

PyroGenesis Inc.
(formerly PyroGenesis Canada Inc.)

Condensed Consolidated Interim Financial Statements
As at June 30, 2025, and for the three and six-month periods ended June 30, 2025, and 2024
(Unaudited)

The accompanying unaudited condensed consolidated financial statements of PyroGenesis Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements for the period ended June 30, 2025.

June 30, 2025.

PyroGenesis Inc.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(In Canadian dollars)

	Note	June 30, 2025	December 31, 2024
		\$	\$
Assets			
<i>Current assets</i>			
Cash		1,195,453	2,975,461
Accounts receivable	6	4,425,659	9,624,611
Costs and profits in excess of billings on uncompleted contracts	7	609,747	1,209,479
Inventory	17	2,562,554	2,542,633
Investment tax credits receivable	8	255,397	237,616
Income taxes receivable		15,910	16,810
Current portion of deposits		784,808	693,729
Current portion of royalties receivable		235,588	1,041,419
Contract assets		449,225	441,991
Prepaid expenses		892,571	567,471
Total current assets		11,426,912	19,351,220
<i>Non-current assets</i>			
Deposits		99,238	99,238
Strategic investments	9	1,146,549	30,774
Property and equipment		2,596,069	2,838,810
Right-of-use assets		4,398,281	4,763,389
Royalties receivable		560,963	529,137
Intangible assets		1,733,534	1,588,107
Total assets		21,961,546	29,200,675
Liabilities			
<i>Current liabilities</i>			
Bank indebtedness		–	88,046
Accounts payable and accrued liabilities	10	12,063,924	12,855,422
Billings in excess of costs and profits on uncompleted contracts	11	9,016,527	9,010,451
Current portion of term loans	12	90,000	90,000
Current portion of lease liabilities		2,432,847	2,571,377
Current portion of balance due on business combination		771,120	1,787,271
Current portion of convertible debenture		1,101,849	1,021,596
Current portion of convertible loan		–	1,143,602
Total current liabilities		25,476,267	28,567,765
<i>Non-current liabilities</i>			
Lease liabilities		3,297,458	3,204,091
Term loans	12	188,948	218,774
Convertible debentures		101,607	673,433
Secured loan	14	1,439,717	–
Total liabilities		30,503,997	32,664,063
Shareholders' equity			
Common shares	15	96,231,461	94,800,796
Warrants		1,130,954	421,016
Contributed surplus		29,933,776	29,604,640
Equity portion of the convertible debentures		217,663	217,663
Equity portion of the convertible loan		–	176,349
Accumulated other comprehensive income (loss)		(315,022)	(120,070)
Deficit		(135,741,283)	(128,563,782)
Total shareholders' equity (deficiency)		(8,542,451)	(3,463,388)
Total liabilities and shareholders' equity (deficiency)		21,961,546	29,200,675

The accompanying notes form an integral part of the condensed consolidated interim financial statements.
Contingent liabilities, Note 22

PyroGenesis Inc.
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Unaudited)
(In Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
		\$	\$	\$	\$
Revenues	5	3,007,647	3,939,098	5,995,182	7,425,495
Cost of sales and services	17	1,337,381	2,814,455	3,526,433	5,544,507
Gross profit		1,670,266	1,124,643	2,468,749	1,880,988
Expenses					
Selling, general and administrative	17	3,591,972	236,257	7,328,395	4,774,735
Research and development, net		424,786	262,520	734,157	495,608
		4,016,758	498,777	8,062,552	5,270,343
Net income (loss) from operations		(2,346,492)	625,866	(5,593,803)	(3,389,355)
Loss from changes in fair value of strategic investments	9	(1,352,685)	(44,551)	(2,081,153)	(232,869)
Other income	17	–	1,180,335	–	1,180,335
Finance income (expense), net	18	783,665	(341,546)	497,455	(536,850)
Income (loss) before income taxes		(2,915,512)	1,420,104	(7,177,501)	(2,978,739)
Net income (loss)		(2,915,512)	1,420,104	(7,177,501)	(2,978,739)
Other comprehensive income (loss)					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation gain (loss) on investments in foreign operations		(194,952)	(6,255)	(300,440)	(13,297)
Comprehensive income (loss)		(3,110,464)	1,413,849	(7,477,941)	(2,992,036)
Earnings (loss) per share					
Basic	19	(0.02)	0.01	(0.04)	(0.02)
Diluted	19	(0.02)	0.01	(0.04)	(0.02)

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

PyroGenesis Inc.

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

(Unaudited)

(In Canadian dollars)

	Note	Number of common shares	Common shares	Warrants	Contributed surplus ⁽¹⁾	Equity portion of convertible debentures loan ⁽¹⁾	Accumulated other comprehensive income	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$	\$
December 31, 2024		184,143,645	94,800,796	421,016	29,604,640	394,012	(120,070)	(128,563,782)	(3,463,388)
Shares issued upon exercise of warrants	15	625,000	256,125	–	–	–	–	–	256,125
Shares issued upon conversion of Convertible loan	13	2,541,683	1,174,540	–	176,349	(176,349)	–	–	1,174,540
Warrants granted upon issuance of loan	13	–	–	709,938	–	–	–	–	709,938
Share-based compensation expense	15	–	–	–	152,787	–	–	–	152,787
Other comprehensive loss for the period		–	–	–	–	–	(194,952)	–	(194,952)
Net loss		–	–	–	–	–	–	(7,177,501)	(7,177,501)
June 30, 2025		187,310,328	96,231,461	1,130,954	29,933,776	217,663	(315,022)	(135,741,283)	(8,542,451)
December 31, 2023		178,880,395	90,670,080	421,016	27,586,626	394,012	(11,279)	(121,889,032)	(2,828,577)
Share-based compensation expense	13	–	–	–	774,993	–	–	–	774,993
Other comprehensive loss for the period		–	–	–	–	–	(13,297)	–	(13,297)
Net loss		–	–	–	–	–	–	(2,978,739)	(2,978,739)
June 30, 2024		178,880,395	90,670,080	421,016	28,361,619	394,012	(24,576)	(124,867,771)	(5,045,620)

⁽¹⁾ The equity portion of the convertible loan was reclassified to contributed surplus upon redemption of the convertible loan in February 2025.

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

PyroGenesis Canada Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)
(In Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
		\$	\$	\$	\$
Cash flows provided by (used in)					
Operating activities					
Net income (loss)		(2,915,512)	1,420,104	(7,177,501)	(2,978,739)
Adjustments for:					
Share-based payments	17	140,120	295,395	152,787	774,993
Depreciation of property and equipment	17	68,406	106,099	248,729	212,040
Depreciation of right-of-use assets	17	182,553	211,416	365,107	392,609
Amortization of intangible assets	17	14,087	16,322	25,194	103,312
Amortization of contract assets		16,502	19,272	16,502	35,613
Net finance costs (income)	18	(783,665)	341,546	(497,455)	536,850
Change in fair value of investments		1,352,685	44,551	2,081,153	232,869
Unrealized foreign exchange		(62,957)	(26,279)	(167,521)	(51,090)
		(1,987,781)	2,428,426	(4,953,005)	(741,543)
Net change to working capital items	16	(362,945)	(226,739)	574,270	179,958
		(2,350,726)	2,201,687	(4,378,735)	(561,585)
Investing activities					
Additions to property and equipment		–	(11,887)	(2,266)	(11,887)
Additions to intangible assets		(56,478)	(57,554)	(170,621)	(138,777)
Disposal of property and equipment		–	–	–	42,219
Disposal of strategic investments		1,744,512	659,822	1,744,512	2,287,785
		1,688,034	590,381	1,571,625	2,179,340
Financing activities					
Increase (decrease) in bank indebtedness		–	(39,774)	(88,046)	(41,676)
Interest paid		(164,057)	(72,022)	(227,321)	(128,881)
Repayment of term loans		(22,500)	(22,500)	(45,000)	(72,500)
Repayment of lease liabilities		(192,000)	(151,920)	(321,127)	(316,953)
Repayment of convertible debentures		(303,000)	(236,333)	(606,000)	(438,333)
Repayment of convertible loan		–	(19,062)	–	(19,062)
Proceeds from issuance of shares upon exercise of warrants		256,125	–	256,125	–
Proceeds from issuance of loan from controlling shareholder		–	1,000,000	–	1,000,000
Proceeds from secured loan, net of finance fees		2,085,000	–	2,085,000	–
		1,659,568	458,389	1,053,631	(17,405)
Effect of exchange rate changes on cash denominated in foreign currencies		(25,595)	19,854	(26,529)	37,273
Net increase (decrease) in cash		971,281	3,270,311	(1,780,008)	1,637,623
Cash - beginning of period		224,172	169,928	2,975,461	1,802,616
Cash - end of period		1,195,453	3,440,239	1,195,453	3,440,239
Supplemental cash flow disclosure					
Non-cash transactions:					
Interest accretion on and revaluation of balance due on business combination		(1,035,892)	36,624	(1,016,151)	–
Accretion interest income on royalties receivable		23,051	23,052	45,192	45,437
Accretion on term loan		7,401	(11,182)	15,174	(14,439)
Accretion interest on convertible debentures		36,662	98,574	90,191	136,611
Accretion interest on convertible loan		–	52,792	5,313	91,952

The accompanying notes form an integral part of the condensed consolidated interim financial statements

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

As at June 30, 2025 and for the periods ended June 30, 2025 and 2024

(Unaudited)

(In Canadian dollars)

1. Nature of operations and change in name

PyroGenesis Inc. (formerly PyroGenesis Canada Inc.) and its subsidiaries (collectively, the “Company”), incorporated under the laws of the Canada Business Corporations Act, was formed on July 11, 2011. The Company owns patents of advanced waste treatment systems technology and designs, develops, manufactures, and commercialises advanced plasma processes and sustainable solutions to reduce greenhouse gases. The Company is domiciled at its newly established headquarters, 1100 René-Lévesque Blvd. West, Suite 1825, Montreal, Quebec. The Company is publicly traded on the TSX Exchange under the Symbol “PYR”, on the OTCQX Best Market under the symbol “PYRGF” and on the Frankfurt Stock Exchange (FSX) under the symbol “8PY1”. Effective November 5, 2024, the Company changed its name from PyroGenesis Canada Inc. to PyroGenesis Inc., reflecting a strategic evolution aligned with the Company’s ongoing expansion and its commitment to serving a global market.

2. Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes that the Company will be able to continue its operations for the foreseeable and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is subject to certain risks and uncertainty associated with the achievement of profitable operations such as the successful signing and delivery of contracts and access to adequate financing.

The Company has incurred, in the last years, operating losses and negative cash flows from operations, and as a result, the Company has an accumulated deficit of \$135,741,283 as at June 30, 2025 (\$128,563,782 as at December 31, 2024). Furthermore, there have been unexpected delays in the collection of certain accounts receivable from contracts closed in a prior year. This has resulted in a shortfall in cash flows from operating activities that would be used in funding the Company’s operations.

As at June 30, 2025, the Company has working capital deficiency of \$14,049,355 (working capital deficiency of \$9,216,545 as at December 31, 2024) including cash of \$1,195,453 (\$2,975,461 as at December 31, 2024). The working capital is net of an allowance for credit losses amounting to \$2,571,500 (\$2,936,000 as at December 31, 2024) as further described in Notes 6 and 7. The Company’s business plan is dependent upon the successful completion of contracts and also the receipt of payments from certain contracts closed in a prior year and expects these payments to be made during fiscal 2025, as well as the achievement of profitable operations through the signing, completion and delivery of additional contracts or a reduction in certain operating expenses. In the absence of this, the Company is dependent upon raising additional funds to finance operations within and beyond the next twelve months. The Company has been successful in securing financing in the past and has relied upon external financing to fund its operations, primarily through the issuance of equity, debt and convertible debentures. The Company completed a private placement in March 2023 for net proceeds of \$4,960,483. In addition, in July 2023, the Company also completed a brokered private placement of convertible debenture units for gross proceeds of \$3,030,000 and in December 2023, the Company also completed a non-brokered private placement of a convertible loan for gross proceeds of \$1,250,000. In July 2024, the Company secured gross proceeds of \$2,804,600 from the completion of another private placement. In May 2025, the Company completed a non-brokered secured loan for gross proceeds of \$2,385,000. While the Company has been successful in securing financing, raising additional funds is dependent on a number of factors, some of which are outside the Company’s control, and therefore there is no assurance that it will be able to do so in the future or that these sources will be available to the Company or that they will be available on terms which are acceptable to the Company. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue operating as a going concern.

The condensed consolidated interim financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and to classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption were not appropriate, adjustments, which could be material, would be necessary to the carrying value of assets and liabilities, the reported expenses, and the classification of items on the condensed consolidated interim statement of financial position.

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(In Canadian dollars)

3. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Statements, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the necessary information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2024.

These financial statements were approved and authorized for issuance by the Board of Directors on August 6, 2025.

(b) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of PyroGenesis, and Pyro Green-Gas Inc. The functional currency of Airscience Italia SRL is the euro whereas the functional currency of Airscience Technologies Private Limited is the Indian rupee, and PyroGenesis International LLC's functional currency is the US dollar.

(c) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for:

- (i) strategic investments which are accounted for at fair value,
- (ii) stock-based payment arrangements, which are measured at fair value on the grant date pursuant to IFRS 2, Share-based Payment; and
- (iii) lease liabilities, which are initially measured at the present value of minimum lease payments

(d) Basis of consolidation

For financial reporting purposes, subsidiaries are defined as entities controlled by the Company. The Company controls an entity when it has power over the investee; it is exposed to, or has rights to, variable returns from its involvement with the entity; and it has the ability to affect those returns through its power over the entity.

In instances where the Company does not hold a majority of the voting rights, further analysis is performed to determine whether or not the Company has control of the entity. The Company is deemed to have control when, according to the terms of the shareholder's and/or other agreements, it makes most of the decisions affecting relevant activities.

These condensed consolidated interim financial statements include the accounts of PyroGenesis, Pyro Green-Gas Inc (including the subsidiaries in Italy and India) as well as PyroGenesis International LLC ("PyroGenesis International). PyroGenesis International is owned 100% by the Company from the time it was acquired and renamed in July 2024. Prior to July 2024, it was known as Drosrite International and owned by a member of the Company's key management personnel and close family member of the Chief Executive Officer ("CEO") and controlling shareholder and deemed for the purposes of the consolidated financial statements to be controlled by the Company. Unless otherwise stated, reference to subsidiaries in the consolidated financial statements and this MD&A shall include PyroGenesis International and/or Pyro Green-Gas Inc. All transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

The accounting policies disclosed in the December 31, 2024, year-end consolidated financial statements have been applied consistently in the preparation of these condensed consolidated interim financial statements. Finance income (costs) and changes in fair value of strategic investments are excluded from the loss from operations in the consolidated statements of comprehensive loss.

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(In Canadian dollars)

4. Significant accounting judgments, estimates and assumptions

The significant judgments, estimates and assumptions applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its audited annual financial statements as at and for the year ended December 31, 2024.

5. Revenues

The following table is a summary of the Company's revenues from contracts by product line:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
High purity metallurgical grade silicon & solar grade silicon from quartz (PUREVAP™)	136,275	101,790	296,104	496,234
Aluminium and zinc dross recovery (DROSRITE™)	125,234	327,503	293,974	990,688
Development and support related to systems supplied to the U.S. Navy	146,075	237,175	363,941	1,281,609
Torch-related products and services	1,225,094	2,792,009	1,755,361	3,669,057
Refrigerant destruction (SPARC™)	333,124	149,173	609,908	251,891
Biogas upgrading and pollution controls	779,883	175,959	2,192,344	208,008
Other sales and services	261,962	155,489	483,550	528,008
	3,007,647	3,939,098	5,995,182	7,425,495

The following table is a summary of the Company's revenues by revenue recognition method:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Revenue from contracts with customers:				
Sales of goods under long-term contracts recognized over time	2,717,023	3,164,742	5,278,235	5,549,099
Sales of goods at a point of time	290,624	774,356	716,947	1,876,396
	3,007,647	3,939,098	5,995,182	7,425,495

See Note 24 for sales by geographic area.

Transaction price allocated to remaining performance obligations

As at June 30, 2025, revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date is \$47,799,375 (\$51,912,416 as at December 31, 2024). Revenue will be recognized as the Company satisfies its performance obligations under long-term contracts, which is expected to occur over the next 3 years.

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(In Canadian dollars)

6. Accounts receivable

Details of accounts receivable based on past due terms were as follows:

	June 30, 2025	December 31, 2024
	\$	\$
Current	512,184	1,405,942
1 – 30 days	79,323	100,086
31 – 60 days	546,246	9,726
61 – 90 days	222,620	232,059
Greater than 90 days	4,507,786	8,823,637
Holdback receivable ⁽¹⁾	370,664	705,214
Total trade accounts receivable	6,238,823	11,276,664
Allowance for expected credit loss	(2,176,500)	(2,504,500)
Other receivables	129,717	310,810
Sales tax receivable	233,619	541,637
	4,425,659	9,624,611

⁽¹⁾ Holdbacks are non-interest bearing, non-secured and represents an amount retained by the customers, based on milestones defined in the contract, and are not due until final acceptance of the contract, stage of the project or the final inspection of the delivered goods. These amounts are agreed in advance and the terms of payment may exceed the general terms of payment of the Company. The Company only recognizes an invoice when it can reasonably determine that these inspection and acceptance steps have been met.

As at June 30, 2025, the allowance for expected credit loss on trade accounts receivable is \$2,176,500 (\$2,504,500 as at December 31, 2024), whereby a net reversal before foreign exchange of \$586,385 was recognized during the six-month period (net reversal of \$6,093,135 during fiscal 2024). The credit loss allowance on trade accounts receivable at June 30, 2025, includes \$1,460,000 attributable to one specific customer, whereby the carrying amount has been reduced from \$3,084,899 to \$1,624,899. The carrying value of all other trade receivables was reduced from \$3,155,936 to \$2,439,436. On the basis of the Company's expected credit loss policy, the allowance was determined generally by applying a loss rate of 1% on balances 1-30 days past the invoice date, 2% for 31-60 days, 3% for 61-90 days and a minimum of 10% for those beyond 90 days. Specific consideration was applied for situations where the receivable is a holdback on a contract, and also for customers that have exceeded normal payment terms.

The closing balance of the trade receivables credit loss allowance as at June 30, 2025, reconciles with the trade receivables credit loss allowance opening balance as follows:

	\$
Loss allowance at December 31, 2023	8,597,635
Reversal recognized during the year	(8,067,540)
Loss recorded during the year	1,973,200
Foreign exchange	1,205
Loss allowance at December 31, 2024	2,504,500
Reversal recognized during the period	(917,000)
Loss recorded during the period	330,615
Foreign exchange	258,385
Loss allowance at June 30, 2025	2,176,500

⁽¹⁾ For the three-month period ended June 30, 2025, the gain recognized was \$836,500 and a gain of \$328,000 for the six-month period ended June 30, 2025.

7. Costs and profits in excess of billings on uncompleted contracts

As at June 30, 2025, the Company had fourteen contracts with total billings of \$19,768,493 which were less than total costs incurred and had recognized cumulative revenue of \$20,773,240 since those projects began. This compares with twelve

PyroGenesis Inc.

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(In Canadian dollars)

contracts with total billings of \$16,296,387 which were less than total costs incurred and had recognized cumulative revenue of \$17,937,366 as at December 31, 2024.

The net amount of \$609,747 as at June 30, 2025, includes an expected credit loss allowance of \$395,000 (\$431,500 as at December 31, 2024). On the basis of the Company's expected credit loss policy, the allowance was determined generally by applying a loss rate of 2% on all balances, and adjusting for specific situations, such as past due customers, whereby the loss rate varied from 25% to 50%, or greater, if needed.

Changes in costs and profits in excess of billings on uncompleted contracts during the six-month period ended June 30, 2025, are explained by \$1,175,244 (\$734,701 as at December 31, 2024) recognized at the beginning of the year being transferred to accounts receivable, \$539,012 (\$1,046,367 as at December 31, 2024) resulting from changes in the measure of progress and the variation in expected credit loss allowance of \$36,500 (\$249,000 as at December 31, 2024).

8. Investment tax credits

Investment tax credits earned, for the three and six-month periods ended June 30, 2025, amount to \$17,781 (\$14,132 and \$14,239) for the three and six-month periods ended June 30, 2024, respectively.

In the six-month period ended June 30, 2025, of the \$17,781 of investment tax credits earned \$5,063 was recorded against cost of sales and services, \$12,718 against research and development expenses and \$Nil against selling, general and administrative expenses. During the six-month period ended June 30, 2024, the Company earned \$14,239 of investment tax credits, whereby \$4,575 was recognized against cost of sales and services, \$9,664 against research and development expenses and \$Nil against selling, general and administrative expenses.

9. Strategic investments

	June 30, 2025	December 31, 2024
	\$	\$
Beauce Gold Fields ("BGF") shares – level 1	41,032	30,774
HPQ Silicon Inc. ("HPQ") shares - level 1	1,105,517	–
HPQ warrants – level 3	–	–
	1,146,549	30,774

The change in the strategic investments is summarized as follows:

	("BGF") shares – level 1		("HPQ") shares - level 1		("HPQ") warrants – level 3		Total	
	Quantity	\$	Quantity	\$	Quantity	\$	Quantity	\$
Balance, December 31, 2023	1,025,794	35,903	11,434,200	2,515,524	6,800,000	–	–	2,551,427
Disposed	–	–	(11,434,200)	(2,287,785)	–	–	–	(2,287,785)
Expired	–	–	–	–	(6,800,000)	–	–	–
Change in the fair value	–	(5,129)	–	(227,739)	–	–	–	(232,868)
Balance, December 31, 2024	1,025,794	30,774	–	–	–	–	–	30,774
Additions ⁽¹⁾	–	–	17,968,873	4,312,529	17,968,873	628,911	–	4,941,440
Disposed	–	–	(10,836,500)	(1,744,512)	–	–	–	(1,744,512)
Change in the fair value	–	10,258	–	(1,462,500)	–	(628,911)	–	(2,081,153)
Balance, June 30, 2025	1,025,794	41,032	7,132,373	1,105,517	17,968,873	–	–	1,146,549

⁽¹⁾ The Company concluded an agreement with HPQ Silicon Inc., whereby \$819,197 of royalties receivable and \$4,122,243 of trade accounts receivable of HPQ Silicon (for a total of \$4,941,440) were exchanged in a debt-to-equity conversion. As a result, the Company received 17,968,873 common shares and 17,968,873 share purchase warrants of HPQ Silicon.

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At June 30, 2025, the fair value of the HPQ warrants was measured using the Black-Scholes option pricing model using the following assumptions:

	June 30, 2025
Number of warrants	17,968,873
Date of issuance	January 15, 2025
Exercise price (\$)	0.29
Assumptions under the Black-Scholes model:	
Fair value of the shares (\$)	0.16
Risk free interest rate (%)	2.66
Expected volatility (%)	95.18
Expected dividend yield	–
Contractual remaining life (in months)	19

As at June 30, 2025, an unrealized loss of \$818,413 related to the initial recognition of the warrants was included in the loss from the change in fair value of the strategic investment (compared to \$Nil as at December 31, 2024).

10. Accounts payable and accrued liabilities

	June 30, 2025	December 31, 2024
	\$	\$
Accounts payable	6,905,868	7,450,691
Accrued liabilities	4,216,378	4,028,906
Sale commissions payable ⁽¹⁾	627,096	778,645
Accounts payable to the controlling shareholder and CEO	314,582	597,180
	12,063,924	12,855,422

⁽¹⁾ Sale commissions payable relates to the costs to obtain long-term contracts with clients.

11. Billings in excess of costs and profits on uncompleted contracts

The amount to date of costs incurred and recognized profits less recognized losses for construction projects in progress for the six months ending June 30, 2025, amounted to \$32,739,542 (\$33,038,728 as at December 31, 2024).

Payments to date received for the six months ending June 30, 2025, were \$41,756,070 on contracts in progress (\$42,049,179 as at December 31, 2024).

Changes in billings in excess of costs and profits on uncompleted contracts during the six-month period ended June 30, 2025, is explained by \$2,696,842 recognized at the beginning of the period being recognized as revenue, and an increase of \$2,702,918 resulting from cash received, excluding amounts recognized as revenue. The variation in billings in excess of costs and profits on uncompleted contracts during the six-month period ended June 30, 2024, is explained by \$5,659,170 recognized at the beginning of the period being recognized as revenue, and an increase of \$3,677,495 resulting from cash received, excluding amounts recognized as revenue.

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12. Term loans

	Economic Development Agency of Canada Loan ⁽¹⁾	\$
Balance, December 31, 2024		308,774
Accretion		15,174
Payments		(45,000)
Balance, June 30, 2025		278,948
Less current portion		(90,000)
Balance, June 30, 2025		188,948

⁽¹⁾ Maturing in 2029, non-interest bearing, payable in equal instalments of \$7,500 from April 2024 to March 2029.

13. Convertible loan

In February 2025, the Company and Fiducie de Crédit Mellon Trust converted the \$1,250,000 convertible loan into common shares of the Company. As a result, 2,541,683 common shares were issued upon conversion of the entire loan balance. These common shares were recognized at the convertible loan's carrying value at the time of the transaction, which was \$1,174,540. In addition, the equity portion on the convertible loan was reclassified to contributed surplus, in the Consolidated Statement of Changes in Shareholder's Equity.

14. Secured loan

In May 2025, the Company completed a non-brokered private placement consisting of a loan (the "Loan") in the amount of \$2,385,000 with P. Peter Pascali who as the President and CEO of PyroGenesis, is a related party.

The Loan includes a one-time, non-refundable, upfront fee of \$300,000, and bears an interest rate of 5% per annum for the first year and 18% per annum thereafter. Interest is to be paid monthly. The Loan will mature three years following the effective date of the Loan. However, PyroGenesis has the right to prepay the balance of the Loan at any time upon five days prior written notice to the lender.

In connection with the \$2,385,000 the Company received, it has issued 5,207,423 common share purchase warrants to the lender. Each warrant entitles the lender to acquire one common share of PyroGenesis at an exercise price of \$0.458 per share for a period of four years from the effective date of the loan, subject to a hold period of four months and one day in accordance with applicable securities laws.

The Loan is secured by a hypothec on the universality of PyroGenesis' movable and immovable property.

The secured Loan is a compound financial instrument, and the total proceeds of the issuance was allocated between a liability for the loan and an equity component for the warrants. The fair value of the liability component, net of upfront fee at inception, of \$1,375,062 was determined using estimated future cash flows discounted using a market interest rate of 12.5%. The residual amount representing the value of warrants totalling \$709,938 was classified in the shareholders' equity (deficiency).

The effective interest rate of the liability component is 20%.

15. Shareholders' equity

Common shares and warrants

Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

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Non-brokered private placement – July 2024

On July 22, 2024, the Company completed a non-brokered private placement consisting of the issuance and sale of 3,505,750 units of the Company at a price of \$0.80 per unit, for net proceeds of \$2,804,600. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$1.20 until July 21, 2025. The entire amount is allocated to the common shares as the fair value of the common shares on July 22, 2024, was \$0.86 per common share.

Stock options

The Company has a stock option plan authorizing the Board of Directors to grant options to directors, officers, employees and consultants to acquire common shares of the Company at a price computed by reference to the closing market price of the shares of the Company on the business day before the Company notifies the stock exchanges of the grant of the option. The number of shares which may be granted to any one person shall not exceed 5% (2% for consultants) of total share capital over a twelve-month period.

The following table sets out the activity in stock options:

	Number of options	Weighted average exercise price
		\$
Balance – December 31, 2023	10,862,500	3.17
Granted	2,750,000	0.75
Exercised ⁽¹⁾	(300,000)	0.45
Forfeited	(102,500)	2.21
Balance, December 31, 2024	13,210,000	2.74
Granted	700,000	0.45
Forfeited	(1,225,000)	1.19
Balance, June 30, 2025	12,685,000	2.76

⁽¹⁾ The weighted average share price for options exercised in 2024 was \$0.75.

Stock options granted in 2025

In January 2025, the Company granted 50,000 stock options to the President and Chief Executive Officer of the Company, and 650,000 stock options to members of its Board of Directors. The stock options have an exercise price of \$0.57 per common share, vest immediately and are exercisable over a period of five (5) years. The Company accounted for an expense amounting to \$281,722 related to these options as the stock options granted related to the services in 2024 and there was a shared understanding of the terms and conditions related to such grant prior to the grant date.

Stock options granted in 2024

In January 2024, the Company granted 50,000 stock options to the President and Chief Executive Officer of the Company, and 600,000 stock options to members of its Board of Directors. The stock options have an exercise price of \$0.43 per common share, vest immediately and are exercisable over a period of five (5) years. The Company accounted for an expense amounting to \$193,506 related to these options as the stock options granted related to the services in 2023 and there was a shared understanding of the terms and conditions related to such grant prior to the grant date.

In May 2024, the Company granted 100,000 stock options to a member of its Board of Directors. The stock options have an exercise price of \$0.56 per common share, The 100,000 options will vest as follows: 30 percent as of the day of the grant, 35 percent on May 1, 2025, and 35 percent on May 1, 2026, and are exercisable over a period of five (5) years.

In October 2024, the Company granted 2,000,000 stock options. The stock options have an exercise price of \$0.85 per

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common share. The 2,000,000 options will vest as follows: 10 percent as of the day of the grant, 40 percent on October 18, 2024, 30 percent on October 18, 2025, and 20 percent on October 18, 2026, and are exercisable over a period of five (5) years.

The weighted average fair value of stock options granted for the six-month period ended June 30, 2025, was \$0.40 (\$0.56 for the six-month period ended June 30, 2024). The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	2024		
	700,000	2,000,000	100,000
Number of options granted			
Exercise price (\$)	0.57	0.85	0.56
Fair value of each option under the Black-Scholes pricing model (\$)	0.40	0.60	0.39
Assumptions under the Black-Scholes model:			
Fair value of the shares (\$)	0.57	0.85	0.56
Risk-free interest rate (%)	2.95	3.04	3.77
Expected volatility (%)	89.52	89.09	87.91
Expected dividend yield	—	—	—
Expected life (number of months)	60	60	60

The underlying expected volatility was determined by reference to historical data of the Company's share price. No special features inherent to the stock options granted were incorporated into the measurement of fair value.

As at June 30, 2025, the outstanding options, as issued under the stock option plan to directors, officers, employees and consultants for the purchases of one common share per option, are as follows:

Issuance date	Number of stock options			Number of stock options June 30, 2025	Number of stock options vested ⁽¹⁾	Exercise price per option	Expiry date
	December 31, 2024	Granted	Forfeitures				
July 16, 2020	2,140,000	—	(25,000)	2,115,000	2,115,000	4.41	July 16, 2025
October 26, 2020	50,000	—	—	50,000	50,000	4.00	October 26, 2025
April 6, 2021	550,000	—	—	550,000	550,000	8.47	April 6, 2026
June 1, 2021	200,000	—	—	200,000	200,000	6.59	June 1, 2026
June 14, 2021	100,000	—	—	100,000	100,000	6.70	June 14, 2026
October 14, 2021	100,000	—	—	100,000	100,000	5.04	October 14, 2026
December 17, 2021	1,920,000	—	—	1,920,000	1,920,000	3.13	December 17, 2026
December 31, 2021	100,000	—	—	100,000	100,000	3.61	December 31, 2026
January 3, 2022	450,000	—	—	450,000	450,000	3.36	January 3, 2027
April 5, 2022	400,000	—	(150,000)	250,000	250,000	2.96	April 5, 2027
June 2, 2022	1,500,000	—	—	1,500,000	1,500,000	3.88	June 2, 2027
January 2, 2023	1,525,000	—	(50,000)	1,475,000	1,145,000	1.03	January 2, 2028
April 11, 2023	100,000	—	—	100,000	60,000	1.09	April 11, 2028
September 29, 2023	1,425,000	—	—	1,425,000	1,425,000	0.53	September 29, 2028
January 1, 2024	550,000	—	—	550,000	550,000	0.43	January 1, 2029
May 1, 2024	100,000	—	—	100,000	30,000	0.43	May 1, 2029
October 8, 2024	2,000,000	—	(1,000,000)	1,000,000	1,000,000	0.43	October 9, 2029
January 1, 2025	—	700,000	—	700,000	700,000	0.43	January 1, 2030
	13,210,000	700,000	(1,225,000)	12,685,000	12,245,000	2.76	

⁽¹⁾ At June 30, 2025, the weighted average exercise price for options outstanding which are exercisable was \$2.97.

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For the three-month and six-month periods ended June 30, 2025, a stock-based compensation expense of \$140,120 and \$152,787, respectively, was recorded in Selling, general and administrative expenses in the condensed consolidated statements of comprehensive income, (\$295,395 and \$774,993 for the three-month and six-month periods ended June 30, 2024).

At June 30, 2025, an amount of \$182,852 (\$768,054 at December 31, 2024) remains to be amortized until January 2030 related to the grant of stock options.

Share purchase warrants

The following table reflects the activity in warrants during the period ended June 30, 2025, and the number of issued and outstanding share purchase warrants at June 30, 2025:

Issuance Date	Number of warrants			Number of warrants		Exercise price per warrant ⁽²⁾	Expiry date
	December 31 2024	Issued	Exercised	June 30, 2025	Expired		
March 8, 2023	2,619,650	—	—	—	(2,619,650)	1.25	March 7, 2025
March 8, 2023	1,710,350	—	—	—	(1,710,350)	1.25	March 7, 2025
July 21, 2023	2,000,000	—	—	—	2,000,000	1.25	July 20, 2025
July 21, 2023	680,000	—	—	—	680,000	1.25	July 20, 2025
July 21, 2023 ⁽¹⁾	51,243	—	—	—	51,243	1.25	July 20, 2025
December 20, 2023	625,000	—	(625,000)	—	—	0.41	June 20, 2025
July 22, 2024	1,924,500	—	—	—	1,924,500	1.20	July 22, 2025
July 22, 2024 ⁽³⁾	1,581,250	—	—	—	1,581,250	1.20	November 18, 2025
May 12, 2025	—	5,207,423	—	—	5,207,423	0.46	May 12, 2029
	11,191,993	5,207,423	(625,000)	(4,330,000)	11,444,416		

⁽¹⁾ As part of the issuance of convertible debentures, 51,243 broker warrants were issued with an exercise price of \$1.25 and expiring 24 months following the closing date.

⁽²⁾ In July 2024, the exercise price of 4,107,850 common share purchase warrants was amended to \$0.75. Of the 4,107,850 warrants, (i) 697,500 warrants had an initial exercise price of \$1.75 and expire on October 19, 2024, (ii) 2,380,350 warrants had an initial exercise price of \$1.25 and expire on March 7, 2025, and (iii) 1,030,000 warrants had an initial exercise price of \$1.25 and expire on July 21, 2025.

⁽³⁾ In June 2025, the expiry date of 1,581,250 common share purchase warrants was amended to November 18, 2025.

16. Supplemental disclosure of cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Accounts receivable	1,409,114	164,038	1,076,708	(85,227)
Costs and profits in excess of billings on uncompleted contracts	(187,418)	(12,686)	599,732	(11,462)
Inventory	101,482	(421,948)	(19,921)	(620,748)
Investment tax credits receivable	(17,781)	169,327	(17,781)	155,195
Deposits	312,284	3,103	184,886	(36,913)
Contract assets & other assets	(18,008)	(25,384)	(23,736)	(25,384)
Prepaid expenses	339,497	447,397	(325,100)	(403,255)
Accounts payable and accrued liabilities	(1,168,784)	883,265	(906,594)	2,847,289
Billings in excess of costs and profits on uncompleted contracts	(1,133,331)	(1,433,851)	6,076	(1,639,537)
	(362,945)	(226,739)	574,270	179,958

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17. Supplemental disclosure on statements of comprehensive loss

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Cost of Sales and Services:				
Employee benefits	791,445	822,330	1,672,486	1,892,350
Amortization of intangible assets	14,087	16,322	25,194	103,312
Inventories recognized in cost of sales	–	68,787	33,766	160,342
Selling, General and Administrative Expenses:				
Employee benefits	2,429,395	2,654,821	4,363,877	4,812,851
Share-based payments	140,120	295,395	152,787	774,993
Government grants	(32,823)	109,856	(33,679)	74,956
Depreciation of property and equipment	68,406	106,099	248,729	212,040
Depreciation of right-of-use assets	182,553	211,416	365,107	392,609

Other Income - Gain on settlement of legal proceedings

In May 2024, the Company announced that its wholly owned subsidiary, Pyro Green-Gas settled legal proceedings for damages and unpaid invoices from the defendant, who was also a client of the Company. As a result, Pyro Green-Gas received \$1.5 million from the defendant. The proceeds were recognized as a gain of \$1,180,335 and the remainder as a reduction of accounts receivable.

18. Net finance costs (income)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Financial expenses				
Interest on lease liabilities	61,540	72,021	124,803	128,881
Interest on convertible debentures	51,550	52,857	99,312	127,765
Interest on convertible loan	14,532	10,625	5,313	18,958
Interest on secured loan	16,349	–	16,349	–
Interest accretion on long term loans	7,402	(11,182)	15,175	(14,439)
Interest accretion on convertible debentures	36,662	98,575	90,191	136,611
Interest accretion on convertible loan	–	52,792	30,908	91,952
Interest accretion on secured loan	36,331	–	36,331	–
Penalties and other interest expenses	50,912	52,286	145,506	77,768
	275,278	327,974	563,888	567,496
Financial income				
Interest accretion on and revaluation of balance due on business combination ⁽¹⁾	(1,035,892)	36,624	(1,016,151)	14,791
Accretion interest on royalty receivable	(23,051)	(23,052)	(45,192)	(45,437)
Net financial expenses (income)	(783,665)	341,546	(497,455)	536,850

⁽¹⁾ During the three-month period ended June 30, 2025, the Company determined that a milestone related to the business combination would not be achieved and therefore, a reversal of the liability was recorded.

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19. Loss per share

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding for the three and six-month period ended June 30:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Weighted average number of common shares outstanding	186,754,009	178,880,395	185,464,322	178,880,395
Weighted average number of diluted shares outstanding	186,754,009	178,880,395	185,464,322	178,880,395
Number of anti-dilutive stock options and warrants excluded from fully diluted earnings per share calculation	23,579,416	18,512,600	23,579,416	18,512,600

20. Related party transactions

During the three and six-month periods ended June 30, 2025, the Company concluded the following transactions with related parties:

A balance due to the controlling shareholder and CEO of the Company amounted to \$314,582 at June 30, 2025, (\$597,180 at December 31, 2024) and is included in accounts payable and accrued liabilities.

In May 2024, the President and CEO provided a \$1,000,000 loan to the Company, bearing interest at 10%, with a maximum term of twelve months. The borrower agreed to waive the interest expense if the loan is repaid within sixty days from the loan date. The loan was repaid in July 2024.

In July 2024, the President and CEO, along with close family members, participated in a non-brokered private placement for gross proceeds of \$1,160,000 and \$278,400, respectively. Two directors of the Company also participated for a total amount of \$45,200.

In May 2025, the President and CEO, participated in a non-brokered secured loan for gross proceeds of \$2,385,000.

The Key Management Personnel of the Company, in accordance with IAS 24, are the members of the Board of Directors and certain officers. Total compensation to key management consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Salaries – key management	758,211	307,051	1,201,902	660,766
Pension contributions	13,825	3,749	21,967	10,324
Fees – Board of Directors	75,900	40,100	116,500	87,100
Share-based compensation – officers	98,166	114,515	219,631	302,834
Share-based compensation – Board of Directors	32,406	149,672	80,408	362,738
Other benefits – key management	176,134	228,568	329,126	232,503
Total compensation	1,154,642	843,655	1,969,534	1,656,265

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21. Financial instruments

As part of its operations, the Company carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Foreign currency risk

The Company enters into transactions denominated in US dollars and Euros, for which the related revenues, expenses, accounts receivable and accounts payable and accrued liabilities balances are subject to exchange rate fluctuations.

As at June 30, 2025, and December 31, 2024, the Company's exposure to foreign exchange risk for amounts denominated in US dollars and Euros is as follows, as expressed in Canadian dollars:

	June 30, 2025		December 31, 2024	
	US \$	Euro \$	US \$	Euro \$
Cash	405,298	–	2,228,077	818,337
Accounts receivable	4,121,844	389,717	3,401,015	1,730,014
Accounts payable and accrued liabilities	(2,187,729)	(306,406)	(2,235,050)	(1,318,652)
Total	2,339,413	83,311	3,394,042	1,229,699

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sensitivity analysis

At June 30, 2025, if the US dollar and Euro had changes by 10% against the Canadian dollar with all other variables held constant, the impact on pre-tax gain or loss and equity for the three-month period ended June 30, 2025, would have been \$158,794 and \$38,681, respectively (December 31, 2024 - \$339,404 and \$4,562, respectively).

Credit concentration

During the three-month period ended June 30, 2025, three customers accounted for 55%, (Three-month period ended June 30, 2024 – three customers for 72%) of revenues from operations.

During the six-month period ended June 30, 2025, three customers accounted for 51%, (Six-month period ended June 30, 2024 – one customer for 13%) of revenues from operations.

	Three months ended June 30, 2025		Six months ended June 30, 2025	
	Revenues \$	% of total revenues %	Revenues \$	% of total revenues %
Customer 1	718,804	24	1,749,600	29
Customer 2	594,009	20	719,424	12
Customer 3	333,124	11	609,908	10
Total	1,645,937	55	3,078,932	51

Two customers accounted for 52% and 13%, respectively (December 31, 2024 – two customers for 37% and 36%, respectively) of the total trade accounts receivable before expected credit loss allowance representing the Company's major

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credit risk exposure. Credit concentration is determined based on customers representing 10% or more of total revenues and/or total accounts receivable.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum credit risk to which the Company is exposed as at June 30, 2025, represents the carrying amount of cash, accounts receivable (except sales tax receivable), costs and profits in excess of billings on uncompleted contracts, deposits and royalties receivable.

Cash is held with major reputable financial institutions.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. The Company's review could include reviewing external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. The Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. In monitoring customer credit risk, customers are identified according to their characteristics such as their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company does not generally require collateral or other security from customers on accounts receivable, however, the contract terms may include the possibility of recourse in the event of late payment. The Company believes that there is no unusual exposure associated with the collection of these receivables.

The credit risk associated with costs and profits in excess of billings on uncompleted contracts is similar to that of accounts receivable, as these amounts are accumulated and converted to accounts receivable as invoicing milestones are reached.

The royalties receivable are due from a company in which the Company has a strategic investment. The Company does not have collateral or other security associated with the collection of this receivable. The carrying amount of the royalties receivable have been discounted to reflect the time value of money and credit risk of the counterparty.

The deposits are payments made to suppliers and entities from which the Company leases property. The Company does not have collateral or other security associated with the collection of these deposits. As at June 30, 2025, and December 31, 2024, no loss allowance has been recognized in connection with these deposits, and the maximum exposure is the carrying amount of these deposits.

During the six-month period ended June 30, 2025, and the year-end December 31, 2024, provisions for expected credit losses were recorded, however, the accounts provisioned by the loss are still subject to enforcement activity in order to collect the balances due.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk, and on the fair value of investments or liabilities, known as price risks. The Company is exposed to a risk of fair value on term loans, and convertible debentures as those financial instruments bear interest at fixed rates. The Company has determined the risk not to be significant.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from foreign currency risk and interest risk), whether those changes are caused by factors specific to the individual financial instrument or its issuers or factors affecting all similar financial instruments traded in the market. The most significant exposure to the price risk for the Company arises from its investments in shares and warrants of public companies quoted on the TSX Venture Exchange. If equity prices had increased or decreased by 25%

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(Unaudited)

(In Canadian dollars)

as at June 30, 2025, with all other variables held constant, the Company's investments would have increased or decreased respectively, by approximately \$286,637 (\$7,694 as at December 31, 2024).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

The following table summarizes the contractual amounts payable and maturities of financial liabilities and other liabilities at June 30, 2025:

	Carrying value	Total contractual amount	Less than one year	2-3 years	4-5 years	Over 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities ⁽¹⁾	10,901,741	10,901,741	10,901,741	–	–	–
Term loans	278,948	337,500	90,000	247,500	–	–
Balance due on business combination	771,120	771,120	771,120	–	–	–
Lease liabilities	5,730,305	7,006,373	2,667,893	854,503	863,529	2,620,448
Convertible debentures	1,203,456	1,383,083	1,282,083	101,000	–	–
Secured loan	2,170,946	3,347,975	162,077	3,185,898	–	–
	21,056,516	23,747,792	15,874,914	4,388,901	863,529	2,620,448

⁽¹⁾ Accounts payable and accrued liabilities exclude amounts which are not financial liabilities.

The Company's Canadian subsidiary benefited from a line of credit of \$500,000 (\$88,046 was drawn on this facility as at December 31, 2024). In January 2025, the entirety of the facility was reimbursed, and the available facility was terminated.

A commercial bank issued standby letters of credit on behalf of the Company to customers in the amounts of \$220,000 and \$257,000 on advance guarantees secured by Export Development Canada. The letters of credit expire in March 2026 and November 2026, respectively.

Fair value of financial instruments

The fair value represents the amount that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value estimates are calculated at a specific date taking into consideration assumptions regarding the amounts, the timing of estimated future cash flows and discount rates. Accordingly, due to its approximate and subjective nature, the fair value must not be interpreted as being realizable in an immediate settlement of the financial instruments.

There are three levels of fair value that reflect the significance of inputs used in determining fair values of financial instruments:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — inputs for the asset or liability that are not based on observable market data.

The fair values of cash, trade accounts receivable, other receivables, deposits, bank indebtedness, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities.

Investments in BGF and HPQ shares are valued at quoted market prices and are classified as Level 1.

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Royalties receivable are discounted according to their corresponding agreements and are classified as Level 2.

Investments in HPQ warrants are valued using the Black-Scholes pricing model and are classified as Level 3 (Note 9).

The fair value of the term loans and the convertible debentures, as at June 30, 2025, is determined using the discounted future cash flows method and management's estimates for market interest rates for similar issuances. The balance due on business combination is determined by estimating the present value of probable future economic outflows from the settlement of the provisions contained in the purchase agreement. Accordingly, as a result, their fair market values correspond to their carrying amount. The term loans and convertible debentures are classified as level 2 and the balance due on business combination as Level 3.

The following table presents the variation of the balance due on business combination:

	\$
Balance due on business combination at December 31, 2023	1,726,510
Interest accretion	60,761
Balance due on business combination at December 31, 2024 - Current and Non-Current	1,787,271
Interest accretion on and revaluation of balance due on business combination ⁽¹⁾	(1,016,151)
Balance due on business combination at June 30, 2025	771,120

⁽¹⁾ During the three-month period ended June 30, 2025, the Company determined that a milestone related to the business combination would not be achieved and therefore, a reversal of the liability was recorded.

22. Contingent liabilities

The Company is currently a party to various legal proceedings. If management believes that a loss arising from these proceedings is probable and can reasonably be estimated, that amount of the loss is recorded. As additional information becomes available, any potential liability related to these proceedings is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these proceedings, individually and in aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations.

In August 2023, the Autorité des marchés financiers (the "AMF") initiated administrative proceedings against Mr. P. Peter Pascali, President and CEO, Mr. Alan Curleigh, Chair of the Board of Directors, and the Company with the Tribunal administratif des marchés financiers. The allegations largely relate to a series of connected transactions that occurred in 2018. The administrative penalty sought by the AMF and attributable to the Company is \$550,000. The Company is currently assessing the merits of the AMF's allegations and therefore it is not possible to determine at this time an amount, if any, for the administrative penalty sought by the AMF, and accordingly, no provision has been recorded in this respect.

23. Capital management

The Company's objectives in managing capital are:

- a) To ensure sufficient liquidity to support its current operations and execute its business plan; and
- b) To provide adequate return to the shareholders

The Company's primary objectives when managing capital is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Company currently funds these requirements from cash flows from operations and with financing arrangements with third parties and shareholders. The Company is not subject to any externally imposed capital requirements.

The Company monitors its working capital in order to meet its financial obligations. On June 30, 2025, the Company's working capital deficiency was \$14,049,355 (\$9,216,545 at December 31, 2024).

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The management of capital includes shareholders' deficiency for a total amount of \$8,542,451 and term loans of \$278,948 (\$3,463,388 and \$308,774 respectively at December 31, 2024), as well as cash amounting to \$1,195,453 (\$2,975,461 at December 31, 2024). The Company also has a convertible debenture and secured loan to achieve its capital management objective. In addition, a convertible loan issued to Fiducie de Crédit Mellon Trust was outstanding until it was redeemed in February 2025.

There were no significant changes in the Company's approach during the current three-month and six-month periods and preceding fiscal year, however, in order to maintain or adjust the capital structure, the Company may issue new shares, sell portions of its strategic investment and periodically purchase its own shares on the open market.

24. Segment information

The Company operates in one segment, based on financial information that is available and evaluated by the Company's Board of Directors. The Company's head office is located in Montreal, Quebec. The operations of the Company are located in three geographic areas: Canada, Italy and India.

The following is a summary of the Company's revenue from external customers, by geography:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	\$	\$	\$	\$
Austria	–	–	27,503	–
Brazil	3,959	823	1,015	5,465
Canada	476,828	844,974	1,133,248	1,571,241
France	(3,182)	–	(3,182)	83,476
Germany	14,993	–	15,282	–
India	370,560	(7,786)	493,798	(7,815)
Japan	–	18,283	–	18,283
Mexico	14,582	58,604	70,419	327,336
Netherlands	78,828	618	100,059	13,012
New Zealand	333,124	149,173	609,908	251,891
Norway	65,496	–	64,662	–
Poland	143	93,110	43,195	178,845
Saudi Arabia	110,652	268,899	196,053	663,352
Spain	–	2,404	–	17,306
United States of America	1,541,662	2,509,996	3,243,223	4,303,103
	3,007,647	3,939,098	5,995,182	7,425,495

Revenue by product line and revenues recognized by revenue recognition method are presented in Note 5.