS		
Current assets		
Cash	453,685	948,689
Accounts receivable (note 3)	1,503,826	1,889,224
Work-in-progress (note 4)	-	297,195
Prepaid expenses	129,995	150,792
Assets held for sale (note 18)	-	298,800
Total current assets	2,087,506	3,584,700
Property and equipment (note 5)	2,144,776	9,204,611
Right-of-use assets (note 6)	503,648	1,438,101
Intangible assets (note 7)	821,521	1,125,059
Investment in joint venture (note 8)	3,329,395	-
Total assets	8,886,846	15,352,471
SHAREHOLDERS' EQUITY AND LIABILITIES		
Liabilities		
Accounts payable and accrued liabilities (notes 9 & 16)	2,433,302	4,499,621
Loans payable (note 10)	32,214	1,031,430
Lease liabilities (note 11)	326,515	198,059
Deferred revenue (note 4)	339,567	24,750
Liabilities directly associated with assets held for sale (note 18)	-	27,958
Total current liabilities	3,131,598	5,781,818
Lease liabilities (note 11)	336,005	1,386,949
Loans payable (note 10)	181,981	2,425,497
Deferred grant income (note 5)	338,505	5,286,517
Total liabilities	3,988,089	14,880,781
Shareholders' equity		
Share capital (note 12)	29,764,951	24,619,524
Share-based payment reserves (note 13)	8,832,868	8,273,764
Contributed surplus	53,744	53,744
Deficit	(33,752,806)	(32,475,342)
Total shareholders' equity	4,898,757	471,690
Total shareholders' equity and liabilities	8,886,846	15,352,471

Nature of business & going concern (note 1);
Subsequent events (note 19)

Approved on behalf of the Board:

"Nik Nanos"
Director

"William White"
Director

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Char Technologies Ltd.
CONSOLIDATED STATEMENTS OF LOSS & COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year Ended September 30,	
	2025 \$	2024 \$
Revenue		
Engineering technology revenue	2,195,650	3,161,996
Total revenue	2,195,650	3,161,996
Cost of revenue	(1,345,236)	(2,530,414)
Gross profit	850,414	631,582
Expenses		
Accretion and interest	269,950	353,064
Research and development	369,182	405,196
Professional fees	1,731,313	1,055,067
Consulting fees (note 16)	556,319	872,158
Office expenses	2,176,072	3,248,708
Regulatory and filing fees	71,510	39,047
Depreciation (noted 5 and 6)	1,011,972	515,804
Amortization (note 7)	306,629	573,536
Share-based payments (note 13)	535,992	1,692,710
	7,028,939	8,755,290
Loss from operations	(6,178,525)	(8,123,708)
Interest income	29,322	125,321
Grant income (notes 5 and 10)	1,175,358	1,493,758
Impairment of property and equipment (note 5)	-	(1,019,377)
Loss from equity accounted investment (note 8)	(279,052)	-
Gain on contribution to joint venture (note 8)	4,131,709	-
Net loss before income taxes	(1,121,188)	(7,524,006)
Income tax recovery (note 17)	-	-
Net loss and comprehensive loss from continuing operations	(1,121,188)	(7,524,006)
Net loss and comprehensive loss from discontinued operations (note 7 and 18)	(156,276)	(808,506)
Net loss and comprehensive loss from for the year	(1,277,464)	(8,332,512)
Net loss per share- basic and diluted	(0.0092)	(0.074)
Net loss per share- basic and diluted from discontinued operations	(0.0013)	(0.008)
Weighted average common shares outstanding – basic and diluted	121,232,965	101,032,413

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Char Technologies Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended September 30,	
	2025	2024
	\$	\$
Operating activities		
Net loss and comprehensive income for the year	(1,277,464)	(8,332,512)
Adjustments for:		
Gain contribution to joint venture (note 8)	(4,131,709)	-
Loss from equity accounted investment (note 8)	279,052	-
Share-based payments (note 13)	535,992	1,692,710
Depreciation (note 5 & 6)	1,012,066	523,535
Amortization (note 7)	306,629	575,557
Accretion and interest (note 10)	269,950	353,064
Grant income	(1,175,358)	(1,493,758)
Impairment of property and equipment (note 5)	-	1,019,377
Impairment of Goodwill (note 7 & 18)	-	398,003
Net change in non-cash working capital		
Accounts receivable (note 3)	(112,672)	(223,514)
Prepaid expenses	20,796	45,457
Work-in-progress (note 4)	297,195	(22,386)
Inventory	-	8,933
Deferred revenue (note 18)	304,973	(521,930)
Accounts payable and accrued liabilities (note 9)	(1,959,048)	1,988,603
Net cash (used) in operating activities	(5,629,598)	(3,988,861)
Investing activities		
Redemption of term deposit	-	4,000,000
Proceeds from asset held for sale (note 18)	275,000	-
Purchase of property and equipment (note 5)	(1,068,351)	(3,451,573)
Purchase of intangible assets (note 6)	(3,090)	-
Net cash (used) provided by investing activities	(796,441)	548,427
Financing activities		
(Repayments) Proceeds of loans net of repayments	(31,862)	817,572
Proceeds from issuance of common shares and units, net of costs (note 12)	5,116,789	-
Proceeds from options exercised (note 13)	51,750	111,712
Purchase of right of use assets	-	(16,517)
Lease payments (note 11)	(381,000)	(345,526)
Grant Income	1,175,358	1,728,729
Net cash provided by financing activities	5,931,035	2,295,970
Net change in cash	(495,004)	(1,144,465)
Cash, beginning of the year	948,689	2,093,154
Cash, end of the year	453,685	948,689

Assets held for sale (Note 18)

The Company has elected to present a consolidated statements of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 18.

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Char Technologies Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital Amount \$	Share-Based Payment Reserve \$	Contributed Surplus \$	Deficit \$	Total
Balance, September 30, 2023	100,110,530	24,007,240	7,015,811	53,744	(24,142,830)	6,933,965
Issuance of warrants (note 12)	-	-	65,815	-	-	65,815
Share-based payments (note 13)	-	-	1,692,710	-	-	1,692,710
Exercise of stock options (note 13)	680,727	205,500	(93,788)	-	-	111,712
Exercise of Restricted Shares Units	609,807	406,784	(406,784)	-	-	-
Net and comprehensive loss for the year	-	-	-	-	(8,332,512)	(8,332,512)
Balance, September 30, 2024	101,401,064	24,619,524	8,273,764	53,744	(32,475,342)	471,690

Balance, September 30, 2024	101,401,064	24,619,524	8,273,764	53,744	(32,475,342)	471,690
Common shares/warrants issued for cash (note 12)	26,359,451	4,833,346	438,543	-	-	5,271,889
Share issuance costs (note 12)	-	(155,100)	-	-	-	(155,100)
Share-based payments (note 13)	-	-	535,992	-	-	535,992
Exercise of stock options (note 13)	450,000	89,790	(38,040)	-	-	51,750
Exercise of Restricted Shares Units	910,699	377,391	(377,391)	-	-	-
Net and comprehensive loss for the year	-	-	-	-	(1,277,464)	(1,277,464)
Balance, September 30, 2025	129,121,214	29,764,951	8,832,868	53,744	(33,752,806)	4,898,757

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

1. Nature of Business and Going Concern

CHAR Technologies Ltd. (the “Company” or “CHAR Tech”) is a cleantech development company specializing in high-temperature pyrolysis, converting woody materials and organic waste into renewable gases (renewable natural gas and green hydrogen) and biocarbon (activated charcoal “SulfaCHAR” and biocoal “CleanFyre”). The Company has completed the process of exiting operations related to environmental consulting services, including annual reporting, approvals, and compliance management, to focus on its core cleantech development. The Company is listed on the TSX Venture Exchange (the “Exchange”) trading under the symbol YES. The Company’s head office address is Morneau Shepell Centre II, 895 Don Mills Road, Suite 400, Toronto, Ontario, M3C 1W3.

These consolidated statements have been prepared on a going-concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitability of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company’s ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values of assets.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$33,752,806 as of September 30, 2025 (September 30, 2024 - \$32,475,342). The recoverability of the carrying value of the assets and the Company’s continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary.

On January 27, 2026, the Board of Directors approved these consolidated statements.

2. Material Accounting Policies

(a) Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board (“IASB”) and IFRIC® Interpretations of the IFRS Interpretations Committee.

(b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity over which the Company has control, where control indicates exposure or rights to variable returns and the ability to affect those returns through power to direct the activities of the investee. Subsidiaries are consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases. Inter-company transactions, balances and unrealized gains on transactions between entities are eliminated.

The consolidated financial statements of CHAR Technologies Ltd. and its wholly owned subsidiaries, Char Biocarbon Inc., Chartech Services Inc. (formerly known as Altech Environmental Consulting Ltd.), CHAR Technologies Thorold Inc., CHAR Technologies Research Inc. and , CHAR Technologies USA, LLC, are consolidated from the date that control commences until the date that control ceases.

2. Material Accounting Policies (continued)

(c) Derecognition of Assets and Liabilities

The Company derecognizes assets and liabilities when control over the specific assets is transferred, in accordance with the terms of the transaction. This does not constitute a loss of control of a subsidiary.

(d) Equity-accounted joint venture

An equity-accounted investee is an associate or joint venture over which the Company has significant influence or joint control but not control. The Company's equity-accounted investee relates to a joint venture. Investments in equity-accounted investees are accounted for using the equity method of accounting in accordance with IAS 28.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profits or losses of the investee in net income, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Distributions received or receivable from equity-accounted investees are recognized as a reduction in the carrying amount of the investment.

The Company records an increase or decrease to the investment in joint venture for subsequent contributions made by the Company or dividends received from the joint venture's profit. When the Company's share of losses in the joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports a profit, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

When the Company transacts with a joint venture, profits or losses resulting from the transactions with the joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

When the Company contributes a group of assets and related liabilities to a joint venture, the Company derecognizes the carrying amounts of the assets and liabilities transferred and recognizes an investment in the joint venture at the carrying amount of the net assets which is subsequently adjusted for the gain or loss of the unrelated investor's interest in the joint venture based on the fair value of the consideration paid by the unrelated investor's interest in joint venture.

When the Company ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in net income. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. No such remeasurements occurred during the year.

(e) Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Maintenance and repair expenditures that do not improve or extend life are expensed in the period incurred.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method.

2. Material Accounting Policies (continued)

(e) Property and equipment (continued)

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. No depreciation is recognized for property and equipment until it is completed and ready for intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When property and equipment are contributed together with directly associated liabilities as part of a net asset transfer, the gain or loss on derecognition is determined based on the difference between the consideration received and the net carrying amount of the assets and liabilities transferred. Any resulting gain or loss is recognized in consolidated statements of loss and comprehensive loss, subject to limitation or elimination as required by other applicable accounting standards, including IAS 28 when the transaction involves an equity-accounted investee.

Estimated useful lives for the principal asset categories are as follows:

Computer equipment	3 years
Production equipment	5 years
Pilot Kiln	5 years
Leasehold improvements	Amortized over the term of the lease

(f) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of cash generating units ("CGUs") which comprise the CGU segment, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recognized in consolidated statements of loss and comprehensive loss in the reporting period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

(g) Intangible assets

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, such intangible assets are carried at cost less any impairment losses and accumulated amortization on a straight-line basis over the estimated useful life.

The estimated useful life and amortization methods are reviewed annually, with the effect of any change in estimate being accounted for on a prospective basis.

The estimated useful lives of the intangible assets are as follows:

Purchased technology	10 years
Patents	10 years
Technology license	3 years
Purchased technology (SLO)	5 years

2. Material Accounting Policies (continued)

(h) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and definite life intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in consolidated statements of loss and comprehensive loss. For purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). At each reporting date, management assesses whether there is an indication that a previously recognized impairment loss has reversed, and accordingly whether the impairment loss should be reversed.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized.

If an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately.

Goodwill is tested for impairment annually at year-end and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the segment is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(i) Financial instruments

The following table summarizes the classification and measurement under IFRS 9 for each financial instrument:

Classification	IFRS 9
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable	Amortized cost
Loans payable	Amortized cost

2. Material Accounting Policies (continued)

(i) Financial instruments (continued)

i. Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii. Measurement

Financial assets and liabilities at amortized cost - Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL - Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the year in which they arise.

iii. Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial assets have not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty.
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference

2. Material Accounting Policies (continued)

(i) Financial instruments (continued)

between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. Changes in the carrying amount of the allowance account are recognized in consolidated statements of loss and comprehensive loss.

iv. Derecognition

Financial assets - The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities - A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

(j) Revenue from Contracts and Customers ("IFRS 15")

The Company derives revenues from the delivery of engineering services and technology.

When the Company earns revenue from engineering services before issuing an invoice, it acknowledges this income as work in progress. This is reported on the Company's consolidated statements of financial position as costs and estimated profits exceeding billings. The work-in progress is transferred to trade receivables when the invoice is issued indicating that the entitlement to payment has become unconditional. If payments are received from the customer prior to the rendering of services, the Company recognizes deferred revenue. The deferred revenue is transferred to revenues once related services have been rendered. If services are rendered and the invoices have not been issued to a customer, the Company recognizes work in progress.

Revenues from engineering technology services are measured based on the consideration specified in a contract with a customer. The Company typically recognizes revenues over time, using an input measure, as it fulfills its performance obligations in line with contracted terms.

Engineering revenues from cost-plus contracts with ceilings and from fixed-price contracts are recognized progressively based on a percentage-of-completion method, which is calculated on the ratio of contract costs incurred to total anticipated costs.

A performance obligation is a promise in the contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenues when, or as, the performance obligation is satisfied. The Company's contracts have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. Any modifications or variations to contracts in progress are assessed to determine if they fall under the scope of the existing contract performance obligation or form part of a new performance obligation.

Certain service arrangements, including operations and maintenance services provided under management agreements, are billed on a time-and-materials basis. Under these arrangements, revenue

2. Material Accounting Policies (continued)

(j) Revenue from Contracts and Customers ("IFRS 15") (continued)

consists of reimbursable employee and consultant labour costs incurred, together with a contractual management fee, where applicable. Revenue from time-and-materials contracts is recognized over time, using an input method based on actual labour hours and costs incurred, as this method faithfully depicts the Company's performance in transferring services to the customer.

Certain other out-of-pocket expenses which are obligations of the customer to third-party are incurred on behalf of the customer and reimbursed at cost, without margin, do not represent services controlled by the Company and are accounted for as pass-through reimbursements. These amounts are excluded from revenue and presented net against the related expense accounts.

(k) Cost of sale recognition

Cost of sales is recognized in alignment with the Company's revenue recognition policies for engineering and technology services. Direct costs, including labor, materials, and sub-consultants, are recognized in the period in which the related services are rendered, following the percentage-of-completion method for cost-plus and fixed-price contracts. Overhead costs are recognized on an accrual basis, aligned with the performance obligations under the contract.

For contracts where costs are incurred but not immediately recognized as expenses, these costs are included in work in progress or deferred revenue, depending on the stage of the contract.

Certain costs incurred by the Company for subcontractors and other expenses that are recoverable directly from customers are billed to them and included in revenue.

The effect of revisions to estimate revenues and costs, including the impact of any modifications or variations to contracts in progress, is recorded when the amounts are known and can be reasonably estimated. These revisions can occur at any time and may be significant. If total contract costs exceed total contract revenues, the expected loss is recognized immediately through a provision for losses to completion, impacting on the cost of sales.

(l) Share-based payments

The Company accounts for all share-based payments awarded to directors and officers and non-employees using the fair value method. For employees, cost is measured at the grant date at fair value using the Black-Scholes Option-Pricing Model that takes into account the exercise price, the expected life of the option, the current price of the underlying stock, the expected volatility, the expected dividends and the risk-free interest rate for the expected term of the option. For non-employees, the fair value of each tranche of options issued is determined by the fair value of goods and services received.

If the fair value of such goods and services cannot be reliably measured, an option pricing model will be utilized. The compensation cost will be expensed in the consolidated statements of loss and comprehensive loss over the vesting period for directors and officers and over the performance period for awards provided to non-employees in exchange for goods and services.

(m) Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

2. Material Accounting Policies (continued)

(n) Government grants

Government grants are not recognized until there is reasonable assurance that they will be received and that the Company will be in compliance with any conditions associated with the grant. Grants that compensate the Company for expenses are recognized in the consolidated statements of loss and comprehensive loss separately from loss from operation and in the same period in which the expense is recognized. Grants related to assets are presented as deferred income and recognized in the consolidated statements of loss and comprehensive loss on a systematic basis over the useful life of the asset.

(o) Earnings or Loss per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(p) Income taxes

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

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

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

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

(q) Foreign currency transactions

The functional currency of the Company and its subsidiaries is the Canadian dollar. The consolidated statements are presented in Canadian dollars which is the Company's presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in consolidated statements of loss and comprehensive loss.

2. Material Accounting Policies (continued)

(r) Leases

- Leases are accounted for by recognizing a right-of-use asset and a lease liability, except for:
- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee.
- The exercise price of any purchase option granted if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease.
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

When the Company reassesses the lease term due to a change in facts and circumstances that is within the Company's control and affects whether the Company is reasonably certain to exercise a renewal or termination option, the lease liability is remeasured to reflect the revised lease payments over the revised lease term, discounted using a revised incremental borrowing rate determined at the date of reassessment. The corresponding adjustment is recognized against the carrying amount of the right-of-use asset.

(s) Assets Held for Sale and Discontinued Operations

Non-current assets (or disposal group) are classified as held for sale if their carrying amount is recovered

2. Material Accounting Policies (continued)

(s) Assets Held for Sale and Discontinued Operations (continued)

principally through a sale transaction rather than through continuing use. This classification requires:

- **Commitment to Sell:** Management must be committed to a plan to sell the asset (or disposal group).
- **Available for Immediate Sale:** The asset (or disposal group) must be available for sale in its present condition, subject only to terms that are usual and customary.
- **Highly Probable Sale:** The completion of the sale should be highly probable within one year from the date of classification.

Once classified as held for sale, the non-current assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. No further depreciation or amortization is recorded once an asset is classified as held for sale. Any subsequent decrease to fair value less costs to sell is recognized as an impairment loss in consolidated statements of loss and comprehensive loss. If the fair value less costs to sell increases after classification, a gain is recognized—but only to the extent of reversing previously recognized impairment losses (i.e., not exceeding the carrying amount that would have been determined had no impairment been recognized).

Assets classified as held for sale are presented separately under “Assets Held for Sale” in the consolidated statements of financial position. Similarly, any liabilities directly associated with those assets are presented as “Liabilities Directly Associated with Assets Held for Sale.”

Where the disposal group represents a separate major line of business of operations, it is also classified as a discontinued operation in the consolidated statements of loss and comprehensive loss. The results of discontinued operations are presented separately from continuing operations to enhance the comparability of financial performance.

(t) Future Accounting Pronouncements

Future accounting pronouncements issued by the IASB but not yet effective for the Company include amendments to IFRS 9 and IFRS 7, effective for annual periods beginning on or after January 1, 2026, which provide updated guidance on the classification and measurement of financial instruments and introduce additional disclosure requirements. The IASB has also issued IFRS 18, effective for annual periods beginning on or after January 1, 2027, which replaces IAS 1 and introduces revised presentation and disclosure requirements.

The Company is evaluating these amendments and does not expect them to have a material impact on recognition or measurement, although presentation and disclosure changes are anticipated. The Company is also monitoring the development of IFRS S1 and IFRS S2 for sustainability-related disclosures, which are not yet mandatory in Canada.

(u) Critical accounting judgments and key sources of estimation uncertainty

The preparation of these consolidated statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting

2. Material Accounting Policies (continued)

(u) Critical accounting judgments and key sources of estimation uncertainty (continued)

estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical areas of estimation and judgments in applying accounting policies include the following:

Going concern

As discussed in note 1, these consolidated statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

Work in Progress (WIP) and Percentage of Completion

The Company applies the percentage-of-completion method to recognize revenue from engineering contracts. This method relies on estimates of contract budgets, progress, and costs incurred. The calculation of WIP requires significant judgment and estimation by management. WIP reflects the portion of the contract price earned to date, less amounts billed, based on the percentage of completion method. The percentage of completion is determined by using an input measure, typically the ratio of contract costs incurred to total estimated costs.

The total estimated costs to complete a contract are subject to management's judgment, considering factors such as changes in project scope, unforeseen costs, and the accuracy of labor and material tracking. These estimates are regularly reviewed and updated as the project progresses. Adjustments to WIP are recognized in the period when the estimates are revised, which may significantly impact the timing and amount of revenue and cost recognition.

WIP is considered a critical estimate because changes in contract budgets or progress assessments can lead to material adjustments in revenue, costs, and the financial position of the Company.

Useful lives of property and equipment and intangibles

The Company reviews the estimated useful lives of property and equipment and intangibles with finite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the year ended September 30, 2025, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Lease term judgment

Determining the lease term requires judgment in assessing whether the Company is reasonably certain to exercise renewal options.

Share-based payments

The Company estimates the fair value of warrants and options using the Black-Scholes Option Pricing

2. Material Accounting Policies (continued)

(u) Critical accounting judgments and key sources of estimation uncertainty (continued)

Model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected dividends.

Discontinued Operations

Management exercises significant judgment when determining whether an operation qualifies for classification as a discontinued operation and how the comparative information should be presented in the consolidated statements. In evaluating the requirements under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the Company concluded it was appropriate to classify the operation as discontinued (note 18).

Impairment testing goodwill

The Company performs annual impairment tests for impairment of goodwill at the end of each fiscal year or when events occur or circumstances change that would, more likely than not, indicate an impairment loss is present. Key assumptions in the impairment assessment include underlying recoverable amounts of respective CGUs, the discount rates applied, future growth rates and forecast cash flows (note 7).

Income taxes

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

Joint Arrangements and Joint Ventures

The Company assesses all contractual arrangements to determine whether they give rise to joint control, which exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations arising from the arrangement.

There is a judgment required to make the determination of whether an arrangement is a joint venture or a joint operation in accordance with IFRS 11. A joint operation exists when the Company has direct rights to the assets and obligations for the liabilities of the arrangement. A joint venture exists when the Company has rights only to the net assets of the arrangement. In making this determination, management considers the legal form of the arrangement, the terms of the contractual agreements, and other facts and circumstances that indicate whether the parties share rights to assets or to net assets.

3. Accounts Receivable

	As at September 30, 2025 \$	As at September 30, 2024 \$
Trade Receivables net of allowances	973,790	851,742
Government grants receivable	149,505	653,166
HST receivable	44,507	77,002
Loans receivable from related parties (note 16)	336,024	307,314
Total amounts receivable	1,503,826	1,889,224

As part of the asset contribution, an amount of \$493,818 related to a government grant receivable, representing a holdback under the Investments in Forest Industry Transformation (“IFIT”) program, was assigned and contributed to the Thorold LP as part of the contribution of Thorold project assets (see Note 8). Accordingly, this amount has been derecognized from accounts receivable as at July 10, 2025.

Loans receivable from related parties consist of loans extended by the Company to one officer of the Company including accrued interest, totaling \$336,024 (2024: \$307,314), payable on demand at the rate of 2.45% (note 15). The table below is a summary of the loans extended to the officers of the Company:

	As at September 30, 2024 \$	As at September 30, 2024 \$
Andrew White (CEO)	336,024	307,314
Total	336,024	307,314

Work in Progress and Deferred Revenue

The Company records the work in progress (WIP) related to unbilled work from contracts referring to the value of services performed, or products developed under a contract that has not yet been billed to the client. This can include partially completed work or fully completed work awaiting the invoicing process. The balance recognized related to unbilled work is \$nil as of September 30, 2025 (September 30, 2024: \$297,195).

Deferred revenue represents amounts received or invoiced in advance for services or goods that have not yet been delivered or fully earned as of the reporting date. The Company records deferred revenue When cash payments are received from customers before the satisfaction of performance obligations.

As of September 30, 2025, the Company had deferred revenue of \$339,567 (September 30, 2024: \$24,750).

5. Property and Equipment

Cost	Computer Equipment	Production Equipment	Pilot Kiln	Leasehold Improvements	Construction in progress	Total	Assets held for sale
Balance, September 30, 2023	\$57,480	\$357,327	\$1,683,293	\$55,216	\$7,664,447	\$9,817,763	\$7,319
Additions	29,898	154,917	2,520,687	-	782,719	3,488,221	-
Impairment	-	-	-	-	(1,019,377)	(1,019,377)	-
Reclassification	-	-	-	-	(927,938)	(927,938)	-
Balance, September 30, 2024	\$87,378	\$512,244	\$4,203,980	\$55,216	\$6,499,851	\$11,358,669	\$7,319
Additions	-	110	5,079	-	1,098,340	1,103,529	-
Reclassification	-	167,484	-	-	(167,484)	-	-
Disposal	(1,343)	-	-	-	(34,582)	(35,925)	(7,319)
Contribution of assets to joint venture (note 8)	-	-	-	-	(7,391,990)	(7,391,990)	-
Balance, September 30, 2025	\$86,035	\$679,838	\$4,209,059	\$55,216	\$4,135	\$5,034,283	\$-

Accumulated depreciation	Computer Equipment	Production Equipment	Pilot Kiln	Leasehold Improvements	Construction in progress	Total	Assets held for sale
Balance, September 30, 2023	\$39,394	\$132,012	\$1,683,293	\$26,086	\$-	\$1,880,785	\$4,722
Additions	19,402	77,767	167,973	8,129	-	273,271	1,133
Balance, September 30, 2024	\$58,797	\$209,779	\$1,851,266	\$34,215	\$-	\$2,154,057	\$5,855
Additions	17,010	211,159	504,137	7,637	-	739,943	95
Disposal	(746)	-	-	-	-	(746)	(5,950)
Reclassification	-	(3,747)	-	-	3,747	-	-
Contribution of assets to joint venture (note 8)	-	-	-	-	(3,747)	(3,747)	-
Balance, September 30, 2025	\$75,061	\$417,191	\$2,355,403	\$41,852	-	\$2,889,507	\$-

Net book value	Computer Equipment	Production Equipment	Pilot Kiln	Leasehold Improvements	Construction in progress	Total	Assets held for sale
Balance, September 30, 2024	\$28,582	\$302,465	\$2,352,714	\$21,000	\$6,499,851	\$9,204,611	\$1,464
Balance, September 30, 2025	\$10,974	\$262,647	\$1,853,656	\$13,364	\$4,135	\$2,144,776	\$-

Government grants

On September 22, 2021, the Company entered into a contribution agreement with Natural Gas Innovation Fund ("NGIF"), where NGIF will be providing \$300,000 in non-repayable grant funding towards the installation of a renewable natural gas ("RNG") production system at CHAR Tech's Thorold site. The grant includes a 10% holdback to be disbursed on project completion, with the remaining funds being disbursed at the commencement of each of three milestones. The milestones are as follows:

Milestone 1: Detailed Engineering Design. This milestone was completed in December 2023.

Milestone 2: Fabrication and Commissioning. This milestone is in progress.

Milestone 3: Validation. This milestone has not yet begun.

The grant receivable includes a 10% holdback for the initial \$90,000 advance, (30% of total NGIF contribution) invoiced during the year ended September 30, 2022, and on the \$120,000 Milestone 1 payment (40% of total NGIF contribution) invoiced during the year ended September 30, 2024, while \$108,000 of the funds received is recognized as deferred grant income.

5. Property and Equipment (continued)

Government grants (continued)

On November 8, 2022, the Company signed a non-refundable contribution agreement with the Department of Natural Resources, under the Investments in Forest Industry Transformation (“IFIT”) program. During the fiscal year ended September 30, 2023, the Company received two tranches of funding as part of the program: one amounting to \$2,254,595 and another totaling \$2,189,755. The IFIT program provides funding assistance for eligible production plant costs up to a maximum amount of \$4,938,168, inclusive of a 10% holdback. During the year ended September 30, 2025, as part of the Company’s contribution of Thorold assets and related liabilities to the Thorold LP (note 8), the Company performed an assessment of the remaining IFIT deferred grant balance under IAS 20 and IAS 37. As part of the contribution transaction, the IFIT contribution agreement was assigned to Thorold LP. Upon transfer of the underlying assets and assignment of the IFIT agreement, the Company ceased to control the assets and no longer retained a present obligation or liability associated with the IFIT funding. Accordingly, the deferred IFIT grant balance was derecognized and included as part of the net assets and liabilities contributed to the joint venture.

On March 8, 2024, CHAR Technologies was granted \$6,651,242 from Natural Resources Canada's Clean Fuels Fund to support the expansion and replication of its Thorold facility across five new sites in Canada. The funds are disbursed based on a structured claim process during the next 3 years that ensure funding disbursement aligns with project milestones and compliance with government oversight. In addition, the Company participates as a co-proponent with Walker Environmental Group Inc. (“Walker”) under a separate Clean Fuels Fund project, which was approved as a collaborative feasibility study. Although Walker is the signatory and administrator of the contribution agreement, CHAR contributes eligible in-kind technical services and accounts for its share of the funding as government grant income in accordance with IAS 20, recognizing grant revenue as the related project costs are incurred. During the year ended September 30, 2025, a total of \$965,932 (2024: \$1,245,133) grant income has been recognized on the consolidated statements of loss and comprehensive loss for claims submitted through September 2025. Grant receivable includes the 10% holdback \$128,505 for the total claims approved by NRCan until the end of September 30, 2025.

During the year ended September 30, 2024, CHAR Technologies received \$75,000 in grant revenue from the National Research Council of Canada’s Industrial Research Assistance Program (NRC IRAP). This funding supports the Company’s innovation and research and development initiatives, enhancing its financial stability and reinforcing its commitment to advancing sustainable technologies in Canada’s clean energy sector. The grant was recognized on the consolidated statements of loss and comprehensive loss as of September 30, 2024.

5. Property and Equipment (continued)

Government grants (continued)

The following is a cumulative summary of grants received:

	As at September 30, 2025 \$	As at September 30, 2024 \$
Grant received from SDTC	768,750	768,750
Grant received from OCE	1,000,000	1,000,000
Grant received from LCIF	903,027	903,027
Advance received from NGIF	189,000	189,000
NGIF 10% holdback (note 3)	21,000	21,000
Grant Income from IRAP	75,000	75,000
Grant Income from FedDev	391,262	291,178
Grant received from CFF. NRCan	2,211,082	1,245,150
CFF 10% holdback (note 3)	128,505	138,350
IFIT program	4,444,350	4,444,350
IFIT 10% holdback (note 3)	493,818	493,818
Total accumulated recognized grant income	(5,349,121)	(4,283,106)
Contribution of IFIT grant to joint venture (note 8)	(4,938,168)	-
Total deferred grant income	338,505	5,286,517
Less current portion	-	-
Long-term portion	338,505	5,286,517

Construction in progress

Prior to the formation of the Thorold LP, CHAR Tech's Thorold renewable energy facility was under active construction, with total assets under construction of carrying value of \$7,391,990 recorded as at July 9, 2025. The project included engineering design, process equipment, pelletization system upgrades, site preparation, and commissioning-related construction expenditures. On July 10, 2025, CHAR Technologies Thorold Inc. contributed these assets under construction to the limited partnership, in exchange for a 50% interest in the limited partnership units (note 8). Following this contribution, the Company ceased recognizing further additions related to the Thorold construction project in its consolidated financial statements.

The Company is party to a High Temperature Pyrolysis ("HTP") system acquisition and operation contract with Kompogas SLO LLC ("SLO"), a subsidiary of Kanadevia EN (formerly known as "HZI"), entered into on July 21, 2021. Under the contract, the Company is to design, construct and commission a HTP system for processing anaerobic digestate into green hydrogen and biocarbon at SLO's facility in San Luis Obispo, California, and provide related technical and commercial services, including arranging of hydrogen and biocarbon offtake agreements. The HTP system will be owned by the Company and operated at SLO for a term of 5 years from the date of acceptance at an annual rent of USD \$1. SLO has an option to purchase the HTP system at any time after the first year of operation. If the purchase option is exercised, the Company is required to assign the hydrogen and biochar offtake agreements to SLO and continue to market the hydrogen and biocarbon on a commission basis.

As part of its financial review for the year ended September 30, 2024, CHAR Technologies Ltd. reassessed the classification and valuation of costs associated with its HZI SLO project. This project was the Company's first large-scale high-temperature pyrolysis (HTP)-to-hydrogen initiative, designed under a Build-Own-Operate-Transfer (BOOT) model. The project was set on hold due to unresolved permitting and strategic deployment issues.

5. Property and Equipment (continued)

Construction in progress (continued)

The Company had capitalized \$1,947,317 under "Assets Under Construction" within Property, Plant, and Equipment (PP&E) as of September 30, 2024.

Due to delays in physical deployment and limited future applicability of certain project-specific expenditures, the Company determined that \$1,019,377 of these costs should be impaired as of September 30, 2024. The impaired amount primarily pertained to project-specific costs related to site preparation, early-phase designs, and expenditures that lack scalability or relevance to future projects. The amount was recorded under impairment of property, plant and equipment on the consolidated statements of loss and comprehensive loss. The remaining balance of \$927,939 was reclassified as intangible assets as of September 30, 2024. These costs are related to the development of intellectual property (IP), including engineering designs, modular fabrication drawings, process flow diagrams (PFDs), and control system narratives. The reclassification aligned with the recognition of intangible assets.

6. Right-of-use Assets

Cost	Vehicles	Equipment	Office space and land	Total
Balance, September 30, 2023	\$139,750	-	\$1,410,642	\$1,550,392
Additions	26,638	258,919	179,648	465,205
Balance, September 30, 2024	\$166,388	\$258,919	\$1,590,290	\$2,015,597
Additions	-	77,412	-	77,412
Remeasurement	-	-	(681,778)	(681,778)
Contribution of assets to joint venture (note 8)	-	(77,412)	-	(77,412)
Balance, September 30, 2025	\$166,388	\$258,919	\$908,512	\$1,333,819
Accumulated depreciation	Vehicles	Equipment	Office space and land	Total
Balance, September 30, 2023	\$82,782	-	\$245,584	\$328,366
Additions	25,057	39,015	185,058	249,130
Balance, September 30, 2024	\$107,839	\$39,015	\$430,642	\$577,496
Additions	20,354	61,915	189,759	272,028
Contribution of assets to joint venture (note 8)	-	(19,353)	-	(19,353)
Balance, September 30, 2025	\$128,193	\$81,577	\$620,401	\$830,171
Net book value	Vehicles	Equipment	Office space and land	Total
Balance, September 30, 2024	\$58,549	\$219,904	\$1,159,648	\$1,438,101
Balance, September 30, 2025	\$38,195	\$177,343	\$288,110	\$503,648

During the year ended September 30, 2025, the Company reassessed the lease term associated with its Thorold production facility following a change in facts and circumstances, including the execution of a binding Letter of Intent with a third-party partner relating to the future operation of the facility. As a result of this reassessment, the Company updated its estimate of the lease term to reflect the period for which it is reasonably certain to continue using the leased asset.

The reassessment resulted in a remeasurement of the lease liability, with a corresponding adjustment to the carrying amount of the related ROU asset, in accordance with IFRS 16.

7. Intangible Assets and Goodwill

Cost	Technology License	Purchased Technology	Patents	Total	Assets Held for Sale
Balance, September 30, 2023	\$3,203,713	\$1,180,000	\$30,415	\$4,414,128	\$62,197
Reclassification (Note 5)	-	927,939		927,939	-
Balance, September 30, 2024	\$3,203,713	\$2,107,939	\$30,415	\$5,342,067	\$62,197
Additions	-	-	3,091	3,091	-
Disposals	-	-	-	-	(\$62,197)
Balance, September 30, 2025	\$3,203,713	\$2,107,939	\$33,505	\$5,345,157	-
Accumulated depreciation	Technology License	Purchased Technology	Patents	Total	Assets Held for Sale
Balance, September 30, 2023	\$2,751,218	\$ 885,000	\$7,253	\$3,643,471	\$46,544
Additions	452,495	118,000	3,042	573,536	2,020
Balance, September 30, 2024	\$3,203,713	\$1,003,000	\$10,295	\$4,217,007	\$48,563
Additions	-	303,588	3,041	306,629	-
Disposals					(\$48,563)
Balance, September 30, 2025	\$3,203,713	\$1,306,588	\$13,336	\$4,523,637	-
Net book value	Technology License	Purchased Technology	Patents	Total	Assets Held for Sale
Balance, September 30, 2024	-	\$1,104,939	\$20,120	\$1,125,059	\$13,633
Balance, September 30, 2025	-	\$801,351	\$20,170	\$821,521	-

During the year ended September 30, 2021, CHAR Biocarbon Inc., ("CHAR Biocarbon") a wholly-owned subsidiary of the Company, signed an exclusive technology licensing agreement ("the ELA") with Actinon Pte Ltd, ("Actinon") the parent company of CHAR's former principal kiln technology supplier, Anergy Pte Ltd. ("Anergy"). Under the ELA, CHAR Biocarbon had the technology rights to all the equipment intellectual property, including patents and designs. The effective date of the ELA is July 1, 2021, and it was due to be effective for 3 years (and any further extension of the term was subject to the satisfaction of certain conditions). Pursuant to the ELA, CHAR Biocarbon was to make minimum advance royalty payments of US\$3,000,000, in respect of the first 3 years of the term, broken down as follows: US\$500,000 in respect of year 1, US\$1,000,000 in respect of year 2 and US\$1,500,000 in respect of year 3. The payment of these minimum royalties was due to take place under the ELA as follows: US\$750,000 in 2021 and US\$2,250,000 in 2022.

CHAR Biocarbon paid Actinon US\$750,000 during the year end September 30, 2021, and US\$1,253,502 during the year ended September 30, 2022. These payments were in respect of the first two years of the contract and part of year three that was due to end on June 30th, 2024. The ELA was terminated by CHAR Biocarbon by written notice on August 27th, 2022, and a further purported notice of termination was provided by Actinon effective July 1, 2023.

CHAR Biocarbon and Actinon are currently engaged in litigation relating to amounts which Actinon alleges are owed to it pursuant to the ELA, as well as amounts which CHAR Biocarbon alleges are repayable to it as a result of its counterclaim against Actinon for rescission of the ELA.

The amounts accrued and disclosed relating to the ELA and Actinon during the year ended September 30, 2025 were on a contingent basis, pending the outcome of the dispute, as they have been, and continue to be, disputed by CHAR Biocarbon.

7. Intangible Assets and Goodwill (continued)

As at September 30, 2025, by virtue of the extant litigation, there is a risk that CHAR Biocarbon may be deemed to owe liabilities to Actinon in excess of the sums already paid. Reflective of that, and solely on a contingent basis, the Company has provided for a potential liability in the sum of approximately \$US675,000. (September 30, 2024: \$US675,000).

The technology license value was fully amortized as at September 30, 2024.

Goodwill

On January 1, 2018, the Company acquired all outstanding shares of the Altech Group ("Altech"). The acquisition was accounted for as a business combination and a goodwill of \$1,122,619 was recorded during the year ended September 30, 2018. The carrying value of the goodwill as at September 30, 2024, was \$652,916.

During the year ended September 30, 2024, Altech entered into an agreement in principle to divest its consulting division to another consulting firm, including employees, active contracts, and selected assets. This intended transaction aligns with the Company strategic shift toward focusing on its Build-Own-Operate (BOO) projects by transitioning out of consulting operations. In anticipation of this transaction, as of September 30, 2024, the consulting division was classified as "held for sale" and as a discontinued operation in compliance with IFRS 5. The classification as held for sale resulted in the reclassification of assets associated with the consulting division to "Assets Held for Sale" on the consolidated statements of financial position.

In connection with the held-for sale classification, an impairment test was conducted under IAS 36 Impairment of Assets. The recoverable amount was determined using the Fair Value Less Costs to Sell (FVLCTS) method, which resulted in a value of \$270,840. The amount of goodwill was \$652,917 while the carrying value of other assets within the CGU totaled \$15,928 and was reclassified as 'Assets Held for Sale,' bringing the CGU's total carrying amount to \$668,843. Since the carrying amount exceeded the FVLCTS, an impairment of goodwill amounting to \$398,005 was recognized as of September 30, 2024. This impairment loss was reported under "Net loss and comprehensive loss on discontinued operations" in the Statements of Loss and Comprehensive Loss. The carrying value of the goodwill as at September 30, 2024 was \$254,914 and was included in the "Assets Held for Sale" on the consolidated statements (Note 18).

The divestiture of the consulting division was completed on October 30, 2024, during the year ended September 30, 2025. As a result, as at September 30, 2025, the Company no longer holds any assets or liabilities classified as held for sale, and no goodwill remains on the consolidated statements of financial position related to the disposed consulting operations.

8. Investment in Joint Venture (Thorold LP)

On July 10, 2025, CHAR Technologies Thorold Inc. ("CTT"), a wholly owned subsidiary of the Company, entered into definitive agreements with Bioveld Canada Inc. ("Bioveld") and BMI Industrial Inc. ("BMI Industrial") to form Thorold LP.

CTT holds a 50% ownership interest in the Thorold LP, Bioveld holds a 45% ownership interest, and BMI Industrial holds a 5% ownership interest in the Class A limited partnership units, and decisions about the relevant activities of the Thorold LP require unanimous consent of the partners. Accordingly, the Thorold LP is classified as a joint venture under IFRS 11 Joint Arrangements and is accounted for using the equity method under IAS 28 Investments in Associates and Joint Ventures.

8. Investment in Joint Venture (Thorold LP) (continued)

Contribution of Assets and Liabilities

As part of the formation of the Thorold LP, CTT contributed a group of assets and related liabilities associated with the Thorold high-temperature pyrolysis project to the Thorold LP in exchange for Class A limited partnership units representing a 50% equity interest.

Upon contribution, Char Technologies Thorold Inc. derecognized the carrying amounts of the assets and liabilities transferred to Thorold LP. These carrying amounts represent the historical book values of the individual line items contributed, as summarized in the table below.

CHAR recognized its initial investment in Thorold LP at cost, measured in accordance with IFRS 13 Fair Value Measurement. The fair value of the contribution was estimated using a market approach, based on the fair value of Bioveld and BMI Industrial cash contribution to Thorold LP. Key valuation inputs included a discount rate of 16% applied over a five-month period.

Gain on Contribution to Joint Venture

The gain on contribution arises because the fair value of CHAR's 50% equity interest in the Thorold LP exceeded the net carrying amount of the assets and liabilities derecognized at the contribution date.

The table below summarizes the historical carrying amounts of the assets and liabilities derecognized by CHAR upon contribution to the joint venture at July 10, 2025:

Assets under construction (note 5)	\$7,388,243
Deferred Grant revenue (IFIT-10% Holdback) (note 5)	(4,938,168)
Grant receivable (IFIT-10% Holdback) (note 3)	493,818
Accounts payable (note 9)	(107,270)
Net lease liability (note 11)	(1,958)
Promissory note (note 10)	(383,135)
Loans (note 10)	(2,974,793)
Net carrying amount of assets and liabilities derecognized	(523,262)
Fair value of contribution at July 10, 2025	\$7,740,156
Downstream elimination on gain of contribution investment to joint venture	(4,131,709)
Total gain on contribution investment to joint venture	\$3,608,447

Following initial recognition, CHAR accounts for its investment in the LP using the equity method. The carrying amount of the investment is adjusted each period for CHAR's share of the Thorold LP's net income or loss, for any additional contributions made or distributions received, and for any impairment losses recognized if indicators of impairment exist in accordance with IAS 36. In accordance with IAS 28, unrealized gains or losses arising from transactions between CHAR and Thorold LP are eliminated to the extent of the Company's interest. Such eliminations apply only to downstream transactions.

The downstream elimination presented below reflects CHAR's share of such unrealized amounts for the period.

8. Investment in Joint Venture (Thorold LP) (continued)

The continuity of the Company's investment in Thorold LP is as follows:

Investment to joint venture on July 10, 2025	\$3,608,447
Loss from equity accounted investment	(204,252)
Downstream elimination of unrealized gains	(74,800)
Investment in joint venture at September 30, 2025	\$3,329,395

The following summarized financial information of Thorold LP, presented at 100%, as at September 30, 2025, is as follows:

	As at September 30, 2025 \$
Current assets	5,481,578
Non- current assets	16,147,426
Current liabilities	4,042,687
Non- current liabilities	2,514,509
Partner's equity	15,071,808
Net loss and comprehensive loss	
Period from July 10 to September 30, 2025	
Net loss and comprehensive loss	(408,504)

9. Accounts Payable and Accrued Liabilities

	As at September 30, 2025 \$	As at September 30, 2024 \$
Trade accounts payable (note 16)	1,101,142	2,999,886
Royalties payable (note 7)	898,344	898,344
HST Payable	150,369	-
Accrued liabilities	283,447	601,391
Total accounts payable and accrued liabilities	2,433,302	4,499,621

10. Loans Payable

	As at September 30, 2025 \$	As at September 30, 2024 \$
RRRF Loan	62,782	88,366
CEBA Loan	120,000	120,000
FedDev	-	1,264,778
FSSIP	-	1,091,370
Kia Niro Car Loan	31,413	36,648
Promissory Notes	-	855,765
Total Loans Payable	214,195	3,456,927
Less Current Portion	32,214	1,031,430
Non-current Portion Loans Payable	181,981	2,425,497

During the year ended September 30, 2020, the Company obtained a loan relating to Regional Relief and Recovery Fund for \$148,323 ("the RRRF loan"). The terms are as follows: principal: \$148,323, annual interest rate: 0%, repayment starting: January 15, 2023, maturity: December 15, 2027, and monthly installments of \$2,472.

During the year ended September 30, 2020, the Company obtained two Canada Emergency Business Account ("CEBA") loans from TD Bank, for \$40,000 each ("the CEBA loans"). The terms of the loan are as follows: principal \$60,000, interest rate: 0% per annum during Initial Term and 5% during Extended Term, Initial Term date: December 31, 2023, Extended Term date: December 31, 2026, First Interest Payment date: January 31, 2023.

During the year ended September 30, 2021, the Company obtained two additional CEBA loans from TD Bank, for \$20,000 each ("the CEBA loans"). The terms of the loan are as follows: principal \$20,000, interest rate: 0% per annum during Initial Term and 5% during Extended Term, Initial Term date: December 31, 2023, Extended Term date: December 31, 2026.

The CEBA loans and RRRF loans were discounted at the inception date using a market interest rate of 5%.

On September 29, 2022, the Federal Economic Development Agency for Southern Ontario ("FedDev") and CHAR Tech entered into a Contribution Agreement, under the Jobs & Growth Fund (JGF), where the Ministry of Economic Development, Job Creation and Trade will make a repayable contribution to CHAR Tech in respect to the Thorold Project for 50% of eligible costs, starting from the date of April 19, 2021, up to \$1,500,000. During the year ended September 30, 2023, the Company received \$1,350,000 under the Contribution Agreement above. In July 2024, the Company fulfilled the requirements of use of funds and received the remaining \$150,000. On March 27, 2025, FedDev approved an amendment of the payment schedule and extending the maturity date of the repayable contribution to October 2031. In assessing the accounting treatment of the amendment, management evaluated whether the change in terms constituted a modification or an extinguishment of the existing financial liability in accordance with IFRS 9. This assessment involved comparing the present value of the remaining contractual cash flows under the amended agreement with the present value of the remaining cash flows under the original agreement, discounted at the original effective interest rate. Based on this analysis, management concluded that the amendment did not result in substantially different terms and therefore represented a modification rather than an extinguishment of the liability, resulting in a modification gain recognized in consolidated statements of loss and comprehensive loss during the year.

10. Loans Payable (continued)

In accordance with IFRS 9 and IAS 20, the loan is recorded at fair value on initial recognition and subsequently measured at amortized cost. As part of the modification assessment, the carrying amount of the liability was recalculated by discounting the revised contractual repayment schedule using the same discount rate applied prior to the amendment. The resulting reduction in the carrying amount of the liability of \$100,084, arising from the modification, was recognized as government grant income, as the amendment effectively provided a benefit to the Company through revised repayment terms.

In July 2025, as part of the Contribution Agreement between CHAR Tech and the Thorold LP, the outstanding repayable contribution and its related obligations were contributed to and assumed by the Thorold LP. At the time of the contribution, the unsecured FedDev loan was recorded in the consolidated statements of financial position with a total of \$92,250 as a short-term liability, and \$1,107,436 as a long-term liability, discounted at an interest rate of 5.73%. The total accretion for the year ended September 30, 2025, is \$53,742 (2024: \$42,528) and grant income of \$100,084 (2024: \$150,000) recorded under grant income on the consolidated statements of loss and comprehensive loss.

On April 20, 2022, the Minister of Economic Development, Job Creation and Trade and CHAR Tech entered into a Conditional Loan Agreement, under the Forest Sector Investment and Innovation Program (FSIIP), where the Minister will make a non-revolving secured loan in the maximum amount of \$6,438,168 for the Thorold Project. The repayments of principal and interest will start after the third year of the Agreement. The interest rate is 4.87%. The loan does not bear interest on the first three years and no principal payments are due over this period as long as there are no material defaults under the Agreement. During the year ended September 30, 2023, the Company received \$1,287,634 under the Conditional Loan Agreement above. On February 20, 2025, the Company received another tranche of the loan for additional \$732,395. In July 2025, as part of the Contribution Agreement between CHAR Tech and the Thorold LP, the outstanding FSIIP loan and all related obligations were contributed to and assumed by the Thorold LP. At the time of the contribution, the loan was recorded in the consolidated statements as a long-term liability, discounted at an interest rate of 4.87% and a present value of \$1,775,106. The total accretion for the year ending September 30, 2025, is \$50,683 (2024: \$49,835) and grant revenue income of \$99,342 (2024: \$nil).

During the year ended September 30, 2020, the Company obtained a loan for the purchase of a vehicle (Dodge Caravan). The terms of the loan are as follows: principal: \$16,769, annual interest rate: 6.14%, maturity: October 17, 2024, and bi-weekly instalments of \$150. The loan was fully repaid as at September 30, 2024.

On September 23, 2024, the Company obtained another loan for the purchase of a vehicle (Kia Niro).

The table below is a summary of the continuity of the loan as of September 30, 2025:

Balance, September 30, 2024	\$	36,649
Repayments	\$	5,236
Balance, September 30, 2025	\$	31,413
Current portion at September 30, 2025	\$	5,236
Non-current portion at September 30, 2025	\$	26,178

The terms of the loan are as follows: principal: \$36,649, annual interest rate: 7.99%, maturity: September 15, 2031, and bi-weekly instalments of \$264.

10. Loans Payable (continued)

On July 17, 2024, the Company obtained an unsecured financing among the Company five arm's-length lenders and four non-arm's-length lenders, in the form of term promissory notes, whereby the Company received \$850,000 principal amount. The loans bear interest at 10% per year and mature in ninety days from issuance (note 10 and note 16). As further consideration for providing the financing the Company agreed to issue to the lenders 850,000 non-transferable share purchase warrants with the promissory notes (each, a "Bonus Warrant"). The warrants were issued on July 17, 2024, and expired unexercised on July 17, 2025. The promissory notes were recorded in the consolidated financial statements as a short-term liability, discounted at an interest rate of 10% and a present value of \$855,765.

On October 30, 2024, a total of \$568,989 representing promissory notes payable together with the accrued interest from the unsecured financing transaction closed in July 2024, were converted into subscriptions to the private placement closed on October 30, 2024. The balance of \$302,436 representing promissory notes payable together with the accrued interest were paid to the lenders. During the year ended September 30, 2025, the total accretion recorded is \$17,700 (2024:\$54,114), and the total interest incurred during the year ended September 30, 2025 is \$3,959 (2024: \$17,466) from the unsecured financing transaction closed in July 2024

	Original Amount \$	September 30, 2025 \$	September 30, 2024 \$
Total promissory notes 2024	850,000	-	855,765
Total	850,000	-	855,765

On June 11, 2025, CHAR Technologies Thorold Inc. entered into a convertible promissory note with Bioveld Canada Inc. for a principal amount of \$383,135. The funds were provided to facilitate payments related to equipment purchases for the Thorold project. The note bears no interest unless it converts into a repayable loan, which will occur automatically if a joint venture agreement is not reached within three months of the date of issuance. In such a case, interest will accrue at 8.5% per annum and the total amount will be repayable for 12 months from the date's note. Upon formation of the joint venture, the principal amount of the promissory note was intended to convert into a cash commitment contribution toward Char Technologies Thorold limited partnership units in the Thorold LP. Subsequently, on July 10, 2025, CHAR Technologies Thorold Inc., Bioveld Canada Inc. and BMI Industrial Inc. finalized definitive agreements for the joint venture. As part of the contribution of assets and related liabilities to the Thorold LP, the promissory note was assigned to the Thorold LP and included as part of the net assets contributed to the joint venture.

The table below is a summary of the liabilities associated with assets contributed to the Thorold LP that were derecognized upon transfer.

	Original Amount \$
Total promissory notes 2025	383,135
FedDev	1,199,685
FSSIP	1,775,106
Total Contributed loans to joint venture (note 8)	3,357,928

11. Lease Liabilities

The Company entered into a lease effective July 1, 2022, or when the facility could be occupied for its 17,000 square foot production facility in Thorold, Ontario. The term of the lease is five years with two additional options to renew of 5 years each. The annual basic rent for the first year is \$153,000 for the building and \$50,094 for the land area. The lease liabilities reflect the present value of the lease payments.

During the year, the Company reassessed the lease term in accordance with IFRS 16 following a change in facts and circumstances arising from the execution of a binding Letter of Intent on May 1, 2025, which reflects management's revised intent regarding the long-term operating structure of the Thorold project. Based on this reassessment, management concluded that it is no longer reasonably certain that the renewal options will be exercised. Accordingly, the lease term was reassessed to include only the non-cancellable period ending June 30, 2027. As required by IFRS 16, the reassessment of the lease term resulted in a remeasurement of the lease liability using a revised incremental borrowing rate applicable at the reassessment date. Management determined a market-based discount rate of 7.49%, which resulted in a reduction of the lease liability from \$1,126,320 to \$444,542, with a corresponding adjustment to the right-of-use asset of \$681,778. No gain or loss was recognized in consolidated statements of loss and comprehensive loss, as the adjustment was fully recorded against the carrying amount of the right-of-use asset. Following the remeasurement, the right-of-use asset has a carrying amount of \$271,060, which will be depreciated prospectively over the remaining lease term. Interest expense on the lease liability will also be recognized prospectively using the revised discount rate.

On June 19, 2023, the Company entered into a three-year office lease commencing on November 1, 2023. The lease is the office where the Company is currently located in 895 Don Mills Road, Toronto. The term of the new lease expires on October 30, 2026, with a total commitment of payments of \$212,802 and it requires monthly lease payments of approximately \$5,700.

On November 23, 2023, the Company entered into a six-year equipment lease. The lease is for a wheel loader located at the Thorold plant. The lease required a downpayment of \$22,050 and expires on November 23, 2029, with a total commitment of payments of \$280,578 and it requires monthly lease payments of \$3,952.

On December 8, 2023, the Company entered into a four-year vehicle lease. The lease expires on December 8, 2027, with a total commitment of payments of \$29,734 and it requires monthly lease payments of \$619.

11. Lease Liabilities (continued)

The table below is a summary of the continuity of the lease liabilities as of September 30, 2025:

	Office Space and land
Balance, September 30, 2024	\$1,313,315
Additions	-
Accretion	103,839
Remeasurement	(681,778)
Repayments	(288,717)
Balance, September 30, 2025	\$446,659
	Vehicles
Balance, September 30, 2024	\$60,418
Additions	-
Accretion	2,922
Repayments	(22,795)
Balance, September 30, 2025	\$40,545
	Equipment
Balance, September 30, 2024	\$211,276
Additions	77,412
Accretion	16,132
Repayments	(69,488)
Contributed lease to joint venture (note 8)	(60,017)
Balance, September 30, 2025	\$175,315
Current portion at September 30, 2025	\$326,515
Non-current portion at September 30, 2025	\$336,004
Total	\$662,519

Future commitments for lease Payments

At September 30, 2025, the future minimum lease payments under leases were payable as follows:

One year	\$365,864
Between one year and five years	\$345,438
Total Commitments	\$711,302

12. Share Capital

(a) Authorized share capital

Unlimited number of common shares, with no par value.

(b) Issued common shares

	Number of Shares	Amount \$
Balance, September 30, 2023	100,110,530	24,007,240
Shares issued on exercises of stock options (note 13)	680,727	111,712
Shares issued on exercise of RSUs (note 13)	609,807	-
Fair value of RSUs exercised	-	406,784
Fair value of stock options exercised	-	93,788
Balance, September 30, 2024	101,401,064	24,619,524
Common shares issued for cash (i)	26,359,451	4,878,867
Share issuance costs-cash	-	(155,100)
Share issuance costs- warrants	-	(45,521)
Shares issued on exercises of stock options (note 13)	450,000	51,750
Fair value of stock options exercised	-	38,039
Shares issued on exercise of RSUs (note 13)	910,699	-
Fair value of RSUs exercised	-	377,392
Balance, September 30, 2025	129,121,214	29,764,952

- (i) On July 17, 2024, the Company entered into loan agreements (the “Loan Agreements”) with lenders (the “Lenders”) for a total amount of \$850,000 (the “Loan”) repayable in full within 90 days of entry into the Loan Agreements. The Lenders include existing shareholders, and current and former directors, executive officers and business associates, some of whom are insiders of the Company. As further consideration for providing the Loan, the Company agreed to issue to the Lenders 850,000 non-transferable share purchase warrants (each, a “Bonus Warrant”). Each Bonus Warrant will be exercisable into one common share for a period of one year at a strike price of \$0.38 per share. The fair value of the warrants was \$65,815 and valued using Black Scholes method with a share price of \$0.33, exercise price of \$0.38, a risk-free rate of 3.52% and a volatility of 62.35%.

On October 30, 2024, the Company completed a non-brokered private placement, issuing 16,359,451 units at \$0.20 per unit for gross proceeds of \$3,271,890. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at \$0.30 until October 31, 2026. A total of \$568,989 representing promissory notes payable together with the accrued interest, were converted into subscriptions to the private placement. Additionally, \$302,435 of the promissory notes payable together with the accrued interest were paid on maturity of the loan. Insiders acquired a total of 729,410 units in this offering. Finder’s fees totaling \$155,100 and 775,500 warrants were issued to Leede Financial Inc. in connection with this offering. Each finder’s warrant is exercisable to acquire one common share at \$0.30 per until October 30, 2026. The fair value of the subscriber’s warrant issued was \$393,046, and the fair value of the finder’s warrant issued was \$45,497, determined using the Black-Scholes option pricing model with the following assumptions: share price of \$0.20, exercise price of \$0.30, a risk-free rate of 2.85% and a volatility of 73.24%. The offering received approval from TSX Venture Exchange, with securities under a statutory hold period of four months and one day from issuance.

12. Share Capital (continued)

(b) Issued common shares (continued)

On May 9, 2025, the Company completed a non-brokered private placement with Bioveld Canada Inc., issuing 10,000,000 shares at \$0.20 per share for gross proceeds of \$2,000,000. All securities issued under this Offering were subject to a statutory hold period ending four months and one day from the closing date of the Offering. No bonuses, finders' fees or commissions were paid in connection with the Offering.

On June 20, 2025, the Board of Directors approved the amendment of up to 2,750,000 common share purchase warrants (the "Warrants"). The Warrants were part of the Unit Offering with ArcelorMittal XCARB S.à r.l. ("ArcelorMittal"), as previously announced July 5th, 2023, have an exercise price of \$0.70, and would have expired on July 5, 2025. Starting on June 20, 2025, the expiration date of the Warrants held by ArcelorMittal was extended until July 5th, 2026. The Warrant extension was approved by the TSX Venture Exchange.

The following table reflects the continuity of unit warrants for the periods presented:

	Number of Unit Warrants	Exercise Price
Balance, September 30, 2023	2,750,000	
Warrants from bonus warrants	850,000	\$0.38
Balance, September 30, 2024	3,600,000	
Expired Warrants from bonus warrants	(850,000)	\$0.38
Warrants from private placement Oct 2024	8,179,725	\$0.30
Warrants for finder fees private placement Oct 2024	775,500	\$0.30
Balance, September 30, 2025	11,705,225	

13. Stock Options, Restricted Share Units, and Share Appreciation Rights

Stock Options

The following table reflects the continuity of stock options for the years presented:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, September 30, 2023	8,659,559	0.46
Granted (i)	2,448,040	0.42
Exercised	(680,727)	0.16
Expired	(1,665,267)	0.21
Balance, September 30, 2024	8,761,605	0.47
Granted (ii)	1,295,275	0.23
Exercised	(450,000)	0.115
Expired	(1,670,930)	0.53
Balance, September 30, 2025	7,935,950	0.44

13. Stock Options, Restricted Share Units, and Share Appreciation Rights (continued)

Stock Options (continued)

On December 20, 2023, the Company granted 988,213 stock options to employees and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.42 per share. These stock options vest: 732,999 stock options; 25% January 1st, 2024, 25% July 1, 2024, 25% January 1, 2025, 25% July 1, 2025. 155,214 vests on performance milestones and time, 25% January 1, 2025, 25% July 1, 2025, 25% January 1, 2026, 25% July 1, 2026. 50,000 stock options vest equally over the next 6 months, and 50,000 stock options vests in 6 months and on performance. The fair value of the options was \$380,458 recorded using the Black-Scholes model with a share price of \$0.45, exercise price of \$0.42, volatility of 124% and a risk-free rate of 3.18%.

On April 16, 2024, the Company granted 1,116,159 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.42 per share. These stock options vest as follows: 321,500 stock options vested immediately; 352,192 options vest after 12 months and subject to performance criteria. 451,567; 25% after 12 months, 25% after each subsequent 12 months. The fair value of the options was \$372,676 recorded using the Black-Scholes model with a share price of \$0.34, exercise price of \$0.42, volatility of 121% and a risk-free rate of 3.76%.

On July 2, 2024, the Company granted 155,453 stock options to an officer of the Company. The stock options may be exercised for a period of five years at a price of \$0.45 per share. These stock options vested immediately. The fair value of the options was \$42,934 recorded using the Black-Scholes model with a share price of \$0.345, exercise price of \$0.45, volatility of 117% and a risk-free rate of 3.52%.

On September 12, 2024, the Company granted 38,217 stock options to a consultant of the Company. The stock options may be exercised for a period of five years at a price of \$0.29 per share. These stock options vested immediately. The fair value of the options was \$9,020 recorded using the Black-Scholes model with a share price of \$0.29, exercise price of \$0.29, volatility of 114% and a risk-free rate of 2.88%.

On February 6, 2025, the Company granted 1,270,275 stock options to employees, directors and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.42 per share. These stock options vest: 525,000 vested immediately, balance 734,480 stock options; 25% August 6, 2025, 25% February 6, 2026, 25% August 6, 2026, 25% February 6, 2027. The fair value of the options was \$191,396 recorded using the Black-Scholes model with a share price of \$0.15, exercise price of \$0.42, volatility of 104% and a risk-free rate of 2.64%.

On June 18, 2025, the Company granted 25,000 stock options to a consultant of the Company. The stock options may be exercised for a period of five years at a price of \$0.28 per share. These stock options vested immediately. The fair value of the options was \$4,895 recorded using the Black-Scholes model with a share price of \$0.27, exercise price of \$0.29, volatility of 94.69% and a risk-free rate of 2.85%.

13. Stock Options, Restricted Share Units, and Share Appreciation Rights (continued)

Stock Options (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2025:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
January 29, 2026	\$0.49	0.33	884,000	884,000	-
March 31, 2026	\$0.72	0.50	150,000	150,000	-
April 5, 2026	\$0.72	0.51	80,000	80,000	-
July 21, 2026	\$0.52	0.81	75,000	75,000	-
September 28, 2026	\$0.50	0.99	500,000	500,000	-
March 17, 2027	\$0.45	1.46	1,169,735	1,169,735	-
November 15, 2027	\$0.36	2.13	40,000	40,000	-
February 6, 2028	\$0.41	2.35	1,253,499	1,253,499	-
April 25, 2028	\$0.75	2.57	250,000	250,000	-
April 25, 2028	\$1.00	2.57	250,000	250,000	-
December 20, 2028	\$0.42	3.22	750,037	725,625	24,412
April 19, 2029	\$0.42	3.55	1,055,529	716,929	338,600
September 11, 2029	\$0.29	3.95	38,217	38,217	-
July 2, 2029	\$0.45	3.75	155,453	155,453	-
Feb 6, 2030	\$0.23	4.36	1,259,480	708,620	550,860
Feb 6, 2030	\$0.28	4.36	25,000	25,000	-
	\$0.52	2.46	7,935,950	7,022,078	913,872

During the year ended September 30, 2025, a total of 450,000 stock options (2024: 680,727) were exercised by officers, consultants and employees of the Company and 1,670,916 were cancelled or expired (2024: 1,665,267).

Restricted Share Units ("RSUs")

The following table reflects the actual restricted share units issued and outstanding as of September 30, 2025:

Grant Date	Number of RSU Outstanding	Number of RSU Vested (exercisable)	Number of RSU Unvested
August 31, 2021	541,100	541,100	-
March 17, 2022	35,055	35,055	-
February 6, 2023	93,148	93,148	-
June 19, 2023	10,453	10,453	-
December 20, 2023	181,530	181,530	-
April 16, 2024	654,337	319,441	334,896
February 6, 2025	611,111	-	611,111
June 18, 2025	83,629	-	83,629
	2,210,363	1,180,727	1,029,636

13. Stock Options, Restricted Share Units, and Share Appreciation Rights (continued)

Restricted Share Units ("RSUs") (continued)

On December 20, 2023, the Company granted a total of 485,342 RSUs to employees, and consultants of the Company. Of these, 331,826 vest after 12 months and 153,516, vest on performance and after 12 months. The fair value of the RSUs was \$203,844.

On April 16, 2024, the Company granted a total of 968,933 RSUs to employees, directors and consultants of the Company. 174,020 vested immediately, 348,385 vesting after 12 months and on performance and 446,528 vesting 25% after 12 months, 25% after each subsequent 12 months. The fair value of the RSUs was \$406,952.

On July 2, 2024, the Company granted a total of 153,235 RSUs to an employee of the Company that vested immediately. The fair value of the RSUs was \$52,866.

On February 6, 2025, the Company granted a total of 611,111 RSUs to employees and consultants of the Company. All of them will be vested after 12 months. The fair value of the RSUs was \$122,222.

On June 18, 2025, the Company granted a total of 83,629 RSUs to a consultant of the Company. All of them will be vested after 12 months. The fair value of the RSUs was \$22,580.

During the year ended September 30, 2025, a total of 910,699 RSUs were exercised by officers, consultants and employees of the Company (2024: 609,807). During the year ended September 30, 2025, a total of 10,831 RSUs were cancelled or expired (2024: 528,015).

Share Appreciation Rights ("SARs")

On August 31, 2021, the Company granted 480,000 SARs to an officer of the Company. The SARs may be exercised for a period of five years at a strike price of \$0.72 per share. The SARs vested as follows: 160,000 immediately, 160,000 on August 31, 2022, and 160,000 on August 31, 2023.

On April 16, 2024, the Company granted a total of 100,000 SARs to an officer of the Company. The SARs may be exercised for a period of five years at a strike price of \$0.42 per share. The SARs vested immediately.

During the year ended September 30, 2025, no SARs were exercised by officers of the Company.

Share-based payment reserve

During the year ended September 30, 2025, the Company recognized \$ 535,992 share-based payments for options, RSUs and SARs vested during the year (2024: \$1,692,709).

14. Capital Management

The Company includes equity, which is comprised of share capital and working capital, in its definition of capital. The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities. The Company has no externally imposed capital requirements and there were no changes to its capital management approach. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and debt or by securing strategic partners.

15. Financial Instruments and Risk Management

The Company's financial instruments consist of cash, accounts receivable, accounts payable and loans payable.

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's cash is measured using level 1 inputs.

Liquidity risk arises from the Company's general and capital funding requirements. The Company has planning, budgeting and forecasting processes to help determine funding requirements to meet various contractual and other obligations.

Contractual undiscounted cash flow requirements for financial liabilities as at September 30, 2025, are as follows:

Liabilities	Less than 1 Year	2 - 3 Years	4 - 5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	\$1,734,856	\$898,344	-	-	\$2,633,200
Lease Liabilities	365,864	290,113	55,325	-	711,302
Loans Payable	32,215	166,274	10,672	5,034	214,915
Total	\$2,066,094	\$1,447,483	\$67,856	\$5,034	\$3,587,827

The accounts receivable aging as at September 30, 2025, are as follows:

	Less than 1 Year	2 - 3 Years	4-5 Years	More than 5 Years	Total
Trade accounts receivables	\$973,790	-	-	-	\$973,790
HST Receivables	44,507	-	-	-	44,507
Loans Receivables	336,023	-	-	-	336,023
Grant Receivables	149,506	-	-	-	149,506
Total	\$1,503,826	-	-	-	\$1,503,826

Risk management

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The risk related to cash is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies.

15. Financial Instruments and Risk Management (continued)

Credit Risk (continued)

Accounts receivable mainly consist of receivables from customers and have historically been subject to very few bad debts. Credit risk is assessed as low.

Interest rate 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. The Company does not hold any significant interest-bearing assets or liabilities that are variable. Interest rate risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle its obligations as they fall due. To manage liquidity requirements, the Company strategically plans its cash flows to ensure sufficient capital is available to meet both short-term and long-term obligations. As of September 30, 2025, the Company had cash of \$453,685 (September 30, 2024: \$948,689) to cover current liabilities of \$3,131,598 (September 30, 2024: 5,781,818). The Company is actively exploring additional funding sources, with a focus on project level funding opportunities, over the next 12 months.

Foreign exchange risk

A portion of the Company's revenues are denominated in US dollars. As such, the Company's results of operations are subject to foreign currency fluctuation risks and these fluctuations may adversely affect the financial position and operating results of the Company. As of September 30, 2025, the Company's exposure to foreign currency denominated balances was approximately \$15,400 primarily related to trade receivables and cash balances. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Management assesses the Company's foreign exchange risk as low.

16. Related Party Balances and Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain people performing similar functions.

Fees for services charged by the related parties are as follows:

	Year Ended September 30,	
	2025	2024
	\$	\$
DSA Corporate Services ("DSA") (i) – corporate services	10,382	11,028
1456087 Ontario Inc. ("1456087") (ii) - consulting	120,000	120,000
Mark Korol, CFO (iii) – management & consulting fees	-	78,000
Anton Szpitalak (iv) - consulting	45,000	110,000
Char Bioveld Thorold LP (v)	596,079	-
Bioveld Canada Inc (vi)	24,180	-
BMI Industrial (vii)	41,717	-

16. Related Party Balances and Transactions (continued)

- (i) DSA is affiliated with the Company through a common officer. DSA provides corporate secretarial services. As at September 30, 2025, DSA was owed \$1,780 (September 30, 2024 - \$1,780). These amounts are included in accounts payable and accrued liabilities.
- (ii) 1456087 is a company controlled by James Sbrolla, a director of the Company. 1456087 provides consulting services to the Company. As at September 30, 2025, 1456087 was owed \$11,300 (September 30, 2024 - \$51,027 related to consulting fees and the promissory note plus interest accrued (note 10)).
- (iii) Mark Korol was appointed Chief Financial Officer as of April 1, 2020. As at September 30, 2025, Mark Korol was owed \$nil (September 30, 2024 - \$nil). Mark Korol ceased to be the CFO on November 20, 2023. The fees charged during the year are for management and consulting fees.
- (iv) Anton Szpitalak, a director of the Company, provides consulting services to the Company. As at September 30, 2025, Anton Szpitalak, was owed \$10,000 (September 30, 2024, \$10,205) related consulting fees and the promissory note plus interest accrued. (note 10)
- (v) Char Bioveld Thorold LP is affiliated with CharTech Services Inc. Char Tech Services Inc. provides Operations and Management services.
- (vi) BMI Industrial Inc is a limited partner of Char Bioveld Thorold LP and provides construction and engineering services.

At September 30, 2025, accounts payable balance due to related parties consists of \$174,583 (September 30, 2024: \$115,000) owed to Directors of the Company. These amounts are unsecured, non-interest bearing and due on demand (note 9).

As at September 30, 2025, included in receivables is an amount of \$336,024 (September 30, 2024: \$307,314) related to loans extended to one officer of the Company (note 3).

As at September 30, 2025, included in Loan Payables is an amount of \$nil (September 30, 2024: \$86,747) related to Promissory notes issued to directors of the Company. The notes payable together with the accrued interest from the unsecured financing transaction closed in July 2024, were converted into subscriptions to the private placement. (note 9).

The Company has related party transactions with Thorold LP, its joint venture. All transactions are measured at the exchange amount agreed to by the parties. At September 30, 2025, included in receivables is an amount of \$216,596 (September 30, 2024: \$nil) related to services provided to Thorold LP.

Remuneration of key management of the Company was as follows:

	Year Ended September 30,	
	2025	2024
	\$	\$
Salaries	457,666	708,350
Stock base compensation	451,506	1,025,238

16. Related Party Balances and Transactions (continued)

The Company's Board of Directors' compensation during the year ended September 30, 2025, was as follows:

	Year Ended September 30, 2025 \$	2024 \$
William White	22,500	22,500
James Sbrolla	20,000	20,000
Nikita Nanos	22,500	22,500
Hugh Cleland	20,000	20,000
Anton Szpitalak	13,333	20,000
Irina Gorbounova	20,000	10,000
Total Balances	118,333	115,000

17. Income Tax

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

	Year Ended September 30, 2025 \$	2024 \$
Net (Loss) before recovery of income taxes	(1,277,464)	(8,332,512)
Expected income tax (recovery) expense	(338,528)	(2,208,120)
Tax rate changes and other adjustments	-	-
Share-based payments & Other non-deductible expenses	(1,001,802)	559,450
Change in tax benefits not recognized	1,340,330	1,648,670
Income Tax (Recovery)	-	-
The Company's income tax (recovery) is allocated as follows:	\$	\$
Current Year (recovery) expense	-	-
Deferred tax(recovery) expense	-	-
	-	-

Deferred tax

The following table summarizes the components of deferred tax:

17. Income Tax (continued)

	Year Ended September 30,	
	2025	2024
	\$	\$
Property, plant and equipment	-	290,130
Intangible assets	-	249,520
Capital lease obligation	114,962	381,100
Operating tax losses carried forward	-	511,620
Subtotal of Assets	114,962	1,432,370
Deferred Tax Liabilities		
Property, plant and equipment	-	(734,630)
Right of use assets	(114,962)	(381,100)
Intangible assets	-	(249,520)
Loan payable	-	(67,120)
Subtotal of Liabilities	(114,962)	(1,432,370)
Net Deferred Liability	-	-

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

Unrecognized deferred tax assets

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

	Year Ended September 30,	
	2025	2024
	\$	\$
Intangible assets	131,949	1,869,900
Capital lease obligations	248,846	146,910
Deferred grant Income	210,000	5,286,520
Share Issuance Cost	269,820	331,000
Operating tax losses carried forward	22,956,089	16,747,220
Investment tax credits	27,836	27,836
Property plant and equipment	5,781,774	-
	29,626,032	24,409,386

The Canadian operating tax loss carry forwards expire as noted in the table below:

The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

17. Income Tax (continued)

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

2034	127,714
2035	314,528
2036	276,538
2037	393,788
2038	1,210,958
2039	548,984
2040	399,267
2041	1,286,627
2042	3,872,913
2043	4,936,049
2044	5,262,149
2045	4,326,574
	22,956,089

18. Assets Held for Sale

As of September 30, 2024, the Company had committed to a plan to dispose of the consulting operations carried on through Altech Environmental Consulting Ltd. (Altech) as part of a strategic realignment of its business activities. In connection with this decision, the Company entered into a Letter of Intent ("LOI") with Cambium Inc., which outlined the principal terms and conditions for the sale of the consulting business and contemplated the execution of an Asset Purchase Agreement ("APA").

The decision to exit the consulting business reflects the Company's commitment to focusing on its core Build-Own-Operate (BOO) projects, which are central to the Company's long-term growth strategy.

The transaction was completed on October 31, 2024, when the Company entered into and executed an Asset Purchase Agreement ("APA") with Cambium Inc. for total consideration of \$275,000. As a result, the assets previously classified as held for sale were derecognized upon completion of the transaction.

Classification as Assets Held for Sale and Discontinued Operations

In compliance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the consulting division's assets were reclassified as Assets Held for Sale as of September 30, 2024, as management had committed to a plan to dispose of the business and the sale was considered highly probable at that date. These assets were measured at the lower of their carrying amount and fair value less cost to sell. No liabilities were transferred or classified as "Liabilities Held for Sale," as all obligations, including accounts payable, were retained by the Company. Additionally, accounts receivable were not included in the "Assets Held for Sale", as they were also retained by the Company and not transferred as part of the transaction.

The consulting division also met the criteria for classification as a discontinued operation, as it represented a defined separate line of business that the Company had committed to exit. Accordingly, the results of the consulting division have been presented separately from continuing operations in the consolidated financial statements to provide enhanced comparability and a clear distinction between discontinued and ongoing activities.

18. Assets Held for Sale (continued)

The breakdown of assets classified as “Held for Sale” is as follows:

	Year Ended September 30,	
	2025	2024
	\$	\$
Work in progress	-	28,789
Property plant and equipment	-	7,319
Accumulated depreciation PPE	-	(5,855)
Goodwill	-	254,914
Intangible assets	-	62,197
Accumulated depreciation Intangibles	-	(48,564)
Assets Held for sale	-	298,800
Deferred revenue	-	27,958
Liabilities Directly associated with assets held for sale	-	27,958
Net Assets held for sale	-	270,842

Statement of Comprehensive Loss:

The discontinued operations relate to environmental consulting services, including annual reporting, approvals, and compliance management which were previously conducted through the consulting division. These operations were classified as discontinued operations as of September 30, 2024, following management’s commitment to a plan to exit this defined line of business. In accordance with IFRS 5, comparative information for the year ended September 30, 2024, continues to reflect the results of the consulting division for the full year, consistent with the classification of the operation as discontinued as at that date. The transaction was completed on October 31, 2024. Accordingly, the results of discontinued operations presented for the year ended September 30, 2025 relate only to the period from October 1, 2024, to October 31, 2024, being the period between the classification as held for sale and the completion of the disposal. The financial results of the consulting division are presented separately under Income from Discontinued Operations in the consolidated statements of loss and comprehensive loss, in order to provide greater transparency and a clear distinction between discontinued and continuing operations.

	Year Ended September 30,	
	2025	2024
	\$	\$
Revenue		
Consulting Revenue	55,638	672,571
Cost of Revenue	(35,819)	(335,449)
Gross Margin	19,819	337,122
Office and general	180,253	700,046
Professional Fees	-	40,891
Amortization	-	2,020
Depreciation	94	6,737
Interest income	-	(2,069)
Gain on sale of AHFS	(4,253)	-
	176,094	747,625
Net Loss before impairment loss	(156,275)	(410,503)
Impairment loss on goodwill (note 8)	-	(398,005)
Net loss and comprehensive loss on discontinued operations	(156,275)	(808,508)

18. Assets Held for Sale (continued)

Statement of Cash Flows:

The consolidated statement of cash flows includes cash flow information related to the discontinued operations. Cash flow information directly related to the discontinued operations is presented in this table.

	Year Ended September 30,	
	2025	2024
Net loss and comprehensive loss for the year	\$ (156,275)	\$(808,508)
Adjustments for		
Amortization	-	2,020
Depreciation	94	6,737
Impairment loss on goodwill	-	398,005
<u>Net change in non-cash working capital</u>		
Amounts Receivable	198,042	(9,781)
Work-in-progress	28,789	161,792
Deferred income	(27,958)	27,958
Intercompany current account	(16,203)	-
Accounts payable and accrued liabilities	(26,488)	225,139
Cash flows used in operating activities	-	3,362
Investing activities		
Purchase of property and equipment	-	(905)
Cash flows used in investing activities	-	(905)
Repayment of Loan	-	(2,457)
Cash flows used in Financing activities	-	(2,457)
Net decrease in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	-	-

19. Subsequent Events

On December 22, 2025, the Company completed a non-brokered private placement, issuing 4,550,000 units at a price of \$0.22 per unit for gross proceeds of \$1,001,000. Each unit consists of one common share and one non-transferable common share purchase warrant, with each whole warrant exercisable at \$0.32 per share for a period of 24 months from the closing date. The Company incurred finder's fees of approximately \$60,000 in connection with the offering. The private placement received final approval of the TSX Venture Exchange, and the proceeds are intended to be used for general working capital and the advancement of the Company's project pipeline.

On December 31, 2025, CHAR Technologies Ltd. issued a public press release providing a year-end corporate update and announcing that its common shares were listed on the Frankfurt Stock Exchange under ticker symbol "68K". The listing on the Frankfurt Stock Exchange provides CHAR Tech with access to European retail and institutional investors and is expected to improve trading visibility and accessibility for investors in key European markets, as the Company advances commercial discussions on the continent.

19. Subsequent Events (continued)

In addition, the Company confirmed that the biosolids PFAS destruction demonstration project in Baltimore completed its six-month operational program and was fully operating as of November 6, 2025. Performance data generated during the demonstration is currently being compiled and analyzed in collaboration with project partners and third-party reviewers.

On January 14, 2026, CHAR Technologies Ltd. announced that the engineering and design study for the Espanola biocarbon project continues to advance with The BMI Group at the Bioveld North site in Espanola, Ontario. As part of this announcement, BMI reaffirmed its commitment of approximately \$10.0 million toward the development of the Espanola biocarbon project, subject to completion of the engineering and design study and final determination of project scope and capital allocation.

On January 21st, 2026 the High Court of Justice in the United Kingdom found in favour of Actinon in respect of its summary judgement application against the Company's subsidiary CHAR Biocarbon Inc. The summary judgement application was heard on February 14th, 2025 and July 21st, 2025. The High Court's decision was that the sum of US\$635,810 is now payable by CHAR Biocarbon Inc. to Actinon. This amount has been held recorded as a contingent liability on the Company's consolidated financial statements. CHAR Biocarbon believes that the trial judge erred in his decision to grant summary judgement and is seeking leave to appeal the decision, and if refused it will make an application to the Court of Appeal to appeal the decision.

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