

**PyroGenesis Inc.**

**Consolidated Financial Statements  
December 31, 2025 and 2024**

**PyroGenesis Inc.**

**Consolidated Financial Statements  
December 31, 2025 and 2024**

|  |         |
|--|---------|
| <a href="#">Management's responsibility</a>                                    | 3       |
| <a href="#">Independent Auditor's Report</a>                                   | 4 - 6   |
| Consolidated Financial Statements  |         |
| <a href="#">Consolidated Statements of Financial Position</a>                  | 7       |
| <a href="#">Consolidated Statements of Comprehensive Loss</a>                  | 8       |
| <a href="#">Consolidated Statements of Changes in Shareholders' Deficiency</a> | 9       |
| <a href="#">Consolidated Statements of Cash Flows</a>                          | 10 - 11 |
| <a href="#">Notes to Consolidated Financial Statements</a>                     | 12 - 56 |

## Management's Responsibility

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditor. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditor.

Raymond Chabot Grant Thornton LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meets periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 30, 2026

*[Signed by P. Peter Pascali]*

\_\_\_\_\_  
P. Peter Pascali, Chief Executive Officer

*[Signed by Andre Mainella]*

\_\_\_\_\_  
Andre Mainella, Chief Financial Officer

## **Independent Auditor's Report**

To the Shareholders of PyroGenesis Inc.

### **Opinion**

We have audited the consolidated financial statements of PyroGenesis Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive loss, the consolidated statements of changes in shareholders' deficiency and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

### **Basis for opinion**

We conducted our audit 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 audit 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 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about 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 matter described below to be the key audit matter to be communicated in our auditor's report.

#### **Revenue recognition of long-term contracts using the percentage of completion method**

As described in Note 4 to the consolidated financial statements, revenue recognition from long-term contracts for made-to-order customized equipment and machines to customer's specifications are determined under the percentage of completion method whereby revenues are recognized over time based on the proportion of total costs and/or hours incurred to date, compared to total costs and/or hours anticipated to provide the service under the entire contract. We identified the revenue recognition of long-term contracts using the percentage of completion method as a key audit matter.

##### *Why the matter was determined to be a key audit matter*

The revenue recognition of long-term contracts using the percentage of completion method was significant to our audit because management's assessment of the percentage of completion requires significant judgments and estimation uncertainty including anticipated costs and/or hours on long-term contracts.

##### *How the matter was addressed in the audit*

Our audit procedures related to the revenue recognition of long-term contracts using the percentage of completion method included, among others, the following:

- We obtained an understanding of the project budgeting process and assessed the design and implementation of controls surrounding the budgeting process;
- For a sample of contracts, we assessed the effectiveness of the Company's contract budgeting process by:
  - o Reviewing the contractual arrangements, including pricing and billing terms, contract changes, and other terms and conditions;
  - o Interviewing management and project managers to understand the status of the different activities for the contracts tested;
  - o Comparing budgeted costs / hours from prior period to actual costs / hours incurred;
- We tested a sample of costs / hours to ensure that they had been incurred and correctly allocated to the respective projects;
- We compared, for a sample of contracts, the total costs incurred to date to the total budgeted costs to complete, in order to validate the appropriateness of the percentage of completion.

### **Information other than the consolidated financial statements and the auditor's report thereon**

Management is responsible for the other information. The other information comprises the information included in 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, 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 in this auditor's report. 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, 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 group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Mario Venditti.

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montreal  
March 30, 2026

<sup>1</sup> CPA auditor, public accountancy permit no. A121855

**PyroGenesis Inc.**  
**Consolidated Statements of Financial Position**  
December 31, 2025 and 2024  
(In Canadian dollars)

|  | Note | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|--|------|--------------------------|--------------------------|
|  |      | <u>\$</u>                | <u>\$</u>                |
| <b>Assets</b>  |      |                          |                          |
| <i>Current assets</i>  |      |                          |                          |
| Cash   |      | 1,088,707                | 2,975,461                |
| Accounts receivable  | 7    | 4,147,739                | 9,624,611                |
| Costs and profits in excess of billings on uncompleted contracts | 8    | 699,305                  | 1,209,479                |
| Inventory  |      | 2,376,148                | 2,542,633                |
| Investment tax credits receivable                                | 9    | 115,431                  | 237,616                  |
| Income taxes receivable  |      | 22,875                   | 16,810                   |
| Current portion of deposits                                      | 12   | 945,849                  | 693,729                  |
| Current portion of royalties receivable                          | 11   | 509,660                  | 1,041,419                |
| Contract assets  |      | 436,763                  | 441,991                  |
| Prepaid expenses   |      | 393,102                  | 567,471                  |
| <b>Total current assets</b>                                      |      | <b>10,735,579</b>        | <b>19,351,220</b>        |
| <i>Non-current assets</i>  |      |                          |                          |
| Deposits   | 12   | 60,435                   | 99,238                   |
| Strategic investments  | 10   | 46,161                   | 30,774                   |
| Property and equipment   | 13   | 2,266,189                | 2,838,810                |
| Right-of-use assets  | 14   | 2,563,027                | 4,763,389                |
| Royalties receivable   | 11   | 529,081                  | 529,137                  |
| Intangible assets  | 15   | 1,085,012                | 1,588,107                |
| <b>Total assets</b>  |      | <b>17,285,484</b>        | <b>29,200,675</b>        |
| <b>Liabilities</b>   |      |                          |                          |
| <i>Current liabilities</i>                                       |      |                          |                          |
| Bank indebtedness  | 27   | —                        | 88,046                   |
| Accounts payable and accrued liabilities                         | 16   | 10,414,397               | 12,855,422               |
| Billings in excess of costs and profits on uncompleted contracts | 17   | 9,880,704                | 9,010,451                |
| Current portion of term loans                                    | 18   | 90,000                   | 90,000                   |
| Current portion of lease liabilities                             | 14   | 2,348,963                | 2,571,377                |
| Current portion of balance due on business combination           | 27   | 771,120                  | 1,787,271                |
| Current portion of convertible debentures                        | 19   | 673,433                  | 1,021,596                |
| Current portion of convertible loan                              | 19   | —                        | 1,143,602                |
| Current portion of secured loan                                  | 20   | 1,980,250                | —                        |
| <b>Total current liabilities</b>                                 |      | <b>26,158,867</b>        | <b>28,567,765</b>        |
| <i>Non-current liabilities</i>                                   |      |                          |                          |
| Lease liabilities  | 14   | 1,397,941                | 3,204,091                |
| Term loans   | 18   | 157,594                  | 218,774                  |
| Convertible debentures   | 19   | —                        | 673,433                  |
| <b>Total liabilities</b>   |      | <b>27,714,402</b>        | <b>32,664,063</b>        |
| <b>Shareholders' deficiency</b>                                  |      |                          |                          |
| Common shares  | 21   | 99,674,796               | 94,800,796               |
| Warrants   |      | 2,546,970                | 421,016                  |
| Contributed surplus  |      | 30,660,473               | 29,604,640               |
| Equity portion of convertible debentures                         |      | 217,663                  | 217,663                  |
| Equity portion of convertible loan                               |      | —                        | 176,349                  |
| Accumulated other comprehensive loss                             |      | (206,356)                | (120,070)                |
| Deficit  |      | (143,322,464)            | (128,563,782)            |
| <b>Total shareholders' deficiency</b>                            |      | <b>(10,428,918)</b>      | <b>(3,463,388)</b>       |
| <b>Total liabilities and shareholders' deficiency</b>            |      | <b>17,285,484</b>        | <b>29,200,675</b>        |

Contingent liabilities [Note 28].

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

Approved on behalf of the Board:

[Signed by P. Peter Pascali] P. Peter Pascali

[Signed by Andrew Abdalla] Andrew Abdalla

**PyroGenesis Inc.**  
**Consolidated Statements of Comprehensive Loss**  
For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

|  | Note | 2025                | 2024        |
|--|------|---------------------|-------------|
|  |      | \$                  | \$          |
| <b>Revenues</b>  | 6    | <b>12,572,204</b>   | 15,652,321  |
| Cost of sales and services   | 23   | <b>8,772,228</b>    | 10,353,134  |
| <b>Gross profit</b>  |      | <b>3,799,976</b>    | 5,299,187   |
| <b>Expenses</b>  |      |                     |             |
| Selling, general and administrative                                    | 23   | <b>15,682,548</b>   | 11,002,887  |
| Research and development, net  | 23   | <b>872,148</b>      | 785,894     |
|  |      | <b>16,554,696</b>   | 11,788,781  |
| Net loss from operations   |      | <b>(12,754,720)</b> | (6,489,594) |
| Loss from changes in fair value of strategic investments               | 10   | <b>(3,114,450)</b>  | (232,868)   |
| Other income   | 10   | <b>1,011,605</b>    | 1,180,335   |
| Finance income (expense), net  | 24   | <b>(4,117)</b>      | (1,132,623) |
| <b>Loss before income taxes</b>  |      | <b>(14,861,682)</b> | (6,674,750) |
| Income taxes   | 30   | <b>(103,000)</b>    | —           |
| <b>Net loss</b>  |      | <b>(14,758,682)</b> | (6,674,750) |
| <b>Other comprehensive loss</b>  |      |                     |             |
| Items that will be reclassified subsequently to profit or loss         |      |                     |             |
| Foreign currency translation loss on investments in foreign operations |      | <b>(86,286)</b>     | (108,791)   |
| <b>Comprehensive loss</b>  |      | <b>(14,844,968)</b> | (6,783,541) |
| <b>Loss per share</b>  | 25   |                     |             |
| Basic  |      | <b>(0.08)</b>       | (0.04)      |
| Diluted  |      | <b>(0.08)</b>       | (0.04)      |

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

**PyroGenesis Inc.**

**Consolidated Statements of Changes in Shareholders' Deficiency**

For the years ended December 31, 2025 and 2024

(In Canadian dollars)

|   | Notes | Number of<br>common<br>shares | Common<br>shares  | Warrants         | Contributed<br>Surplus <sup>1</sup> | Equity portion<br>of convertible<br>debentures and loan | Accumulated<br>other<br>comprehensive<br>income (loss) | Deficit              | Total               |
|---|-------|-------------------------------|-------------------|------------------|-------------------------------------|---|--|----------------------|---------------------|
|   |       |                               | \$                | \$               | \$                                  | \$  | \$   | \$                   | \$                  |
| <b>December 31, 2024</b>  |       | <b>184,143,645</b>            | <b>94,800,796</b> | <b>421,016</b>   | <b>29,604,640</b>                   | <b>394,012</b>  | <b>(120,070)</b>                                       | <b>(128,563,782)</b> | <b>(3,463,388)</b>  |
| Shares issued upon exercise of warrants   | 21    | 625,000                       | 306,658           | (50,533)         | —                                   | —   | —  | —                    | 256,125             |
| Shares issued upon conversion of the convertible loan   | 19    | 2,541,683                     | 1,350,889         | —                | —                                   | (176,349)   | —  | —                    | 1,174,540           |
| Shares issued upon principal payment of the convertible debentures                            | 19    | 935,431                       | 303,000           | —                | —                                   | —   | —  | —                    | 303,000             |
| Warrants granted upon issuance of secured loan, net of finance fees and deferred income taxes | 20    | —                             | —                 | 234,340          | —                                   | —   | —  | —                    | 234,340             |
| Warrants expired issued with the convertible debentures                                       | 19    | —                             | —                 | (147,283)        | 147,283                             | —   | —  | —                    | —                   |
| Private placement   | 21    | 14,185,970                    | 2,913,453         | 2,312,630        | —                                   | —   | —  | —                    | 5,226,083           |
| Warrants expired issued with the private placement  | 19    | —                             | —                 | (223,200)        | 223,200                             | —   | —  | —                    | —                   |
| Share-based compensation expense  |       | —                             | —                 | —                | 685,350                             | —   | —  | —                    | 685,350             |
| Other comprehensive loss for the year   |       | —                             | —                 | —                | —                                   | —   | (86,286)   | —                    | (86,286)            |
| Net loss  |       | —                             | —                 | —                | —                                   | —   | —  | (14,758,682)         | (14,758,682)        |
| <b>December 31, 2025</b>  |       | <b>202,431,729</b>            | <b>99,674,796</b> | <b>2,546,970</b> | <b>30,660,473</b>                   | <b>217,663</b>  | <b>(206,356)</b>                                       | <b>(143,322,464)</b> | <b>(10,428,918)</b> |
| December 31, 2023   |       | 178,880,395                   | 90,670,080        | 421,016          | 27,586,626                          | 394,012   | (11,279)   | (121,889,032)        | (2,828,577)         |
| Shares issued upon exercise of stock options  | 21    | 300,000                       | 232,991           | —                | (93,991)                            | —   | —  | —                    | 139,000             |
| Private placement   | 21    | 3,505,750                     | 2,804,600         | —                | —                                   | —   | —  | —                    | 2,804,600           |
| Shares issued upon exercise of share purchase warrants  | 21    | 1,457,500                     | 1,093,125         | —                | —                                   | —   | —  | —                    | 1,093,125           |
| Share-based compensation expense  |       | —                             | —                 | —                | 2,112,005                           | —   | —  | —                    | 2,112,005           |
| Other comprehensive loss for the year   |       | —                             | —                 | —                | —                                   | —   | (108,791)  | —                    | (108,791)           |
| Net loss  |       | —                             | —                 | —                | —                                   | —   | —  | (6,674,750)          | (6,674,750)         |
| December 31, 2024   |       | 184,143,645                   | 94,800,796        | 421,016          | 29,604,640                          | 394,012   | (120,070)  | (128,563,782)        | (3,463,388)         |

<sup>1</sup> The equity portion of the convertible loan was reclassified to common shares upon conversion of the convertible loan in February 2025.

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

**PyroGenesis Inc.**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

|   | <u>2025</u>         | <u>2024</u> |
|---|---------------------|-------------|
|   | <u>\$</u>           | <u>\$</u>   |
| Cash flows provided by (used in)  |                     |             |
| <b>Operating activities</b>   |                     |             |
| Net loss  | <b>(14,758,682)</b> | (6,674,750) |
| Adjustments for:  |                     |             |
| Share-based compensation expense  | <b>685,350</b>      | 2,112,005   |
| Depreciation of property and equipment                                    | <b>585,971</b>      | 366,696     |
| Depreciation of right-of-use assets                                       | <b>732,895</b>      | 902,776     |
| Amortization and write-off of intangible assets                           | <b>751,729</b>      | 135,957     |
| Amortization of contract assets   | <b>99,912</b>       | 194,108     |
| Lease modification  | <b>(185,218)</b>    | (135,090)   |
| Net finance costs (income)  | <b>4,117</b>        | 1,132,623   |
| Change in fair value of investments                                       | <b>3,114,450</b>    | 232,868     |
| Other income  | <b>(1,011,605)</b>  |             |
| Increase of royalties receivable  | <b>(37,439)</b>     | (106,696)   |
| Deferred income taxes   | <b>(103,000)</b>    | —           |
| Unrealized foreign exchange   | <b>(78,652)</b>     | (197,812)   |
|   | <b>(10,200,172)</b> | (2,037,315) |
| Net change to working capital items [Note 22]                             | <b>105,659</b>      | (63,460)    |
|   | <b>(10,094,513)</b> | (2,100,775) |
| <b>Investing activities</b>   |                     |             |
| Additions to property and equipment                                       | <b>(13,350)</b>     | (350,280)   |
| Additions to intangible assets  | <b>(248,634)</b>    | (274,488)   |
| Disposal of strategic investments   | <b>2,823,208</b>    | 2,287,785   |
|   | <b>2,561,224</b>    | 1,663,017   |
| <b>Financing activities</b>   |                     |             |
| Decrease in bank indebtedness   | <b>(88,046)</b>     | (93,221)    |
| Interest paid   | <b>(450,116)</b>    | (529,946)   |
| Repayment of term loans   | <b>(90,000)</b>     | (117,500)   |
| Repayment of lease liabilities  | <b>(375,879)</b>    | (662,566)   |
| Repayment of convertible debentures                                       | <b>(909,000)</b>    | (1,111,000) |
| Repayment of loan from controlling shareholder                            | —                   | (1,000,000) |
| Proceeds from issuance of loan from controlling shareholder               | —                   | 1,000,000   |
| Proceeds from issuance of shares upon exercise of warrants                | <b>256,125</b>      | 1,093,125   |
| Proceeds from issuance of shares upon exercise of stock options           | —                   | 139,000     |
| Proceeds from private placement [Note 21]                                 | <b>5,226,083</b>    | 2,804,600   |
| Proceeds from secured loan, net   | <b>2,085,000</b>    | —           |
|   | <b>5,654,167</b>    | 1,522,492   |
| Effect of exchange rate changes on cash denominated in foreign currencies | <b>(7,632)</b>      | 88,111      |
| <b>Net increase (decrease) in cash</b>                                    | <b>(1,886,754)</b>  | 1,172,845   |
| Cash - beginning of year  | <b>2,975,461</b>    | 1,802,616   |
| <b>Cash - end of year</b>   | <b>1,088,707</b>    | 2,975,461   |

**PyroGenesis Inc.**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

|  | <b>2025</b>        | <b>2024</b> |
|--|--------------------|-------------|
|  | <b>\$</b>          | <b>\$</b>   |
| <b>Supplemental cash flow disclosure</b>   |                    |             |
| <b>Non-cash transactions:</b>  |                    |             |
| Interest accretion on, and revaluation of balance due on business combination              | <b>(1,016,151)</b> | 60,761      |
| Interest accretion on royalties receivable   | <b>(93,920)</b>    | (94,169)    |
| Interest accretion on term loan  | <b>28,820</b>      | 22,195      |
| Interest accretion on convertible debentures   | <b>190,404</b>     | 245,808     |
| Interest accretion on convertible loan   | <b>30,938</b>      | 195,903     |
| Interest accretion on secured loan   | <b>232,590</b>     | —           |
| Initial recognition or modification of lease liabilities and right-of-use assets [Note 14] |                    |             |
| Right-of-use assets  | <b>(1,467,467)</b> | 1,465,529   |
| Lease liabilities  | <b>(1,652,685)</b> | 1,466,232   |
| Lease modification   | <b>(185,218)</b>   | (135,090)   |

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

## PyroGenesis Inc.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

#### 1. Nature of operations and change in name

PyroGenesis 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 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 consolidated financial statements have been prepared on the 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 \$143,322,464 as at December 31, 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 December 31, 2025, the Company has working capital deficiency of \$15,423,288 (working capital deficiency of \$9,216,545 as at December 31, 2024) including cash of \$1,088,707 (\$2,975,461 as at December 31, 2024). The working capital is net of an allowance for credit losses amounting to \$2,017,000 (\$2,936,000 as at December 31, 2024) as further described in Notes 7 and 8. 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 2026, 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 multiple private placements in the past. Namely, in July 2024, the Company secured gross proceeds of \$2,804,600 from the completion of non-brokered private placement. In May 2025, the Company completed a non-brokered secured loan for gross proceeds of \$2,385,000. Additionally, in 2025, the Company completed multiple non-brokered private placements, for gross proceeds of \$3,500,000 in October 2025, \$822,000 in November 2025, and \$904,083 in December 2025. 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 consolidated 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 consolidated statement of financial position.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

**3. Basis of preparation**

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) (“IFRS Accounting Standards”). These financial statements were approved and authorized for issuance by the Board of Directors on March 30, 2026.

(b) Functional and presentation currency

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

- (i) strategic investments which are accounted for at fair value;
- (ii) share-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 consolidated 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. All transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

The material accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all years presented. Finance income (expense), other income and changes in fair value of strategic investments are excluded from the loss from operations in the consolidated statements of comprehensive loss.

**4. Summary of material accounting policies**

(a) Business combinations

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the net of the fair values of assets transferred, liabilities assumed, and equity instruments issued by the Company at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange of the acquiree.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

The obligation to pay the contingent consideration is classified as a liability and measured as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments of preliminary purchase price allocations are adjusted in the current period and such changes are applied on a retroactive basis.

Acquisition costs that the Company incurs in connection with a business combination are recognized in profit or loss as incurred, except for costs associated with the issuance of debt or equity securities.

(b) Revenue recognition

Revenue from contracts is recognized for each performance obligation either over a period of time or at a point in time, depending on which method reflects the transfer of control of the goods and services underlying the particular performance obligation.

i) Long-term contracts

Long-term contracts involve made-to-order customized equipment and machines and are generally priced on a fixed fee basis. Under these contracts, the equipment or machines are made to a customer's specifications and if a contract is terminated by the customer, the Company is entitled to the greater of the amounts invoiced at the termination date and the reimbursement of the costs incurred to date of termination, including a reasonable margin. Agreements that contain multiple deliverables require the Company to determine whether they contain separately identifiable performance obligations and to allocate the consideration received to each performance obligation.

Revenue relating to long-term contracts is recognized over time based on the measure of progress determined by the Company's efforts or inputs towards satisfying the performance obligation relative to the total expected inputs. The degree of completion is assessed based on the proportion of total costs and/or hours incurred to date, compared to total costs and/or hours anticipated to provide the service under the entire contract, excluding the effects of inputs that do not depict performance, e.g. uninstalled materials. For long-term contracts with uninstalled materials, the Company adjusts the transaction price and recognizes revenue on uninstalled materials to the extent of those costs incurred, i.e. at a zero percent profit margin, when certain conditions are met.

Estimates are required to determine anticipated costs and/or hours on long-term contracts. A provision is made for the entire amount of expected loss, if any, in the period in which they are first determinable.

Contract modifications are changes in scope and/or price that are approved by the parties to the contract. Approval may be written, oral or implied by customary business practices, and are legally enforceable. The Company accounts for modifications as a separate contract if the modifications add distinct goods or services that are priced commensurate with stand-alone selling prices or if the remaining goods or services are distinct from those already transferred, otherwise modifications are accounted for as part of the original contract.

Costs and profits in excess of billings on uncompleted contracts and trade receivables are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (trade receivables) or if it is also conditional on something else (costs and profits in excess of billings on uncompleted contracts), such as the satisfaction of further performance obligations under the contract. Billings in excess of costs and profits on uncompleted contracts is the cumulative amount received and contractually receivable by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

The costs to obtain long-term contracts such as sale commissions are recognized as Contract assets and recognized as selling expenses over time based on degree of completion of the related contract.

ii) Sales of goods

Revenue related to sales of goods, which may include powders and spare parts are measured based on the consideration specified in contracts with customers. The Company recognizes revenue at a point in time when it transfers control of the goods to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point agreed with the customer.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

iii) Sale of intellectual property

Sale of intellectual property is recognized at the date the recipient obtains control of the asset. Variable consideration related to the sale of intellectual property is recognized to the extent that it is highly probable that a reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(c) Foreign currency translation

i) Foreign currency transactions

Revenue and expense transactions in foreign currencies are translated into the functional currency of the respective entity using the average exchange rates prevailing at the time of the transaction. Foreign currency balances are translated into the functional currency of the respective entity at year end exchange rates for monetary items and at historical rates for non-monetary items. Translation gains or losses are included in the determination of net loss.

ii) Foreign operations

The assets and liabilities of foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of the reporting period. Revenue and expense items are translated at the average exchange rates for the period. Exchange differences arising from the translation process of foreign operations are recognized as foreign currency translation adjustments in other comprehensive loss and accumulated in equity.

(d) Inventory

Inventory is composed of spare parts for resale and powder and coils. Inventory is valued at the lower of cost and net realizable value. The cost of inventory is based on the first-in, first-out principle and comprises all costs of purchases and labour costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

(e) Income taxes

i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statements of financial position.

iii) Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period in which the deferred tax is realized or recovered. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred tax assets and liabilities are presented as non-current. Assets and liabilities are offset where the entity has a legally enforceable right to offset current tax assets and liabilities or deferred tax assets and liabilities, and the respective assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend to settle the liabilities and assets on a net basis.

(f) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares. Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share, except that the weighted average number of shares outstanding is increased to include shares from the assumed exercise of stock options and share purchase warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the year. Potential shares from all outstanding stock options and share purchase warrants are excluded from the calculation of diluted loss per share as their inclusion is considered anti-dilutive in years when a loss is incurred.

(g) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses if applicable. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset into operation. Borrowing costs capitalized to asset under development represents the interest expense calculated under the effective interest method and does not include any fair value adjustments of investments designated at fair value through profit and loss. Government assistance and investment tax credits related to the purchase or development of property and equipment are recorded in reduction of the cost. When major parts of an item of property and equipment have different useful lives, they are accounted for separately. Property and equipment are depreciated from the acquisition date over their respective useful life. Depreciation of an asset under construction begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company.

Depreciation is calculated using the following methods and rates:

|                         |  |
|-------------------------|--|
| Computer equipment      | Straight line over 3 years                             |
| Machinery and equipment | Straight line over 10 years                            |
| Automobiles             | Straight line over 7 years                             |
| Leasehold improvements  | Lesser of the lease term or the useful life (20 years) |

Impairment losses recognized in prior periods are assessed at each reporting date as to whether there are any indications that the previously recognized losses may no longer exist or may be decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Property and equipment are assessed for impairment whenever there is an indication of impairment.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively if appropriate.

(h) Leases

Under IFRS 16 Leases, at inception, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease, i.e., the date the underlying asset is available for use.

*Right-of-use assets*

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. Cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset based on periods detailed above. The depreciation starts at the commencement date of the lease. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

*Lease liabilities*

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term. The present value of the lease payments is determined using the lessee's incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is a function of the lessee's incremental borrowing rate, the nature of the underlying asset, the location of the asset, the length of the lease and the currency of the lease contract. Generally, the Company uses the lessee's incremental borrowing rate for the present value. At the commencement date, lease payments generally include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index (e.g., based on inflation index) or a specified rate, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease. Lease payments also include amounts expected to be paid under residual value guarantees and the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

Variable lease payments that do not depend on an index or a specified rate are not included in the measurement of lease liabilities but instead are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Company changes its assessment of whether it will exercise a termination, extension or purchase option. The remeasurement amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the profit and loss statement when the carrying amount of the right-of-use asset is reduced to zero.

*Classification and presentation of lease-related expenses*

Depreciation charge for right-of-use assets, expenses related to variable lease payments not included in the measurement of lease liabilities and loss (gain) related to lease modifications are allocated in the Company's profit and loss statement based on their function within the Company, while interest expense on lease liabilities is presented within finance costs.

*Cash flow classification*

Lease payments related to the principal portion of the lease liabilities are classified as cash flows from financing activities while lease payments related to the interest portion of the lease liabilities are classified as interest paid within cash flows from financing activities. Lease incentives received are classified as cash flows from investing activities. Variable lease payments not included in the measurement of lease liabilities are classified as cash flows from operating activities.

(i) Government assistance and investment tax credits

Investment tax credits are comprised of scientific research and experimental development tax credits. Government assistance and investment tax credits are recognized when there is reasonable assurance of their recovery and recorded as a reduction of the related expense or cost of the asset acquired, as applicable. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

(j) Intangible assets and Goodwill

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of an intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value.

Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise only at cost net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life of the asset and assessed for impairment whenever there is an indication of impairment. Amortization expense on the intangible assets with finite lives is recognized in the consolidated statements of comprehensive loss.

Research costs are charged to comprehensive loss in the year they are incurred, net of related investment tax credits. Development costs are charged to comprehensive loss in the year they are incurred net of related investment tax credits unless they meet specific criteria related to technical, market and financial feasibility in order to be recognized as intangible assets which include:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Company has the intention to complete and the ability to use or sell the asset;
- the asset will generate future economic benefits;
- the Company has the resources to complete the asset; and
- ability to measure reliably the expenditure during development.

Costs to establish patents for internally developed technology are considered development costs and are charged to comprehensive loss in the year they are incurred unless they meet specific criteria related to technical, market and financial feasibility. Patent costs include legal and other advisor fees to obtain patents, and patent application fees.

Amortization of the development costs is calculated on a straight-line basis over the remaining useful life of the related patent and begins when development is complete. During the period of development, the asset is tested annually for impairment. Residual values and useful lives are reviewed at each reporting date.

Amortization is calculated on a straight-line basis:

|                               | <u>Useful life</u>   |
|-------------------------------|----------------------|
| Production backlog            | 30 months            |
| Patents and development costs | <u>1 to 21 years</u> |

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment annually or if there is an indication of impairment. Impairment losses recognized for goodwill cannot be reversed.

(k) Impairment testing of goodwill, other intangible assets, property and equipment and right-of-use assets

The carrying amounts of the Company's non-financial assets are assessed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represents the lowest level within the Company at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. 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 the purposes of testing non-financial assets for impairment, management has identified one CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of comprehensive loss. Impairment losses recognized in respect of the CGU are allocated first to reduce the carrying amount of goodwill allocated to the units, and then to reduce the carrying amounts on a pro-rata basis of the other assets in the unit.

(l) Provisions and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

(m) Employee benefits

*Share-based payments*

The Company applies a fair value-based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized in its respective vesting period. Non-employee stock options are measured when the services are rendered by the consultant at the fair value of the services received if the fair value can be measured reliably. In the case the fair value of the services cannot be measured reliably, the services are measured indirectly using the fair value of the equity instruments granted at grant date. The cost of stock options is presented as share-based payment expense. On the exercise of stock options, share capital is credited for the consideration received and for the fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option-pricing model to estimate the fair value of share-based payments.

*Deferred profit-sharing plan*

The Company established a yearly Deferred Profit-Sharing Plan ("DPSP") for all eligible employees who have materially and significantly contributed to the prosperity and profits of the Company. The significance of any contribution of any employee to the prosperity and profits of the Company for purposes of eligibility in the DPSP is determined by the Board of Directors of the Company upon such relevant information as the Board, in its sole discretion, may find relevant. All related persons to the Company are excluded from participating in the DPSP.

For all eligible employees, the Company is required to contribute to the DPSP out of the profits of the Company. The amount of the Company's contribution will be such amount which, in the opinion of its Board of Directors, is warranted by the profits and overall financial position of the Company. During the year, the Company contributed \$0 to the DPSP (\$0 in 2024). Obligations for contributions to the DPSP are recognized as an employee benefit expense in the consolidated statements of comprehensive loss in the periods during which services are rendered by employees.

*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

A liability is recognized for the amount expected to be paid under the short-term incentive plan if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Equity instruments

*Issuance of equity instruments*

Incremental costs directly attributable to the issue of equity-classified shares are recognized as a deduction from the common shares and warrants, net of any tax effects. Upon issuance of units, the Company uses the residual value to allocate the net proceeds between common shares and warrants.

*Extinguishing financial liabilities with equity instruments*

When equity instruments issued to a creditor to extinguish all or part of a financial liability are recognized initially, the Company measures them at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured. If the fair value of the equity instruments issued cannot be reliably measured, then the equity instruments shall be measured to reflect the fair value of the financial liability extinguished.

*Contributed surplus*

Contributed surplus includes amounts related to equity-settled share-based payments until such equity instruments are exercised or settled, in which case the amounts are transferred to common shares or reversed upon forfeiture if not vested. It also includes the unexercised conversion option at the maturity of the convertible debentures and convertible loan.

(o) Financial Instruments

*Recognition:*

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Classification*

Financial assets are classified at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI") based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgment.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category cash, trade accounts receivable, other receivables, costs and profits in excess of billings, royalties receivable and deposits.

A financial asset is measured at fair value through profit or loss ("FVTPL") if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

- (c) At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company includes in this category strategic investments in equity instruments.

All financial liabilities, other than those measured at fair value through profit or loss, are included in the financial liabilities measured at amortized cost. The Company includes in this category bank indebtedness, accounts payable and accrued liabilities, term loans, convertible debentures, convertible loan and secured loan. The balance due on business combination is measured at FVTPL.

*Initial measurement*

Financial assets and liabilities (other than financial assets at FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statements of financial position at fair value. All transaction costs for such instruments are recognized directly in profit or loss.

*Subsequent measurement*

Financial assets (other than financial assets at FVTPL) are measured at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the debt instruments are derecognized or impaired, as well as through the amortization process.

Financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process. Changes in fair value of financial liabilities attributable to changes in the entity's own credit risk are to be presented in other comprehensive loss unless they affect amounts recorded in income.

*Fair value measurement principles*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where financial assets and financial liabilities measured at fair value through profit or loss have a quoted price in an active market at the reporting date, the fair value is based on this price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a stock exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Securities traded on stock exchanges are stated at market price based on the closing price on the relevant valuation day.

*Derecognition*

A financial asset is derecognized where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset. The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled, or expired.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

*Impairment of financial instruments*

The Company applies the “expected credit loss” (“ECL”) model to financial assets measured at amortized cost. The Company’s financial assets subject to this impairment model are cash, trade and other receivables, costs and profits in excess of billings on uncompleted contracts, royalties receivable and deposits.

The trade accounts receivable have no financing component and have maturities of less than 12 months at amortized cost and, as such, the Company applies the simplified approach for expected credit losses (ECLs) to all its trade accounts receivable. Therefore, the Company recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Company’s approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The Company uses the provision matrix as a practical expedient to measure ECLs on trade receivables and costs and profits in excess of billings on uncompleted contracts, based on days past due for groupings of receivables with similar loss patterns. Contracts with particular recovery history are analysed separately from other accounts. The loss rates are based on historical observed loss rates over the expected life of the receivables and are adjusted for forward-looking estimates to reflect differences between economic conditions during the period over which the historical data has been collected.

Impairment losses are recognized in profit or loss and reflected in an allowance account presented in reduction of receivables and cost in excess of billings on uncompleted contracts.

*Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Failure to engage and communicate with the Company on alternative payment arrangements and failure to make payments within 90 days of the due date, amongst others, are considered possible indicators of no reasonable expectation of recovery of accounts receivable.

*Compound Financial Instruments*

Compound financial instruments issued by the Company comprises convertible debentures and a convertible loan that can be converted into common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The secured loan is also considered a compound financial instrument.

The component parts of the compound instrument issued by the Company are initially classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments as well as the attached warrants are equity instruments.

At the date the convertible debentures or convertible loan or secured loan are issued, the liability component is initially recognized at the fair value of similar debt instruments which do not have an equity conversion option. The initial amount of the liability component is determined by discounting the face value of the convertible debentures using a rate of interest prevailing for similar non-convertible instruments at the date of issue for instruments of similar terms and risks. The conversion option and warrants are classified as equity components and are determined by deducting the amount of the liability component from the gross proceeds. The value attributed to each equity component is based on the pro-rata of their relative fair values. The equity components are recognized net of income tax effects within the other equity accounts.

Subsequently, the liability component is accounted for at amortized cost and is accreted using the effective interest method, up to the face value of the convertible debentures, convertible loan or secured loan during the period they are outstanding. Interest expense on the convertible debentures, convertible loan and secured loan is composed of the interest calculated on the face value of the convertible debentures, convertible loan and secured loan and a non-cash notional interest

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

representing the accretion of the carrying value of the convertible debentures, convertible loan and secured loan. The equity components are not remeasured.

The conversion option and warrants classified as equity remain in the other equity account until the conversion option or warrants are exercised, in which case, the balance recognized in other equity is transferred to share capital. When the conversion option remains unexercised at the maturity date of the convertible debentures or convertible loan, the balance recognized in other equity will be transferred to contributed surplus. No gain or loss is recognized in the consolidated comprehensive loss statement upon conversion or expiration of the conversion option and warrants.

Transaction costs related to the issuance of convertible debentures, convertible loan and secured loan are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity components are recognized directly in other equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures and convertible loan using the effective interest method.

*Effective Interest Method*

The effective interest method is a method of calculating the amortized cost of a financial asset/financial liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (when appropriate) a shorter period, to the net carrying amount on initial recognition.

(p) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted by the Company

At the date of authorization of these consolidated financial statements, several other new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

New and revised IFRS Accounting Standards not yet adopted by the Company

i) IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments

The amendments relate to the classification and measurement of financial instruments, introducing updates to: (i) permit the derecognition of a financial liability settled through electronic transfer, (ii) provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, (iii) enhance the description of a financial asset that has non-recourse features, (iv) clarify the characteristics of contractually linked instruments that distinguish them from other transactions, (v) require an entity to separately disclose the fair value gain or loss that relates to investments derecognised in the period and the investments held at the end of the period, and (vi) require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event.

Further amendments have been introduced relating to contracts referencing nature-dependent electricity, including updates to the own-use requirements, the hedge accounting requirements, and the disclosure requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted.

ii) IFRS 18, Presentation and Disclosures in Financial Statements ("IFRS 18")

In April 2024 the IASB issued IFRS 18 which will replace IAS 1, Presentation of Financial Statements and aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

amendments to the requirements in IAS 7 Statement of Cash Flows. This new standard is effective for periods beginning on or after January 1, 2027.

iii) IFRS 19, Subsidiaries without Public Accountability: Disclosures (“IFRS 19”)

IFRS 19 permits an eligible subsidiary to provide reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and can be applied for reporting periods beginning on or after January 1, 2027. Early application is permitted.

The Company continues to assess the impact of the adoption of these new and revised IFRS Accounting Standards on the consolidated financial statements in future periods. There are no other new and revised IFRS Accounting Standards that have been issued but not yet adopted that would be expected to have a material impact on the Corporation.

## **5. Significant accounting judgments, estimates and assumptions**

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect of any changes in estimates on the financial statements of future periods could be material.

In the process of applying the Company’s accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements.

### Critical judgments in applying accounting policies

(a) Assessment of whether there is any indication that property and equipment, right-of-use assets and intangible assets may be impaired.

At each reporting date, the Company reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with a finite useful life to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Management’s judgment is required in assessing whether there is any indication that an asset may be impaired.

(b) Intangible assets

The recognition of development costs as intangible assets requires judgments to determine whether the required criteria for recognition are met including management estimates of future economic benefits.

(c) Sale of intellectual property and related royalties

The recognition of variable consideration related to the sale of intellectual property requires management’s judgments to determine whether it is highly probable that a reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(d) Investment tax credits receivable

The investment tax credits are estimated by management based on quantitative and qualitative analysis and interpretation of various government programs, related restrictions, limitations, definitions, and eligibility conditions. Uncertainty over the eligibility and final assessment by taxation authorities of investment tax credits requires judgment. Management involves its technical staff and external specialists in determining if the expenditures meet the requirements of the different tax credit claims.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

(e) Going concern

The assessment of the Company's ability to continue as a going concern and meet its obligations for the ensuing year, involves judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

(a) Revenue recognition

Revenue recognition for long-term contracts completion requires the use of estimates to determine the recorded amount of revenues, costs in excess of billings and billings in excess of costs and profits on uncompleted contracts.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors, including the cost of materials, labour and sub-contractors, as well as potential claims from customers and subcontractors.

As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary by project. The determination of estimates is based on the Company's business practices as well as its historical experience. Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Given this estimation process, it is possible that changes in future conditions could cause a material change in the recognized amount of revenues and costs and profits in excess of billings on uncompleted contracts and accrued expenses.

Agreements that contain multiple deliverables require the use of judgment to determine whether they contain separately identifiable performance obligations and to allocate the consideration received to each performance obligation.

(b) Share-based payments, conversion options and warrants

The Company uses the fair value method of valuing compensation cost associated with the Company's stock option plan and for estimating the fair values of conversion options and warrants. Estimating fair value requires determining the most appropriate valuation model for an issuance of equity instruments, which is dependent on the terms and conditions of the issuance. This also requires determining the most appropriate inputs to the valuation model including the expected life of the instrument and volatility. The assumptions and models are discussed in Note 21.

(c) Useful lives of property and equipment and intangible assets

The Company estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment and intangible assets are based on management's experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Useful lives, depreciation and amortization rates and residual values are reviewed at least annually.

(d) Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4 (k)).

(e) Fair value of strategic investments

Where the fair values of investments recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the Black-Scholes model. The inputs to these

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as the expected volatility and the initial allocation of the consideration paid between the fair value of the common shares and warrants received. Should any of the inputs to these models or changes in assumptions about these factors occur, this could affect the reported fair value of the investments.

(f) Right-of-use assets and lease liabilities

In determining the carrying amount of the right-of-use assets and corresponding lease liabilities, assumptions include the non-cancellable term of the lease plus periods covered by an option to renew or purchase the assets, estimated useful lives of the related assets, and incremental borrowing rate. Renewal and purchase options are only included in the lease term if management is reasonably certain to renew. Management considers factors such as market conditions, comparable rental rates and similar property values. The Company is also required to estimate the incremental borrowing rate specific to each portfolio of leased assets with similar characteristics if the interest rate in the lease is not readily determined. Management determines the incremental borrowing rate using the base rate for similar loans plus a risk premium.

(g) Income taxes

The Company has unused available tax losses, deductible temporary differences and investment tax credits. The Company recognizes deferred income tax assets for these unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable profit will be available against which these available tax losses and temporary differences can be utilized. The Company recognizes investment tax credits when it has reasonable assurance that it has complied with the conditions of the program and that the amounts will be realized (i.e. that it will generate future federal income taxes payable against which the tax credits can be applied). The Company's projections of future taxable profit involve the use of significant assumptions and estimates with respect to a variety of factors, including future sales and operating expenses. There can be no assurance that the estimates and assumptions used in our projections of future taxable income will prove to be accurate predictions of the future, and in the event that our assessment of the recoverability of these deferred tax assets and investment tax credits changes in the future, a material increase or reduction in the carrying value of these deferred tax assets and investment tax credits could be required, with a corresponding charge to net loss.

**6. Revenues**

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

|  | <u>2025</u>              | <u>2024</u>       |
|--|--------------------------|-------------------|
|  | <u>\$</u>                | <u>\$</u>         |
| High purity metallurgical grade silicon & solar grade silicon from quartz (PUREVAP™) | <b>589,027</b>           | 1,076,653         |
| Aluminium and zinc dross recovery (DROSRITE™)  | <b>931,295</b>           | 3,583,504         |
| Development and support related to systems supplied to the U.S. Navy                 | <b>738,336</b>           | 2,115,418         |
| Torch-related sales  | <b>4,605,125</b>         | 5,226,262         |
| Refrigerant destruction (SPARC™)   | <b>1,482,657</b>         | 956,451           |
| Biogas upgrading and pollution controls  | <b>3,535,511</b>         | 1,762,432         |
| Other sales and services   | <b>690,253</b>           | 931,601           |
|  | <b><u>12,572,204</u></b> | <u>15,652,321</u> |

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

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

|   | 2025              | 2024              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>Revenue from contracts with customers:</b>                 |                   |                   |
| Sales of goods under long-term contracts recognized over time | 11,457,238        | 12,273,672        |
| Sales of goods at a point of time                             | 958,943           | 3,222,626         |
| <b>Other revenue:</b>   |                   |                   |
| Royalties   | 156,023           | 156,023           |
|   | <b>12,572,204</b> | <b>15,652,321</b> |

See Note 31 for sales by geographic area.

Transaction price allocated to remaining performance obligations:

As at December 31, 2025, revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date is \$47,778,108 (2024 - \$51,912,416). 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.

## 7. Accounts receivable

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

|                                    | 2025             | 2024             |
|------------------------------------|------------------|------------------|
|                                    | \$               | \$               |
| Current                            | 781,065          | 1,405,942        |
| 1 – 30 days                        | 778,034          | 100,086          |
| 31 – 60 days                       | 114,927          | 9,726            |
| 61 – 90 days                       | 73,159           | 232,059          |
| Greater than 90 days <sup>1</sup>  | 3,217,423        | 8,823,637        |
| Holdbacks receivable <sup>2</sup>  | 371,578          | 705,214          |
| Total trade accounts receivable    | 5,336,186        | 11,276,664       |
| Allowance for expected credit loss | (1,747,000)      | (2,504,500)      |
| Other receivables                  | 310,824          | 310,810          |
| Sales tax receivable               | 247,729          | 541,637          |
|                                    | <b>4,147,739</b> | <b>9,624,611</b> |

<sup>1</sup> Sale of intellectual properties - In September 2022, the Company sold intellectual property to a subsidiary of a company in which at time it holds a strategic investment for a non-refundable fee of \$3,600,000. Under the terms of the sale agreement, control of the intellectual property was transferred to the purchaser, and the Company has no obligation to undertake activities that will significantly affect the intellectual property. During the year ended December 31, 2024, the Company entered into an agreement for the settlement of the remaining balance relating to the sale of the intellectual property as well as other receivables outstanding. The agreement provides that the Company receive units of the entity in which it held a strategic investment to settle such receivables. The agreement was concluded and receivables settled in January 2025 when the units were received. (See Note 10)

<sup>2</sup> Holdbacks are non-interest bearing, non-secured and represent 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 December 31, 2025 the allowance for expected credit loss on trade accounts receivable is \$1,747,000 (2024 - \$2,504,500), whereby a net reversal of the expected credit loss of \$710,700 was recognized during 2025 (net reversal of \$6,094,340 during 2024). The credit loss allowance on trade accounts receivable at December 31, 2025, includes \$998,000 attributable to one specific customer, whereby the carrying amount has been reduced from \$1,977,993 to \$979,993. The carrying value of all other trade receivables was reduced from \$3,358,193 to \$2,609,193. 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

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

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 December 31, reconciles with the trade receivables credit loss allowance opening balance as follows:

|                                     |                    |
|-------------------------------------|--------------------|
| Loss allowance at January 1, 2024   | <b>8,597,635</b>   |
| Reversal recognized during the year | <b>(8,067,540)</b> |
| Loss recorded during the year       | <b>1,973,200</b>   |
| Foreign exchange                    | <b>1,205</b>       |
| Loss allowance at December 31, 2024 | <b>2,504,500</b>   |
| Reversal recognized during the year | <b>(1,555,000)</b> |
| Loss recorded during the year       | <b>844,300</b>     |
| Foreign exchange                    | <b>(46,800)</b>    |
| Loss allowance at December 31, 2025 | <b>1,747,000</b>   |

**8. Costs and profits in excess of billings on uncompleted contracts**

As at December 31, 2025, the Company had eight contracts with total billings of \$19,144,671 which were less than total costs incurred and had recognized cumulative revenue of \$19,843,976 since those projects began. This compares with twelve 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 \$699,305 as at December 31, 2025 (\$1,209,479 as at December 31, 2024) includes an expected credit loss allowance of \$270,000 (\$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 year are explained by \$1,532,480 (2024 - \$734,701) recognized at the beginning of the year being transferred to accounts receivable, \$860,806 (2024 - \$1,046,367) resulting from changes in the measure of progress and the variation in expected credit loss allowance of \$161,500 (2024 - \$249,000).

**9. Investment tax credits**

An amount recognized in 2025 included \$60,911 (2024 - \$54,519) of investment tax credits earned in the year, \$21,654 (2024 - \$23,345) of the investment tax credits recognized in the year was recorded against cost of sales and services, and \$39,257 (2024 - \$31,174) against research and development expenses.

Eligible scientific research and experimental development ("SR&ED") expenses for the year amounted to \$1,578,444 (2024 - \$1,698,113) less investment tax credits of (\$60,911) (2024 - (\$54,519)), less government grants of (\$18,004) (2024 - (\$529,559)) totalling \$1,499,529 (2024 - \$1,114,035).

**10. Strategic investments**

|   | <u>2025</u>   | <u>2024</u> |
|---|---------------|-------------|
|   | \$            | \$          |
| Beauce Gold Fields ("BGF") shares – level 1 | <b>46,161</b> | 30,774      |

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

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               | \$          | \$            |
| 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 <sup>1</sup>       | —                        | —             | —                        | —           | (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 <sup>2</sup>     | —                        | —             | 17,968,873               | 4,312,529   | 17,968,873             | 1,640,516   | 5,953,045     |
| Disposed                   | —                        | —             | (17,968,873)             | (2,823,208) | —                      | —           | (2,823,208)   |
| Change in the fair value   | —                        | 15,387        | —                        | (1,489,321) | —                      | (1,640,516) | (3,114,450)   |
| Balance, December 31, 2025 | <b>1,025,794</b>         | <b>46,161</b> | <b>—</b>                 | <b>—</b>    | <b>17,968,873</b>      | <b>—</b>    | <b>46,161</b> |

<sup>1</sup> In April 2024, 6,800,000 warrants at an exercise price of \$0.60 per warrant were not exercised and have expired.

<sup>2</sup> 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 Inc. The fair value of the shares and warrants received was \$5,953,045, therefore resulting in a gain of \$1,011,605. The shares received were valued at the fair value on the date of settlement and the share purchase warrants were valued using the Black-Scholes pricing model using the assumptions below.

The Company does not own any shares of HPQ as at December 31, 2025 (2024 – Nil) and has other business transactions with this entity – see Notes 6 and 11.

The following table sets out the details and activity of the HPQ warrants:

| Expiry date      | Number of warrants |            | Number of warrants |  | Exercise price (\$) |
|------------------|--------------------|------------|--------------------|--|---------------------|
|                  | December 31, 2024  | Additions  | December 31, 2025  |  |                     |
| January 15, 2027 | —                  | 17,968,873 | 17,968,873         |  | 0.29                |
|                  | —                  | 17,968,873 | 17,968,873         |  |                     |

The following table sets out the details and activity of the HPQ warrants as at December 31, 2024:

| Expiry date    | Number of warrants |             | Number of warrants |  | Exercise price (\$) |
|----------------|--------------------|-------------|--------------------|--|---------------------|
|                | December 31, 2023  | Expired     | December 31, 2024  |  |                     |
| April 20, 2024 | 6,800,000          | (6,800,000) | —                  |  | 0.60                |
|                | 6,800,000          | (6,800,000) | —                  |  |                     |

**2025 Transactions**

In January 2025, 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 Inc. (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 Inc. This resulted in a gain on settlement of \$1,011,605.

17,968,873 HPQ common shares were disposed for cash amounts totalling \$2,823,208 resulting in a realized loss of \$1,489,321.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

**2024 Transactions**

11,434,200 HPQ common shares were disposed for cash amounts totalling \$2,287,785 resulting in a realized loss of \$1,415,207.

At inception, the fair value of the 17,968,873 HPQ warrants issued on January 15, 2025, was measured using the Black-Scholes option pricing model using the following assumptions:

|   |                         |
|---|-------------------------|
| Number of warrants                            | <b>17,968,873</b>       |
| Date of issuance                              | <b>January 15, 2025</b> |
| Exercise price (\$)                           | <b>0.29</b>             |
| Assumptions under the Black-Scholes model:    |                         |
| Fair value of the shares (\$)                 | <b>0.10</b>             |
| Risk-free interest rate (%)                   | <b>2.79</b>             |
| Expected volatility (%)                       | <b>77.10</b>            |
| Expected dividend yield                       | <b>–</b>                |
| Contractual remaining life (number of months) | <b>24</b>               |

As at December 31, 2025, the fair value of the HPQ warrants was measured using the Black-Scholes option pricing model using the following assumptions listed below:

|  |                         |
|--|-------------------------|
| Number of warrants                         | <b>17,968,873</b>       |
| Date of issuance                           | <b>January 15, 2025</b> |
| Exercise price (\$)                        | <b>0.29</b>             |
| Assumptions under the Black-Scholes model: |                         |
| Fair value of the shares (\$)              | <b>0.02</b>             |
| Risk-free interest rate (%)                | <b>2.58</b>             |
| Expected volatility (%)                    | <b>68.23</b>            |
| Expected dividend yield                    | <b>–</b>                |
| Contractual remaining life (in months)     | <b>13</b>               |

As at December 31, 2025, an unrealized loss of \$404,825 related to the fair value of the warrants was included in the loss from the change in fair value of the strategic investment.

**11. Royalties receivable**

|   | <u>December 31</u><br><u>2025</u> | <u>December 31</u><br><u>2024</u> |
|---|-----------------------------------|-----------------------------------|
|   | <u>\$</u>                         | <u>\$</u>                         |
| Opening balance                                       | <b>1,570,556</b>                  | 1,213,668                         |
| Accretion interest                                    | <b>93,920</b>                     | 94,169                            |
| Royalties recognized during the year                  | <b>250,000</b>                    | 250,000                           |
| Discounting   | <b>(93,977)</b>                   | (93,977)                          |
| Exchanged in a debt-to-equity conversion <sup>1</sup> | <b>(819,197)</b>                  | —                                 |
| Changes in assumptions in cashflows                   | <b>37,439</b>                     | 106,696                           |
| Balance at end of the year                            | <b><u>1,038,741</u></b>           | <u>1,570,556</u>                  |
| Current portion                                       | <b>509,660</b>                    | 1,041,419                         |
| Non-current portion                                   | <b>529,081</b>                    | 529,137                           |
|   | <b><u>1,038,741</u></b>           | <u>1,570,556</u>                  |

<sup>1</sup> The Company entered into an agreement with HPQ Silicon Inc., whereby \$819,197 of royalties receivable was settled through a debt-to-equity conversion. This amount includes \$244,322 related to royalties earned under the HPQ Nano contract for the years ended 2022 and 2023, and \$574,875 related to royalties earned under the HPQ 2016 contract for the years ended 2023 and 2024.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

The Company sold intellectual property to HPQ Silicon Inc. (“HPQ”) in 2016 (“HPQ 2016 contract”) and its wholly owned subsidiary, HPQ Nano Silicon Powders Inc. in 2020 (“HPQ Nano contract”), and HPQ Silica Polvere Inc. (“HPQ Polvere contract”) in 2021. The terms of those sales contracts include a pre-determined purchase price and a variable consideration in the form of royalty payments:

HPQ 2016 contract:

Royalties are 10% of net sales, with minimum payments of \$200,000 in 2021 and \$250,000 in 2022 and every year thereafter. Payment is due no later than 30 days after the year-end of HPQ Silicon Inc.

HPQ Nano contract:

Royalties are 10% of net sales, with minimum payments of \$50,000 in 2021, \$100,000 in 2022, \$150,000 in 2023, and \$200,000 in 2024 and every year thereafter. Payments are due no later than 10 days after the year-end of HPQ Nano Silicon Powders Inc. On November 17, 2023, HPQ announced that after careful review of the Nano Silicon material market environment, the technology advancement and associated future development costs needed to get the PUREVAP Nano Silicon Reactor (NSiR) to a potential commercial stage, HPQ confirmed that it no longer intended to pursue the development of this technology and therefore, the ownership of the intellectual property reverted back to the Company at no cost. As a result, royalties related to this agreement previously accounted for as variable considerations were no longer applicable and consequently, the Royalties Receivable was adjusted in 2023, and no additional royalties were recognized in connection with the contract since then.

HPQ Polvere contract:

Royalties are 10% of net sales with minimum payments of \$50,000 in 2023, \$100,000 in 2024, \$150,000 in 2025 and \$200,000 in 2026 and every year thereafter. Royalty payments are limited to the total net sales for the period. Payments are due no later than 10 days after the year-end of HPQ Silica Polvere Inc. No sales were generated by HPQ Silica Polvere Inc., accordingly, no royalty income or receivable have been recorded for the agreement.

During the year ended December 31, 2025, the Company recognized an additional \$250,000 for the HPQ 2016 contract of royalties receivable, which have been discounted using 12.5% discount rate.

During the year ended December 31, 2024, the Company recognized an additional \$250,000 for the HPQ 2016 contract of royalties receivable, which have been discounted using 12.5% discount rate.

The Company only recognizes variable consideration, including minimum royalties, arising from these agreements in the period(s) when it is highly probable that a reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Minimum royalties are recognized for the period the Company evaluates the collectability of the minimum royalties is probable, which the Company has estimated over four years.

The HPQ Nano contract (until the Company completed procedures to take ownership of the intellectual property) and the HPQ Polvere contract each provide the Company with the option to convert, at any time, the future royalties that would be owed to it into a 50% equity stake in HPQ Nano Silicon Powders Inc and HPQ Silica Polvere Inc, respectively. The remaining option is considered an embedded derivative that is initially measured at fair value and subsequently remeasured at fair value at each reporting period. The Company determined that the embedded derivatives had a fair value of \$0 at the inception of the contracts and \$0 at each of the reporting dates.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

**12. Deposits**

|                                     | 2025             | 2024           |
|-------------------------------------|------------------|----------------|
|                                     | \$               | \$             |
| Current portion:                    |                  |                |
| Suppliers                           | 866,805          | 653,488        |
| Security deposit on leased premises | 79,044           | 40,241         |
| Total current                       | <u>945,849</u>   | <u>693,729</u> |
| Non-current portion:                |                  |                |
| Suppliers                           | 7,242            | 7,242          |
| Security deposit on leased premises | 53,193           | 91,996         |
| Total non-current                   | <u>60,435</u>    | <u>99,238</u>  |
| Total deposits                      | <u>1,006,284</u> | <u>792,967</u> |

**13. Property and equipment**

|   | Computer<br>equipment   | Machinery<br>and<br>equipment | Automobiles           | Leasehold<br>improvements | Total                   |
|---|-------------------------|-------------------------------|-----------------------|---------------------------|-------------------------|
|   | \$                      | \$                            | \$                    | \$                        | \$                      |
| <b>Cost</b>                               |                         |                               |                       |                           |                         |
| Balance at December 31, 2023 <sup>1</sup> | 1,105,361               | 3,015,223                     | 361,147               | 2,138,893                 | 6,620,624               |
| Additions                                 | 39,282                  | —                             | —                     | 310,998                   | 350,280                 |
| Balance at December 31, 2024              | 1,144,643               | 3,015,223                     | 361,147               | 2,449,891                 | 6,970,904               |
| <b>Additions</b>                          | <b>7,160</b>            | <b>—</b>                      | <b>—</b>              | <b>6,190</b>              | <b>13,350</b>           |
| <b>Balance at December 31, 2025</b>       | <b><u>1,151,803</u></b> | <b><u>3,015,223</u></b>       | <b><u>361,147</u></b> | <b><u>2,456,081</u></b>   | <b><u>6,984,254</u></b> |
| <b>Accumulated depreciation</b>           |                         |                               |                       |                           |                         |
| Balance at December 31, 2023 <sup>1</sup> | 992,456                 | 2,232,810                     | 209,183               | 330,949                   | 3,765,398               |
| Depreciation                              | 113,471                 | 97,659                        | 42,543                | 113,023                   | 366,696                 |
| Balance at December 31, 2024              | 1,105,927               | 2,330,469                     | 251,726               | 443,972                   | 4,132,094               |
| <b>Depreciation</b>                       | <b>39,756</b>           | <b>97,659</b>                 | <b>42,543</b>         | <b>406,013</b>            | <b>585,971</b>          |
| <b>Balance at December 31, 2025</b>       | <b><u>1,145,683</u></b> | <b><u>2,428,128</u></b>       | <b><u>294,269</u></b> | <b><u>849,985</u></b>     | <b><u>4,718,065</u></b> |
| <b>Carrying amounts</b>                   |                         |                               |                       |                           |                         |
| Balance at December 31, 2024              | 38,716                  | 684,754                       | 109,421               | 2,005,919                 | 2,838,810               |
| <b>Balance at December 31, 2025</b>       | <b><u>6,120</u></b>     | <b><u>587,095</u></b>         | <b><u>66,878</u></b>  | <b><u>1,606,096</u></b>   | <b><u>2,266,189</u></b> |

<sup>1</sup> At December 31, 2023, the total cost and total accumulated depreciation amounts were both increased by \$120,428 to reflect the values of property and equipment that are fully amortized and still being utilized by the Company. The carrying amounts of such assets were not affected.

**14. Leases**

The Company has entered into lease contracts mainly for buildings and computer equipment, which expire at various dates through the year 2036. Some leases have extension or purchase options for various terms. The lease contracts do not impose any financial covenants.

During 2025, the Company decided to not renew the lease for one of its facilities, which it originally intended to occupy until 2036. As a result of this lease modification, the right-of-use asset was reduced by \$1,467,467, the lease liability was also reduced by \$1,652,685 and gain of \$185,218 was recorded in the *Consolidated Statement of Comprehensive Loss*.

During 2024, a new lease contract was signed with the lease liability being measured with a discount rate of 8.29%.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

In September 2024, a lease agreement was terminated, whereby the Company paid \$100,000 to the lessor to settle a lease liability of \$235,090, thereby recognizing a gain of \$135,090. The gain was recorded in the *Consolidated Statement of Comprehensive Loss*.

a) Right-of-use assets

|  | <b>Land and<br/>building</b> | <b>Computer<br/>equipment</b> | <b>Total</b>       |
|--|------------------------------|-------------------------------|--------------------|
|  | <b>\$</b>                    | <b>\$</b>                     | <b>\$</b>          |
| Balance at January 1, 2024             | 4,200,636                    | —                             | 4,200,636          |
| Additions                              | 1,447,673                    | 17,856                        | 1,465,529          |
| Depreciation                           | (900,097)                    | (2,679)                       | (902,776)          |
| Balance at December 31, 2024           | 4,748,212                    | 15,177                        | 4,763,389          |
| <b>Modification of lease agreement</b> | <b>(1,467,467)</b>           | <b>—</b>                      | <b>(1,467,467)</b> |
| <b>Depreciation</b>                    | <b>(726,645)</b>             | <b>(6,250)</b>                | <b>(732,895)</b>   |
| <b>Balance at December 31, 2025</b>    | <b>2,554,100</b>             | <b>8,927</b>                  | <b>2,563,027</b>   |

b) The table below summarizes changes to the lease liabilities:

|  |                    |
|--|--------------------|
|  | \$                 |
| Balance at January 1, 2024             | 5,106,892          |
| Modification of lease agreement        | (135,090)          |
| Additions                              | 1,466,232          |
| Payments                               | (662,566)          |
| Balance at December 31, 2024           | 5,775,468          |
| <b>Modification of lease agreement</b> | <b>(1,652,685)</b> |
| <b>Payments</b>                        | <b>(375,879)</b>   |
| <b>Balance at December 31, 2025</b>    | <b>3,746,904</b>   |
| Current portion                        | 2,571,377          |
| Non-current portion                    | 3,204,091          |
| Balance at December 31, 2024           | 5,775,468          |
| Current portion                        | 2,348,963          |
| Non-current portion                    | 1,397,941          |
| <b>Balance at December 31, 2025</b>    | <b>3,746,904</b>   |

c) Amount recognized in the consolidated statements of comprehensive loss:

|  | <b>2025</b> | <b>2024</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Depreciation of right-of-use assets  | 732,895     | 902,776     |
| Interest on lease liabilities  | 241,689     | 263,106     |
| Gain on termination of lease agreement   | 185,218     | 135,090     |
| Expense related to lease payments excluded in the measurement of lease liabilities | 146,833     | 44,319      |

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

d) Maturity analysis – contractual undiscounted cash flows of lease liabilities as at December 31, 2025

|            | \$               |
|------------|------------------|
| 2026       | 2,462,861        |
| 2027       | 197,362          |
| 2028       | 205,170          |
| 2029       | 201,885          |
| 2030       | 200,790          |
| Thereafter | 1,201,394        |
|            | <u>4,469,462</u> |

**15. Intangible assets**

|                                     | Production<br>backlog | Patents          | Development<br>costs | Total            |
|-------------------------------------|-----------------------|------------------|----------------------|------------------|
|                                     | \$                    | \$               | \$                   | \$               |
| <b>Cost</b>                         |                       |                  |                      |                  |
| Balance at December 31, 2023        | 2,120,000             | 1,345,000        | 244,871              | 3,709,871        |
| Additions                           | —                     | 274,488          | —                    | 274,488          |
| Balance at December 31, 2024        | 2,120,000             | 1,619,488        | 244,871              | 3,984,359        |
| <b>Additions</b>                    | —                     | <b>248,634</b>   | —                    | <b>248,634</b>   |
| <b>Write-off</b>                    | —                     | <b>(694,679)</b> | —                    | <b>(694,679)</b> |
| <b>Balance at December 31, 2025</b> | <b>2,120,000</b>      | <b>1,173,443</b> | <b>244,871</b>       | <b>3,538,314</b> |
| <b>Accumulated amortization</b>     |                       |                  |                      |                  |
| Balance at December 31, 2023        | 2,049,333             | 111,914          | 99,048               | 2,260,295        |
| Amortization                        | 70,667                | 48,782           | 16,508               | 135,957          |
| Balance at December 31, 2024        | 2,120,000             | 160,696          | 115,556              | 2,396,252        |
| <b>Amortization</b>                 | —                     | <b>40,542</b>    | <b>16,508</b>        | <b>57,050</b>    |
| <b>Balance at December 31, 2025</b> | <b>2,120,000</b>      | <b>201,238</b>   | <b>132,064</b>       | <b>2,453,302</b> |
| <b>Carrying amounts</b>             |                       |                  |                      |                  |
| Balance at December 31, 2024        | —                     | 1,458,792        | 129,315              | 1,588,107        |
| <b>Balance at December 31, 2025</b> | <b>—</b>              | <b>972,205</b>   | <b>112,807</b>       | <b>1,085,012</b> |

The Company's development costs have been incurred to develop plasma-related technologies and the patents protect the design and specification of these technologies.

**16. Accounts payable and accrued liabilities**

|   | December 31<br>2025 | December 31<br>2024 |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| Accounts payable  | 6,224,169           | 7,450,691           |
| Accrued liabilities                                     | 3,513,815           | 4,028,906           |
| Sale commissions payable <sup>1</sup>                   | 553,910             | 778,645             |
| Accounts payable to the controlling shareholder and CEO | 122,503             | 597,180             |
|   | <u>10,414,397</u>   | <u>12,855,422</u>   |

<sup>1</sup> Sale commissions payable relate to the costs to obtain long-term contracts with clients.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

**17. 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 amounted to \$31,750,803 (2024 - \$33,038,728).

Payments to date received were \$41,631,507 on contracts in progress (2024 - \$42,049,179).

Changes in billings in excess of costs and profits on uncompleted contracts during the year are explained by \$3,765,742 (2024 - \$5,659,170) recognized at the beginning of the year being recognized as revenue, and an increase of \$4,635,995 (2024 - \$3,677,495) resulting from cash received excluding amounts recognized as revenue.

**18. Term loans**

|                                   | <b>Economic Development Agency<br/>of Canada Loan<sup>1</sup></b> | <b>Canada Emergency Business<br/>Account Loan<sup>2</sup></b> | <b>Total</b>    |
|-----------------------------------|---|---|-----------------|
|                                   | \$  | \$  | \$              |
| Balance, December 31, 2023        | 354,079   | 50,000  | 404,079         |
| Accretion                         | 22,195  | —   | 22,195          |
| Payments                          | (67,500)  | (50,000)  | (117,500)       |
| Balance, December 31, 2024        | 308,774   | —   | 308,774         |
| <b>Accretion</b>                  | <b>28,820</b>   | <b>—</b>  | <b>28,820</b>   |
| <b>Payments</b>                   | <b>(90,000)</b>   | <b>—</b>  | <b>(90,000)</b> |
| <b>Balance, December 31, 2025</b> | <b>247,594</b>  | <b>—</b>  | <b>247,594</b>  |
| <b>Less current portion</b>       | <b>(90,000)</b>   | <b>—</b>  | <b>(90,000)</b> |
| <b>Balance, December 31, 2025</b> | <b>157,594</b>  | <b>—</b>  | <b>157,594</b>  |

<sup>1</sup> maturing in 2029, non-interest bearing, payable in equal instalments of \$7,500 from April 2024 to March 2029.

<sup>2</sup> loan bearing no interest and no minimum repayment.

**Economic Development Agency of Canada Loan**

On March 5, 2020, the Company entered into a repayable contribution agreement up to \$450,000 under the Regional Economic Growth through Innovation program from the Economic Development Agency of Canada ("EDC"). The contribution is repayable in 60 equal monthly instalments due and payable 24 months following the completion of the project. During the year ended December 31, 2022, the Company received contributions totalling \$292,941. The loan was discounted using the effective interest method using a rate of 8% as it is non-interest bearing.

**Canada Emergency Business Account ("CEBA") Loan**

The Company's subsidiary participated in the CEBA program whereby it obtained an interest free and partially forgivable loan. The loan bore no interest and no minimum repayment terms, and one third of the loan amount (original amount of \$60,000) was forgivable if repaid by January 2024. The Company paid the entirety of the loan balance in January 2024 and recognized \$10,000 in the consolidated statement of comprehensive loss as government assistance.

**19. Convertible debentures and convertible loan**

Convertible Debentures, \$3,030,000 July 2023

On July 21, 2023, the Company closed a brokered private placement offering 3,030 unsecured convertible debenture units at a price of \$1,000 per debenture unit. Each convertible debenture unit consists of one 10.0% unsecured convertible debenture with a maturity of 36 months from date of issuance and 1,000 common share purchase warrants. Each warrant shall entitle the holder therefor to acquire one common share at an exercise price of \$1.25 for a period of 24 months following the closing date.

The convertible debenture bears interest at a rate of 10.0% per annum from the date of issue, payable semi-annually in arrears on the last day of June and December in each year, at the sole discretion of the Company, in: (i) cash or (ii) subject

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

---

to regulatory approval, common shares at a deemed issue price equal to the volume weighted average price for five (5) consecutive trading days ending five (5) trading days preceding the date of repayment on the TSX, or other principal exchange the common shares are listed. Interest is computed on the basis of a 360-day year composed of twelve 30-day months. The first interest payment represented accrued interest for the period from the closing of the offering to December 31, 2023.

Commencing on February 21, 2024, the principal amount of the convertible debentures will be repaid on a monthly basis, payable in arrears, in either, at the sole discretion of the Company: (i) cash or (ii) subject to regulatory approval, common shares at a deemed issue price equal to the volume weighted average price for five (5) consecutive trading days ending five (5) trading days preceding the date of repayment on the TSX, or other principal exchange the common shares are listed. For greater clarity, the Company will repay 1/30th of the outstanding principal amount per month for the remaining 30 months remaining until the maturity date.

The 2023 convertible debenture is a compound financial instrument, and the total proceeds of the issuance was allocated between a liability for the debentures and an equity component for the conversion feature and warrants. The fair value of the debt liability component at inception of \$2,504,948 was determined using estimated future cash flows discounted using a market interest rate of 25%. The residual amount representing the value of the conversion option equity component and warrants totalling \$525,052 was classified in the shareholders' equity (deficiency) net of deferred taxes amounting to \$139,946. The amount was allocated between the two equity components based on their relative fair values.

In connection with the convertible debentures, the Company paid transaction fees in the amount of \$116,339 to the agent, and such fees have been allocated between the liability and equity components. The effective interest rate of the liability component is 28.07%.

Convertible Loan, \$1,250,000 December 2023

On December 20, 2023, the Company closed a \$1,250,000 non-brokered private placement of a convertible loan with Fiducie de Crédit Mellon Trust, a related party.

The loan, bore interest at a rate of 3% per annum, payable quarterly in arrears and would mature eighteen months following the closing date. During this period, the loan was convertible by the lender, in whole or in part, (i) the principal amount of the loan into common shares of the Company at the conversion price equal to \$0.4918, which amount represents a 20% premium to the per share volume weighted average trading price (VWAP) of the common shares on the TSX for the five trading days immediately preceding the date of the closing date, and (ii) subject to the approval of the TSX, any accrued interest into common shares at a conversion price equal to the higher of the (a) current market price for the period immediately preceding the date of payment of the accrued interest and (b) conversion price.

As part of the loan, the Company also granted to the lender share purchase warrants to subscribe for up to 625,000 common shares at a purchase price of \$0.4098 per share (representing the current market price on the effective date of the loan). The warrants expired eighteen months following the closing date. The warrants were subject to a hold period of four months and one day from the closing date, in accordance with applicable securities laws.

At any time after March 1, 2024, the lender may require the prepayment of the entire outstanding balance of the loan amount. The Company's lender has agreed that no payment will be requested before 2025. The Company also has the right to prepay the balance of the loan at any time upon thirty days prior notice to the lender. The loan was secured by a subordinated hypothec on the universality of the Company's movable property.

The 2023 convertible debenture 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 conversion feature and warrants. The fair value of the debt liability component at inception of \$941,317 was determined using estimated future cash flows discounted using a market interest rate of 25%. The residual amount representing the value of the conversion option equity component and warrants totalling \$308,683 was classified in the shareholders' equity (deficiency) net of deferred taxes amounting to \$81,801. The amount was allocated between the two equity components based on their relative fair values.

The effective interest rate of the liability component is 28.07%.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

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 of \$176,349 was reclassified to common shares, in the Consolidated Statement of Changes in Shareholder's Deficiency.

The Company has recognized the following with regards to the convertible debentures:

|  | Debt<br>Component | Equity components |                      |
|--|-------------------|-------------------|----------------------|
|  |                   | Warrants          | Conversion<br>option |
|  | \$                | \$                | \$                   |
| Balance, December 31, 2023   | 2,560,221         | 147,283           | 217,663              |
| Accrued interest   | 230,168           | —                 | —                    |
| Repayment of principal   | (1,111,000)       | —                 | —                    |
| Interest paid  | (230,168)         | —                 | —                    |
| Accretion interest   | 245,808           | —                 | —                    |
| Balance, December 31, 2024   | 1,695,029         | 147,283           | 217,663              |
| <b>Accrued interest</b>  | <b>164,609</b>    | —                 | —                    |
| <b>Repayment of principal in cash</b>                                    | <b>(909,000)</b>  | —                 | —                    |
| <b>Repayment of principal with the issuance of 935,431 common shares</b> | <b>(303,000)</b>  | —                 | —                    |
| <b>Interest paid</b>   | <b>(123,613)</b>  | —                 | —                    |
| <b>Accretion interest</b>  | <b>149,408</b>    | —                 | —                    |
| <b>Reclassified to contributed surplus since expired</b>                 | —                 | <b>(147,283)</b>  | —                    |
| <b>Balance, December 31, 2025</b>  | <b>673,433</b>    | —                 | <b>217,663</b>       |
| Current portion  | 1,021,596         |                   |                      |
| Non-current portion  | 673,433           |                   |                      |
| Balance, December 31, 2024   | 1,695,029         |                   |                      |
| <b>Current portion</b>   | <b>673,433</b>    |                   |                      |
| <b>Balance, December 31, 2025</b>  | <b>673,433</b>    |                   |                      |

The residual amount of the equity components was separated between the warrants and the conversion option based on their relative fair values determined using the Black-Scholes option pricing model and the following assumptions:

|                                  | Warrants | Conversion<br>option |
|----------------------------------|----------|----------------------|
| Fair value of the shares (\$)    | 0.88     | 0.88                 |
| Exercise price (\$)              | 1.25     | 1.01                 |
| Risk-free interest rate (%)      | 4.70     | 4.70                 |
| Expected volatility (%)          | 83.31    | 85.12                |
| Expected dividend yield          | —        | —                    |
| Expected life (number of months) | 24       | 36                   |

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

The Company has recognized the following with regards to the convertible loan:

|  | Debt<br>Component  | Equity components |                      |
|--|--------------------|-------------------|----------------------|
|  |                    | Warrants          | Conversion<br>option |
|  | \$                 | \$                | \$                   |
| Balance, December 31, 2023                         | 947,699            | 50,533            | 176,349              |
| Accretion interest                                 | 195,903            | —                 | —                    |
| Balance, December 31, 2024                         | 1,143,602          | 50,533            | 176,349              |
| <b>Accretion interest</b>                          | <b>30,938</b>      | <b>—</b>          | <b>—</b>             |
| <b>Conversion of loan and exercise of warrants</b> | <b>(1,174,540)</b> | <b>(50,533)</b>   | <b>(176,349)</b>     |
| <b>Balance, December 31, 2025</b>                  | <b>—</b>           | <b>—</b>          | <b>—</b>             |
| Current portion                                    | 1,143,602          |                   |                      |
| Non-current portion                                | —                  |                   |                      |
| Balance, December 31, 2024                         | 1,143,602          |                   |                      |
| <b>Current portion</b>                             | <b>—</b>           |                   |                      |
| <b>Non-current portion</b>                         | <b>—</b>           |                   |                      |
| <b>Balance, December 31, 2025</b>                  | <b>—</b>           |                   |                      |

The residual amount of the equity components was separated between the warrants and the conversion option based on their relative fair values determined using the Black-Scholes option pricing model and the following assumptions:

|                                  | Warrants | Conversion<br>option |
|----------------------------------|----------|----------------------|
| Fair value of the shares (\$)    | 0.42     | 0.42                 |
| Exercise price (\$)              | 0.41     | 0.49                 |
| Risk-free interest rate (%)      | 3.94     | 3.94                 |
| Expected volatility (%)          | 80.21    | 80.21                |
| Expected dividend yield          | —        | —                    |
| Expected life (number of months) | 18       | 18                   |

## 20. 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 the President and CEO of the Company, 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, the Company has the right to prepay the balance of the Loan at any time upon five days prior written notice to the lender without penalties or interest.

In connection with the \$2,385,000 the Company received, it issued 5,207,423 common share purchase warrants to the lender. Each warrant entitles the lender to acquire one common share of the Company 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 the Company's movable and immovable property.

The secured Loan is a compound financial instrument, and the total proceeds of the issuance were allocated between a

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

liability for the Loan and an equity component for the warrants. The fair value of the liability component, at inception, of \$1,999,122 (prior to finance fees) was determined using estimated future cash flows discounted using a market interest rate of 20%. The residual amount representing the value of warrants totalling \$385,878 was classified in the shareholders' deficiency under warrants net of deferred taxes amounting to \$103,000. The upfront fee of \$300,000 was allocated between the liability and equity components.

The effective interest rate of the liability component is 25.32%.

The Company has recognized the following with regards to the secured Loan:

|                                   | <b>Debt Component</b> | <b>Equity component</b> |
|-----------------------------------|-----------------------|-------------------------|
|                                   | \$                    | <b>Warrants</b>         |
|                                   | \$                    | \$                      |
| Issuance of secured loan          | 2,385,000             | —                       |
| Equity components                 | (385,878)             | 385,878                 |
| Finance fee                       | (251,462)             | (48,538)                |
|                                   | 1,747,660             | 337,340                 |
| Deferred taxes                    | —                     | (103,000)               |
|                                   | 1,747,660             | 234,340                 |
| <b>Accretion interest</b>         | <b>232,590</b>        | <b>—</b>                |
| <b>Balance, December 31, 2025</b> | <b>1,980,250</b>      | <b>234,340</b>          |
| <b>Current portion</b>            | <b>1,980,250</b>      |                         |
| <b>Balance, December 31, 2025</b> | <b>1,980,250</b>      |                         |

The Company has classified the entire Loan as current as its intention is to repay the loan or refinance the loan during the first 12 months of the term of the Loan and an amount of \$1,180,000 has already been repaid subsequent to year-end.

## 21. Shareholders' deficiency

### Common shares and warrants

Authorized:

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

### Issuance of units

On December 1, 2025, the Company completed a non-brokered private placement consisting of the issuance and sale of 4,520,414 units of the Company at a price of \$0.20 per unit, for gross proceeds of \$904,083. Each unit consists of one Common Share of the Company and one common share purchase warrant, at a price of \$0.20 per unit. Each Warrant entitles the holder to purchase one Common Share at a price of \$0.40 for a period of twenty-four months following the closing date. The Company allocated an amount of \$813,675 to share capital representing the fair value of the shares on December 1, 2025, of \$0.18 per common share and the residual amount of \$90,408 to warrants.

On November 10, 2025, the Company completed a non-brokered private placement consisting of the issuance and sale of 4,110,000 units of the Company at a price of \$0.20 per unit, for gross proceeds of \$822,000. Each unit consists of one Common Share of the Company and one common share purchase warrant, at a price of \$0.20 per unit. Each Warrant entitles the holder to purchase one Common Share at a price of \$0.40 for a period of twenty-four months following the closing date. The entire amount is allocated to the common shares as the fair value of the common shares on November 10, 2025, was \$0.21 per common share.

On October 24, 2025, the Company completed a non-brokered private placement consisting of the issuance and sale of 5,555,556 units of the Company at a price of \$0.63 per unit, for gross proceeds of \$3,500,000. Each unit consists of one

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

common share of the Company and one common share purchase warrant, at a price of \$0.63 per unit. Each Warrant entitles the holder to purchase one Common Share at a price of \$0.28 for a period of forty-eight months following the closing date. The entire offering was subscribed for by the Company’s President and Chief Executive Officer. The Company allocated an amount of \$1,277,778 to share capital representing the fair value of the shares on October 19, 2025, of \$0.23 per common share and the residual amount of \$2,222,222 to warrants.

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.

**Shares issued upon exercise of stock options and share purchase warrants**

During the year ended December 31, 2025, no stock options were exercised (300,000 - 2024) for net proceeds of \$0 (\$139,000 – 2024). The amounts credited to share capital from the exercise of stock options include an ascribed value from contributed surplus of \$0 (\$93,991 – 2024). During the year ended December 31, 2025, 625,000 share purchase warrants were exercised for net proceeds of \$256,125 (1,457,000 share purchase warrants for net proceeds of \$1,093,125 in 2024).

**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<br>options | Weighted<br>average<br>exercise price<br>\$ |
|-----------------------------|----------------------|---|
| Balance – December 31, 2023 | 10,862,500           | 3.17  |
| Granted                     | 2,750,000            | 0.75  |
| Exercised <sup>1</sup>      | (300,000)            | 0.45  |
| Forfeited                   | (102,500)            | 2.21  |
| Balance, December 31, 2024  | 13,210,000           | 2.74  |
| Granted                     | <b>8,960,000</b>     | <b>0.23</b>                                 |
| Forfeited                   | <b>(3,530,000)</b>   | <b>3.15</b>                                 |
| Balance, December 31, 2025  | <b>18,640,000</b>    | <b>1.45</b>                                 |

<sup>1</sup> The weighted fair market value of the share price for options exercised in 2025 was \$Nil (\$0.75 in 2024).

**Grants 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.

In April 2025, the Company granted 100,000 stock options to the Chief Financial Officer of the Company. The stock options have an exercise price of \$0.51 per common share, The 100,000 options will vest as follows: 50 percent as of the day of the grant, 50 percent on the first anniversary of the grant date, and are exercisable over a period of five (5) years.

In December 2025, the Company granted 8,160,000 stock options. The stock options have an exercise price of \$0.20 per common share. Of the 8,160,000 stock options granted, 150,000 stock options to the President and Chief Executive Officer of the Company. The stock options vest as follows: 50 percent as of the day of the grant, and 50 percent on the first anniversary of the grant date of the stock options. 750,000 stock options to members of its Board of Directors. The stock options vest as follows: 50 percent as of the day of the grant, and 50 percent on the first anniversary of the grant date of the stock options. 5,260,000 stock options to employees of the Company. The stock options will vest as follows: 10 percent as of the day of the grant, 20 percent on the first anniversary of the grant date, 30 percent on the second anniversary of the grant date, and 40 percent on the third anniversary of the grant date. 2,000,000 stock options to consultants of the Company. The stock options vest as follows: 30 percent as of the day of the grant, and 70 percent on the first anniversary of the grant date of the stock options and are exercisable over a period of five (5) years.

Subsequent to December 31, 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 \$0.30 per common share, vest immediately and are exercisable over a period of five (5) years. The Company accounted for an expense amounting to \$137,275 related to these options as the stock options granted related to the services in 2025 and there was a shared understanding of the terms and conditions related to such grant prior to the grant date.

The Company recorded an expense amounting to \$429,650 related to these options in fiscal 2025.

#### **Grants 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 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.

Subsequent to December 31, 2024, 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.

The Company recorded an expense amounting to \$1,518,868 related to these options in fiscal 2024.

The weighted average fair value of stock options granted for the year ended December 31, 2025, was \$0.13 (\$0.52 in 2024) and \$0.20 (\$0.40 in 2024) per option for stock options granted subsequent to the year end. 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:

## PyroGenesis Inc.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

| Years ended December 31,                                     | 2025           |                  |                | 2024    |           |         |
|--|----------------|------------------|----------------|---------|-----------|---------|
| Number of options granted or recognized                      | <b>700,000</b> | <b>8,160,000</b> | <b>100,000</b> | 700,000 | 2,000,000 | 100,000 |
| Exercise price (\$)  | <b>0.30</b>    | <b>0.20</b>      | <b>0.51</b>    | 0.57    | 0.85      | 0.56    |
| Fair value of each option under the Black-Scholes model (\$) | <b>0.20</b>    | <b>0.12</b>      | <b>34.00</b>   | 0.40    | 0.60      | 0.39    |
| Assumptions under the Black-Scholes model:                   |                |                  |                |         |           |         |
| Fair value of the shares (\$)                                | <b>0.30</b>    | <b>0.20</b>      | <b>0.51</b>    | 0.57    | 0.85      | 0.56    |
| Risk-free interest rate (%)                                  | <b>2.90</b>    | <b>2.64</b>      | <b>2.61</b>    | 2.94    | 3.04      | 3.77    |
| Expected volatility (%)                                      | <b>79.69</b>   | <b>77.50</b>     | <b>83.88</b>   | 89.52   | 89.09     | 87.91   |
| Expected dividend yield                                      | —              | —                | —              | —       | —         | —       |
| Expected life (number of months)                             | <b>60</b>      | <b>60</b>        | <b>60</b>      | 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 December 31, 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:

| Grant date         | Number of stock options |                  |           | Forfeitures        | Number of stock options Dec 31, 2025 | Number of stock options vested <sup>1</sup> | Exercise price per option (\$) | Expiry date        |
|--------------------|-------------------------|------------------|-----------|--------------------|--------------------------------------|---|--------------------------------|--------------------|
|                    | Dec 31, 2024            | Granted          | Exercised |                    |                                      |   |                                |                    |
| July 16, 2020      | 2,140,000               | —                | —         | (2,140,000)        | —                                    | —   | 4.41                           | July 16, 2025      |
| October 26, 2020   | 50,000                  | —                | —         | (50,000)           | —                                    | —   | 4.00                           | October 26, 2025   |
| April 6, 2021      | 550,000                 | —                | —         | —                  | <b>550,000</b>                       | 550,000                                     | 8.47                           | April 6, 2026      |
| June 1, 2021       | 200,000                 | —                | —         | —                  | <b>200,000</b>                       | 200,000                                     | 6.59                           | June 1, 2026       |
| June 14, 2021      | 100,000                 | —                | —         | —                  | <b>100,000</b>                       | 100,000                                     | 6.70                           | June 14, 2026      |
| October 14, 2021   | 100,000                 | —                | —         | —                  | <b>100,000</b>                       | 100,000                                     | 5.04                           | October 14, 2026   |
| December 17, 2021  | 1,920,000               | —                | —         | —                  | <b>1,920,000</b>                     | 1,920,000                                   | 3.13                           | December 17, 2026  |
| December 30, 2021  | 100,000                 | —                | —         | —                  | <b>100,000</b>                       | 100,000                                     | 3.61                           | December 30, 2026  |
| January 3, 2022    | 450,000                 | —                | —         | —                  | <b>450,000</b>                       | 450,000                                     | 3.36                           | January 3, 2027    |
| April 5, 2022      | 400,000                 | —                | —         | (150,000)          | <b>250,000</b>                       | 250,000                                     | 2.96                           | April 5, 2027      |
| June 2, 2022       | 1,500,000               | —                | —         | —                  | <b>1,500,000</b>                     | 1,500,000                                   | 3.88                           | June 2, 2027       |
| January 2, 2023    | 1,525,000               | —                | —         | (150,000)          | <b>1,375,000</b>                     | 1,115,000                                   | 1.03                           | January 2, 2028    |
| April 11, 2023     | 100,000                 | —                | —         | (40,000)           | <b>60,000</b>                        | 60,000                                      | 1.09                           | April 11, 2028     |
| September 29, 2023 | 1,425,000               | —                | —         | —                  | <b>1,425,000</b>                     | 1,425,000                                   | 0.53                           | September 29, 2028 |
| January 1, 2024    | 550,000                 | —                | —         | —                  | <b>550,000</b>                       | 550,000                                     | 0.43                           | January 1, 2029    |
| May 1, 2024        | 100,000                 | —                | —         | —                  | <b>100,000</b>                       | 65,000                                      | 0.56                           | May 1, 2029        |
| October 8, 2024    | 2,000,000               | —                | —         | (1,000,000)        | <b>1,000,000</b>                     | 1,000,000                                   | 0.85                           | October 8, 2029    |
| January 1, 2025    | —                       | 700,000          | —         | —                  | <b>700,000</b>                       | 700,000                                     | 0.57                           | January 1, 2030    |
| April 3, 2025      | —                       | 100,000          | —         | —                  | <b>100,000</b>                       | 50,000                                      | 0.51                           | April 3, 2030      |
| December 3, 2025   | —                       | 8,160,000        | —         | —                  | <b>8,160,000</b>                     | 1,776,000                                   | 0.20                           | December 3, 2030   |
|                    | <b>13,210,000</b>       | <b>8,960,000</b> | —         | <b>(3,530,000)</b> | <b>18,640,000</b>                    | <b>11,911,000</b>                           | <b>1.45</b>                    |                    |

<sup>1</sup> At December 31, 2025, the weighted average exercise price for options outstanding which are exercisable was \$2.16.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

As at December 31, 2024, 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:

| Grant date         | Number of stock options |                  |                  |                  | Number of stock options |                     | Exercise price per option (\$) | Expiry date        |
|--------------------|-------------------------|------------------|------------------|------------------|-------------------------|---------------------|--------------------------------|--------------------|
|                    | Dec 31, 2023            | Granted          | Exercised        | Forfeitures      | Dec 31, 2024            | vested <sup>1</sup> |                                |                    |
| September 29, 2019 | 100,000                 | —                | (100,000)        | —                | —                       | —                   | 0.51                           | September 29, 2024 |
| January 2, 2020    | 100,000                 | —                | (100,000)        | —                | —                       | —                   | 0.45                           | January 2, 2025    |
| July 16, 2020      | 2,167,500               | —                | —                | (27,500)         | 2,140,000               | 2,140,000           | 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 30, 2021  | 100,000                 | —                | —                | —                | 100,000                 | 100,000             | 3.61                           | December 30, 2026  |
| January 3, 2022    | 450,000                 | —                | —                | —                | 450,000                 | 450,000             | 3.36                           | January 3, 2027    |
| April 5, 2022      | 400,000                 | —                | —                | —                | 400,000                 | 400,000             | 2.96                           | April 5, 2027      |
| June 2, 2022       | 1,500,000               | —                | —                | —                | 1,500,000               | 1,125,000           | 3.88                           | June 2, 2027       |
| July 13, 2022      | 25,000                  | —                | —                | (25,000)         | —                       | —                   | 2.14                           | July 13, 2027      |
| January 2, 2023    | 1,575,000               | —                | —                | (50,000)         | 1,525,000               | 912,500             | 1.03                           | January 2, 2028    |
| April 11, 2023     | 100,000                 | —                | —                | —                | 100,000                 | 30,000              | 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    | —                       | 650,000          | (100,000)        | —                | 550,000                 | 650,000             | 0.43                           | January 1, 2029    |
| May 1, 2024        | —                       | 100,000          | —                | —                | 100,000                 | 30,000              | 0.56                           | May 1, 2029        |
| October 8, 2024    | —                       | 2,000,000        | —                | —                | 2,000,000               | 1,000,000           | 0.85                           | October 8, 2029    |
|                    | <b>10,862,500</b>       | <b>2,750,000</b> | <b>(300,000)</b> | <b>(102,500)</b> | <b>13,210,000</b>       | <b>11,182,500</b>   | <b>3.19</b>                    |                    |

<sup>1</sup> As at December 31, 2024, the weighted average exercise price for options outstanding which are exercisable was \$2.98.

For the year ended December 31, 2025, a share-based compensation expense of \$685,350 (2024 - \$2,112,005) was recorded in Selling, general and administrative expenses in the consolidated statements of comprehensive loss.

As at December 31, 2025, an amount of \$810,126 (2024 - \$768,054) remains to be amortized until January 2028 related to the grant of stock options.

**Share purchase warrants**

The following table reflects the activity in warrants during the year ended December 31, 2025, and the number of issued and outstanding share purchase warrants at December 31, 2025:

| Issuance date              | Number of warrants |                   |                  |                    | Number of warrants |      | Exercise price per warrant (\$) | Expiry date |
|----------------------------|--------------------|-------------------|------------------|--------------------|--------------------|------|---------------------------------|-------------|
|                            | Dec 31, 2024       | Issued            | Exercised        | Expired            | Dec 31, 2025       |      |                                 |             |
| March 8, 2023              | 2,619,650          | —                 | —                | (2,619,650)        | —                  | 1.25 | March 7, 2025                   |             |
| March 8, 2023 <sup>2</sup> | 1,710,350          | —                 | —                | (1,710,350)        | —                  | 0.75 | March 7, 2025                   |             |
| July 21, 2023              | 2,000,000          | —                 | —                | (2,000,000)        | —                  | 1.25 | July 20, 2025                   |             |
| July 21, 2023 <sup>2</sup> | 680,000            | —                 | —                | (680,000)          | —                  | 0.75 | July 20, 2025                   |             |
| July 21, 2023 <sup>1</sup> | 51,243             | —                 | —                | (51,243)           | —                  | 1.25 | July 20, 2025                   |             |
| December 20, 2023          | 625,000            | —                 | (625,000)        | —                  | —                  | 0.41 | June 20, 2025                   |             |
| July 22, 2024              | 2,089,500          | —                 | —                | (2,089,500)        | —                  | 1.20 | July 22, 2025                   |             |
| July 22, 2024 <sup>3</sup> | 1,416,250          | —                 | —                | —                  | 1,416,250          | 0.63 | July 17, 2026                   |             |
| May 12, 2025               | —                  | 5,207,423         | —                | —                  | 5,207,423          | 0.46 | May 12, 2029                    |             |
| October 24, 2025           | —                  | 5,555,556         | —                | —                  | 5,555,556          | 0.28 | October 24, 2029                |             |
| November 10, 2025          | —                  | 4,110,000         | —                | —                  | 4,110,000          | 0.40 | November 10, 2027               |             |
| December 1, 2025           | —                  | 4,520,414         | —                | —                  | 4,520,414          | 0.40 | December 1, 2027                |             |
|                            | <b>11,191,993</b>  | <b>19,393,393</b> | <b>(625,000)</b> | <b>(9,150,743)</b> | <b>20,809,643</b>  |      |                                 |             |

<sup>1</sup> As part of the issuance of convertible debentures, 51,243 broker warrants were issued with an exercise price of \$1.25 and expired 24 months following the closing date.

<sup>2</sup> These warrants were repriced during the year ended December 31, 2024.

<sup>3</sup> These warrants were extended and repriced from \$1.20 to \$0.63 during the year ended December 31, 2025.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

The following table reflects the activity in warrants during the year ended December 31, 2024, and the number of issued and outstanding share purchase warrants at December 31, 2024:

| Issuance date                 | Number of warrants |                  |                    | Number of warrants |                   |      | Exercise price per warrant (\$) | Expiry date |
|-------------------------------|--------------------|------------------|--------------------|--------------------|-------------------|------|---------------------------------|-------------|
|                               | Dec 31, 2023       | Issued           | Exercised          | Expired            | Dec 31, 2024      |      |                                 |             |
| October 19, 2022              | 317,100            | —                | —                  | (317,100)          | —                 | 1.75 | October 19, 2024                |             |
| October 19, 2022 <sup>1</sup> | 697,500            | —                | (437,500)          | (260,000)          | —                 | 0.75 | October 19, 2024                |             |
| March 8, 2023                 | 2,619,650          | —                | —                  | —                  | <b>2,619,650</b>  | 1.25 | March 7, 2025                   |             |
| March 8, 2023 <sup>1</sup>    | 2,380,350          | —                | (670,000)          | —                  | <b>1,710,350</b>  | 0.75 | March 7, 2025                   |             |
| July 21, 2023                 | 2,000,000          | —                | —                  | —                  | <b>2,000,000</b>  | 1.25 | July 20, 2025                   |             |
| July 21, 2023 <sup>2</sup>    | 1,030,000          | —                | (350,000)          | —                  | <b>680,000</b>    | 0.75 | July 20, 2025                   |             |
| July 21, 2023 <sup>1</sup>    | 51,243             | —                | —                  | —                  | <b>51,243</b>     | 1.25 | July 20, 2025                   |             |
| December 20, 2023             | 625,000            | —                | —                  | —                  | <b>625,000</b>    | 0.41 | June 20, 2025                   |             |
| July 22, 2024                 | —                  | 3,505,750        | —                  | —                  | <b>3,505,750</b>  | 1.20 | July 22, 2025                   |             |
|                               | <b>9,720,843</b>   | <b>3,505,750</b> | <b>(1,457,500)</b> | <b>(577,100)</b>   | <b>11,191,993</b> |      |                                 |             |

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 These warrants were repriced during the year ended December 31, 2024.

**22. Supplemental disclosure of cash flow information**

|  | 2025               | 2024        |
|--|--------------------|-------------|
|  | \$                 | \$          |
| Accounts receivable  | <b>1,354,628</b>   | (358,946)   |
| Costs and profits in excess of billings on uncompleted contracts | <b>510,174</b>     | (560,666)   |
| Inventory  | <b>166,485</b>     | (637,320)   |
| Investment tax credits receivable                                | <b>122,185</b>     | 114,914     |
| Royalties receivable   | <b>(156,023)</b>   | (156,023)   |
| Deposits   | <b>(213,317)</b>   | (108,183)   |
| Contract assets  | <b>(94,684)</b>    | (20,572)    |
| Prepaid expenses   | <b>174,369</b>     | 306,200     |
| Accounts payable and accrued liabilities                         | <b>(2,628,411)</b> | 3,338,811   |
| Billings in excess of costs and profits on uncompleted contracts | <b>870,253</b>     | (1,981,675) |
|  | <b>105,659</b>     | (63,460)    |

**23. Supplemental disclosure on statements of comprehensive loss**

|  | 2025             | 2024      |
|--|------------------|-----------|
|  | \$               | \$        |
| <b>Cost of sales and services:</b>                   |                  |           |
| Employee benefits                                    | <b>3,266,391</b> | 3,873,129 |
| Amortization of intangible assets                    | <b>57,051</b>    | 135,957   |
| Inventories recognized in cost of sales              | <b>142,478</b>   | 209,357   |
| <b>Selling, general and administrative expenses:</b> |                  |           |
| Employee benefits                                    | <b>8,657,550</b> | 9,803,254 |
| Share-based compensation expense                     | <b>685,350</b>   | 2,112,005 |
| Government grants                                    | <b>(73,578)</b>  | (214,215) |
| Depreciation of property and equipment               | <b>585,971</b>   | 366,696   |
| Depreciation of right-of-use assets                  | <b>732,895</b>   | 902,776   |

During the year 2025, Other Income includes a gain resulting from the agreement with HPQ Silicon Inc. whereby \$819,197

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

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 Inc. The fair value of the shares and warrants received was \$5,953,045, therefore resulting in a gain of \$1,011,605.

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.

**24. Finance expense (income), net**

|   | <u>2025</u>      | <u>2024</u>      |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Financial expenses</b>   |                  |                  |
| Interest on secured loan  | 79,500           | —                |
| Interest on lease liabilities   | 241,689          | 263,106          |
| Interest on convertible debentures  | 123,613          | 230,168          |
| Interest on convertible loan  | 5,313            | 38,124           |
| Interest accretion on and revaluation of balance due on business combination              | —                | 60,761           |
| Interest accretion on long term loan  | 28,820           | 22,195           |
| Interest accretion on convertible debentures  | 190,404          | 245,808          |
| Interest accretion on convertible loan  | 30,938           | 195,903          |
| Interest accretion on secured loan  | 232,590          | —                |
| Penalties and other interest expenses   | 181,321          | 170,727          |
|   | <u>1,114,188</u> | <u>1,226,792</u> |
| <b>Financial income</b>   |                  |                  |
| Interest accretion on and revaluation of balance due on business combination <sup>1</sup> | (1,016,151)      | —                |
| Interest accretion on royalty receivable  | (93,920)         | (94,169)         |
| Finance expense (income), net   | <u>4,117</u>     | <u>1,132,623</u> |

<sup>1</sup> During the year 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.

**25. Loss per share**

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding as at December 31, 2025 and 2024:

|   | <u>2025</u>        | <u>2024</u>        |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Weighted daily average of Common shares   | 197,718,495        | 181,008,864        |
| Dilutive effect of stock options  | —                  | —                  |
| Dilutive effect of warrants   | —                  | —                  |
| Weighted average number of diluted shares   | <u>197,718,495</u> | <u>181,008,864</u> |
| Number of anti-dilutive stock options and warrants excluded from fully diluted loss per share calculation | 39,449,643         | 24,401,993         |

**26. Related party transactions**

During the years ended December 31, 2025, and 2024, the Company concluded the following transactions with related parties:

A balance due to the controlling shareholder and CEO of the Company amounted to \$122,503 (2024 - \$597,180) is included

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

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 of \$45,200.

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

In 2025, the President and CEO, along with close family members, participated in a non-brokered private placement for gross proceeds of \$3,500,000 and \$290,000, respectively. Four directors of the Company also participated for a total of \$207,500.

The key management personnel of the Company, in accordance with IAS 24 Related Party Disclosures, are the members of the Board of Directors and certain officers. Total compensation to key management consisted of the following:

|   | <u>2025</u>             | <u>2024</u>      |
|---|-------------------------|------------------|
|   | <u>\$</u>               | <u>\$</u>        |
| Salaries – key management                     | <b>1,599,752</b>        | 1,617,973        |
| Pension contributions                         | <b>28,356</b>           | 26,227           |
| Fees – Board of Directors                     | <b>170,700</b>          | 161,700          |
| Share-based compensation – officers           | <b>377,789</b>          | 864,886          |
| Share-based compensation – Board of Directors | <b>281,294</b>          | 687,316          |
| Other benefits – key management               | <b>535,584</b>          | 263,970          |
| Total compensation                            | <b><u>2,993,475</u></b> | <u>3,622,072</u> |

**27. 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 December 31, the Company's exposure to foreign exchange risk for amounts denominated in US dollars and Euros is as follows, as expressed in Canadian dollars:

|  | <u>2025</u>             |                       | <u>2024</u>      |                 |
|--|-------------------------|-----------------------|------------------|-----------------|
|  | <u>US</u>               | <u>Euro</u>           | <u>US</u>        | <u>Euro</u>     |
|  | <u>\$</u>               | <u>\$</u>             | <u>\$</u>        | <u>\$</u>       |
| Cash                                     | <b>860,174</b>          | —                     | 2,228,077        | —               |
| Accounts receivable                      | <b>3,318,106</b>        | <b>912,512</b>        | 3,401,015        | 217,883         |
| Accounts payable and accrued liabilities | <b>(1,928,905)</b>      | <b>(15,313)</b>       | (2,235,050)      | (263,505)       |
| Total                                    | <b><u>2,249,375</u></b> | <b><u>897,199</u></b> | <u>3,394,042</u> | <u>(45,622)</u> |

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.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

*Sensitivity analysis*

At December 31, 2025, if the US Dollar and the Euro 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 year ended December 31, 2025, would have been \$224,938 and \$89,720, respectively (December 31, 2024 - \$339,404 and \$4,562, respectively).

*Credit concentration*

During the year ended December 31, 2025, two customers accounted for 37% (December 31, 2024 – three customers for 44%) of revenues from operations.

|                 | <b>2025</b>       |                 | <b>2024</b>       |           |
|-----------------|-------------------|-----------------|-------------------|-----------|
|                 | <b>% of total</b> |                 | <b>% of total</b> |           |
| <b>Revenues</b> | <b>revenues</b>   | <b>Revenues</b> | <b>revenues</b>   |           |
| <b>\$</b>       | <b>%</b>          | <b>\$</b>       | <b>%</b>          |           |
| Customer 1      | <b>3,173,613</b>  | <b>25</b>       | 2,970,843         | 19        |
| Customer 2      | <b>1,482,657</b>  | <b>12</b>       | 2,182,605         | 14        |
| Customer 3      | —                 | —               | 1,664,962         | 11        |
| <b>Total</b>    | <b>4,656,270</b>  | <b>37</b>       | <b>6,818,410</b>  | <b>44</b> |

Two customers accounted for 37% and 12%, respectively (December 31, 2024 – two customers for 37% and 36%, respectively) of trade accounts receivable before expected credit loss allowance of \$2,601,007 (2024 - \$8,193,120), representing the Company's major 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 December 31, 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 had a strategic investment, until the entirety of the shares were disposed in April 2024. 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 December 31, 2025 and 2024,

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

no loss allowance has been recognized in connection with these deposits and the maximum exposure is the carrying amount of these deposits.

During the years 2025 and 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 (Note 7).

*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 risk. The Company is exposed to a risk of fair value on term loans, convertible debentures, convertible loan and the secured loan as those financial instruments bear interest at fixed rates and to cash flow risk from the variable interest rate of the bank indebtedness. 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% as at December 31, 2025, with all other variables held constant, the Company's investments would have increased or decreased respectively, by approximately \$11,540 (December 31, 2024 - \$7,694).

*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 as at December 31, 2025:

|   | <b>Carrying<br/>value</b> | <b>Total<br/>contractual<br/>amount</b> | <b>Less than<br/>one year</b> | <b>2-3 years</b> | <b>4-5 years</b> | <b>Over 5 years</b> |
|---|---------------------------|---|-------------------------------|------------------|------------------|---------------------|
|   | <b>\$</b>                 | <b>\$</b>                               | <b>\$</b>                     | <b>\$</b>        | <b>\$</b>        | <b>\$</b>           |
| Accounts payable and accrued liabilities <sup>1</sup> | 8,998,686                 | 8,998,686                               | 8,998,686                     | —                | —                | —                   |
| Term loans  | 247,594                   | 202,500                                 | 90,000                        | 112,500          | —                | —                   |
| Balance due on business combination                   | 771,120                   | 771,120                                 | 771,120                       | —                | —                | —                   |
| Lease liabilities                                     | 3,746,904                 | 4,469,462                               | 2,462,861                     | 402,532          | 402,675          | 1,201,394           |
| Convertible debentures                                | 673,433                   | 728,547                                 | 728,547                       | —                | —                | —                   |
| Secured loan  | 1,980,250                 | 3,283,350                               | 2,710,950                     | 572,400          | —                | —                   |
|   | <b>16,417,987</b>         | <b>18,453,665</b>                       | <b>15,762,164</b>             | <b>1,087,432</b> | <b>402,675</b>   | <b>1,201,394</b>    |

<sup>1</sup> Accounts payable and accrued liabilities exclude amounts which are not financial liabilities.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

The following table summarizes the contractual amounts payable and maturities of financial liabilities and other liabilities as at December 31, 2024:

|   | <b>Carrying<br/>value</b> | <b>Total<br/>contractual<br/>amount</b> | <b>Less than<br/>one year</b> | <b>2-3 years</b>        | <b>4-5 years</b>      | <b>Over 5 years</b>     |
|---|---------------------------|---|-------------------------------|-------------------------|-----------------------|-------------------------|
|   | <b>\$</b>                 | <b>\$</b>                               | <b>\$</b>                     | <b>\$</b>               | <b>\$</b>             | <b>\$</b>               |
| Bank indebtedness                                     | 88,046                    | 88,046                                  | 88,046                        | —                       | —                     | —                       |
| Accounts payable and accrued liabilities <sup>1</sup> | 11,410,669                | 11,410,669                              | 11,410,669                    | —                       | —                     | —                       |
| Term loans  | 288,410                   | 382,500                                 | 90,000                        | 180,000                 | 112,500               | —                       |
| Balance due on business combination                   | 1,787,271                 | 1,860,020                               | 1,860,020                     | —                       | —                     | —                       |
| Lease liabilities                                     | 5,775,468                 | 7,361,239                               | 2,812,201                     | 847,810                 | 865,719               | 2,835,509               |
| Convertible debentures                                | 1,695,029                 | 2,064,000                               | 1,335,000                     | 729,000                 | —                     | —                       |
| Convertible loan                                      | 1,143,602                 | 1,268,958                               | 1,268,958                     | —                       | —                     | —                       |
|   | <b><u>22,188,495</u></b>  | <b><u>24,435,432</u></b>                | <b><u>18,864,894</u></b>      | <b><u>1,756,810</u></b> | <b><u>978,219</u></b> | <b><u>2,835,509</u></b> |

<sup>1</sup> 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.

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 10).

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

The fair value of the term loans, the convertible debentures and secured loan, as at December 31, 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, convertible debentures and secured loan 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:

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

## **28. 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.

## **29. 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 is not subject to any externally imposed capital requirements. The Company monitors its working capital in order to meet its financial obligations. As at December 31, 2025, the Company's working capital deficiency was \$15,423,288 (working capital deficiency of \$9,216,545 at December 31, 2024).

The management of capital includes shareholders' deficiency for a total amount of \$10,428,918 (2024 – shareholders' deficiency of \$3,463,388), term loans of \$247,594 (2024 - \$308,774), convertible debentures of \$673,433 (2024 - \$1,695,029), and the convertible loan of \$Nil (2024 - \$1,143,602), and secured loan of \$1,980,250 (2024 - \$Nil), as well as cash amounting to \$1,088,707 (2024 - \$2,975,461).

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

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

**30. Income taxes**

a) Income tax expenses are comprised of the following:

|   | <u>2025</u>             | <u>2024</u> |
|---|-------------------------|-------------|
|   | <u>\$</u>               | <u>\$</u>   |
| <b>Current tax</b>                                      |                         |             |
| Current year  | —                       | —           |
| <b>Deferred tax</b>                                     |                         |             |
| Origination and reversal of temporary differences       | <b>(3,602,361)</b>      | (1,170,648) |
| Recognition of previously unrecognized tax assets       | —                       | (187,612)   |
| Change in unrecognized deductible temporary differences | <b>3,499,361</b>        | 1,358,260   |
|   | <u><b>(103,000)</b></u> | <u>—</u>    |
| Income tax expense (recovery)                           | <u><b>(103,000)</b></u> | <u>—</u>    |

b) Reconciliation of effective tax rate

|  | <u>2025</u>             | <u>2024</u> |
|--|-------------------------|-------------|
|  | <u>\$</u>               | <u>\$</u>   |
| Loss before income taxes   | <b>(14,861,681)</b>     | (6,654,387) |
| Income tax rates   | <b>26.5%</b>            | 26.5%       |
| Income tax recovery at the combined basic Federal and Provincial tax rates | <b>(3,938,345)</b>      | (1,763,413) |
| Permanent differences  | <b>148,936</b>          | 34,228      |
| Share-based compensation expense   | <b>181,618</b>          | 559,681     |
| Tax rate changes   | <b>1,141</b>            | 2,689       |
| Prior year adjustment  | <b>(27,631)</b>         | 11,294      |
| Recognition of previously unrecognized tax assets                          | —                       | (187,612)   |
| Change in unrecognized deductible temporary differences                    | <b>3,499,361</b>        | 1,358,260   |
| Other  | <b>31,920</b>           | (15,128)    |
| Income tax expense (recovery)  | <u><b>(103,000)</b></u> | <u>—</u>    |

The applicable statutory tax rates is 26.5% in both 2025 and 2024. The Company's applicable tax rate is the Canadian combined rates applicable in the jurisdiction in which the Company operates.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

c) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities:

As at December 31, 2025, and 2024, recognized deferred tax assets and liabilities are attributable to the following:

|  | Assets      |             | Liabilities |             | Net       |           |
|--|-------------|-------------|-------------|-------------|-----------|-----------|
|  | 2025        | 2024        | 2025        | 2024        | 2025      | 2024      |
|  | \$          | \$          | \$          | \$          | \$        | \$        |
| Non-capital losses carried forward           | 391,417     | 508,395     | —           | —           | 391,417   | 508,395   |
| Convertible debentures                       | —           | —           | (8,891)     | (52,711)    | (8,891)   | (52,711)  |
| Convertible loan                             | —           | —           | —           | (28,499)    | —         | (28,499)  |
| Secured loan                                 | —           | —           | (107,260)   | —           | (107,260) | —         |
| Royalties receivable                         | —           | —           | (275,266)   | (416,197)   | (275,266) | (416,197) |
| Property and equipment                       | —           | —           | —           | (10,988)    | —         | (10,988)  |
| Right-of-use assets net of lease liabilities | 679,202     | 1,262,298   | (679,202)   | (1,262,298) | —         | —         |
| Tax assets (liabilities)                     | 1,070,619   | 1,770,693   | (1,070,619) | (1,770,693) | —         | —         |
| Set off of tax                               | (1,070,619) | (1,770,693) | 1,070,619   | 1,770,693   | —         | —         |
| Net tax assets (liabilities)                 | —           | —           | —           | —           | —         | —         |

Deferred taxes from temporary differences and unused tax losses and tax credits are summarized as follows:

|                                    | January 1, 2024 | Recognized in profit or loss | December 31, 2024 | January 1, 2025 | Recognized in equity | Recognized in profit or loss | December 31, 2025 |
|------------------------------------|-----------------|------------------------------|-------------------|-----------------|----------------------|------------------------------|-------------------|
|                                    | \$              | \$                           | \$                | \$              | \$                   | \$                           | \$                |
| Non-capital losses carried forward | 550,503         | (42,108)                     | 508,395           | 508,395         | —                    | (116,978)                    | 391,417           |
| Royalties receivable               | (321,621)       | (94,576)                     | (416,197)         | (416,197)       | —                    | 140,931                      | (275,266)         |
| Property and equipment             | (23,717)        | 12,729                       | (10,988)          | (10,988)        | —                    | 10,988                       | —                 |
| Intangibles                        | (18,727)        | 18,727                       | —                 | —               | —                    | —                            | —                 |
| Secured loan                       | —               | —                            | —                 | —               | (103,000)            | (4,260)                      | (107,260)         |
| Convertible debentures             | (106,025)       | 53,314                       | (52,711)          | (52,711)        | —                    | 43,820                       | (8,891)           |
| Convertible loan                   | (80,413)        | 51,914                       | (28,499)          | (28,499)        | —                    | 28,499                       | —                 |
|                                    | —               | —                            | —                 | —               | (103,000)            | 103,000                      | —                 |

**PyroGenesis Inc.****Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

As at December 31, 2025, and 2024, the amounts and expiry dates of tax attributes and temporary differences for which no deferred tax assets were recognized are as follows:

|  | December 31, 2025 |                   | December 31, 2024 |            |
|--|-------------------|-------------------|-------------------|------------|
|  | Federal           | Provincial        | Federal           | Provincial |
|  | \$                | \$                | \$                | \$         |
| Research and development expenses,<br>without time limitation: | <b>15,373,133</b> | <b>15,661,587</b> | 15,525,207        | 15,787,861 |
| Federal research and development<br>investment tax credits:    |                   |                   |                   |            |
| 2029   | <b>299,881</b>    | —                 | 299,881           | —          |
| 2030   | <b>89,879</b>     | —                 | 89,879            | —          |
| 2031   | <b>223,759</b>    | —                 | 223,759           | —          |
| 2032   | <b>186,031</b>    | —                 | 186,031           | —          |
| 2033   | <b>105,216</b>    | —                 | 105,216           | —          |
| 2034   | <b>212,609</b>    | —                 | 212,609           | —          |
| 2035   | <b>488,555</b>    | —                 | 488,555           | —          |
| 2036   | <b>359,594</b>    | —                 | 359,594           | —          |
| 2037   | <b>253,885</b>    | —                 | 253,885           | —          |
| 2038   | <b>186,015</b>    | —                 | 186,015           | —          |
| 2039   | <b>340,728</b>    | —                 | 340,728           | —          |
| 2040   | <b>101,562</b>    | —                 | 101,562           | —          |
| 2041   | <b>167,461</b>    | —                 | 167,461           | —          |
| 2042   | <b>476,101</b>    | —                 | 476,101           | —          |
| 2043   | <b>280,252</b>    | —                 | 530,746           | —          |
| 2044   | <b>238,574</b>    | —                 | 238,574           | —          |
| 2045   | <b>171,105</b>    | —                 | —                 | —          |
|  | <b>4,181,207</b>  | <b>—</b>          | <b>4,260,596</b>  | <b>—</b>   |

## PyroGenesis Inc.

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

|                             | December 31, 2025 |                   |                  | December 31, 2024 |                   |                  |
|-----------------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
|                             | Federal           | Provincial        | Italy            | Federal           | Provincial        | Italy            |
|                             | \$                | \$                | \$               | \$                | \$                | \$               |
| Tax losses carried forward: |                   |                   |                  |                   |                   |                  |
| 2032                        | 3,900,209         | 2,714,257         | —                | 3,500,243         | 2,218,745         | —                |
| 2033                        | 2,047,643         | 2,047,643         | —                | 2,047,643         | 2,047,643         | —                |
| 2034                        | 589,007           | 589,007           | —                | 589,007           | 589,007           | —                |
| 2035                        | 703,664           | 416,827           | —                | 703,664           | 416,827           | —                |
| 2036                        | 3,579,827         | 3,440,527         | —                | 3,579,827         | 3,440,527         | —                |
| 2037                        | 1,577,876         | 1,568,739         | —                | 1,577,876         | 1,568,739         | —                |
| 2038                        | 5,716,536         | 5,650,620         | —                | 5,716,536         | 5,650,620         | —                |
| 2039                        | 4,772,060         | 4,079,919         | —                | 4,772,060         | 4,079,919         | —                |
| 2040                        | 734,331           | 768,253           | —                | 734,331           | 768,253           | —                |
| 2041                        | 3,818,898         | 3,773,941         | —                | 3,818,898         | 3,773,941         | —                |
| 2042                        | 15,686,530        | 15,679,966        | —                | 15,686,530        | 15,679,966        | —                |
| 2043                        | 21,891,585        | 21,811,394        | —                | 20,398,989        | 20,344,599        | —                |
| 2044                        | 4,333,784         | 4,213,337         | —                | 4,300,374         | 4,179,927         | —                |
| 2045                        | 8,569,673         | 8,495,307         | —                | —                 | —                 | —                |
| Indefinite                  | —                 | —                 | 1,737,263        | —                 | —                 | 1,550,728        |
|                             | <b>77,921,623</b> | <b>75,249,737</b> | <b>1,737,263</b> | <b>67,425,978</b> | <b>64,758,713</b> | <b>1,550,728</b> |

|   | December 31, 2025 |                  | December 31, 2024 |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Federal           | Provincial       | Federal           | Provincial       |
|   | \$                | \$               | \$                | \$               |
| Other deductible temporary differences,<br>Without time limitation: |                   |                  |                   |                  |
| Strategic investments   | 848,468           | 848,468          | 35,904            | 35,904           |
| Financing costs   | 235,734           | 235,734          | 44,697            | 44,697           |
| Intangible assets   | 3,606,050         | 3,372,212        | 3,074,711         | 2,835,370        |
| Right-of-use assets net of liabilities                              | 1,183,876         | 1,183,876        | 1,012,078         | 1,012,078        |
| Property and equipment  | 278,286           | 121,298          | —                 | —                |
|   | <b>6,152,414</b>  | <b>5,761,588</b> | <b>4,167,389</b>  | <b>3,928,048</b> |

Deferred tax assets and investment tax credits have not been recognized in respect to these items because it is uncertain that future taxable profit will be available against which the Company can utilise the benefits therefrom. The generation of future taxable profit depends on the successful commercialisation of the Company's products and technologies.

### 31. 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.

**PyroGenesis Inc.**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024  
(In Canadian dollars)

The following is a summary of the Company's total revenues by geography:

|                          | <u>2025</u>       | <u>2024</u>       |
|--------------------------|-------------------|-------------------|
|                          | <u>\$</u>         | <u>\$</u>         |
| Austria                  | 27,503            | 34,488            |
| Brazil <sup>1</sup>      | 699               | (111,718)         |
| Belgium                  | 11,424            | —                 |
| Canada                   | 2,462,920         | 3,563,820         |
| France                   | 1,083,120         | 158,084           |
| Germany                  | 15,269            | —                 |
| Greece                   | —                 | 58,108            |
| India                    | 336,220           | 256,678           |
| Japan                    | —                 | 98,228            |
| Mexico                   | 141,495           | 445,458           |
| Netherlands              | 161,582           | 27,290            |
| New Zealand              | 1,482,657         | 956,451           |
| Norway                   | 237,081           | —                 |
| Poland                   | 47,232            | 286,973           |
| Saudi Arabia             | 762,297           | 2,970,843         |
| Spain                    | —                 | 29,485            |
| Sweden                   | 52,605            | —                 |
| United States of America | 5,750,100         | 6,878,133         |
|                          | <u>12,572,204</u> | <u>15,652,321</u> |

1 In December 2024 revenue attributable to Brazil was reduced following the agreement between the Company and their customer to deliver a project prior to final completion, which resulted in an adjustment to revenue and to costs and profits in excess of billings on uncompleted contracts.

Revenue by product line and revenues recognized by revenue recognition method are presented in Note 6.

The following is a summary of selected asset categories by geographic market, at December 31:

|                        | <u>2025</u>      |               |                  | <u>2024</u>      |               |                  |
|------------------------|------------------|---------------|------------------|------------------|---------------|------------------|
|                        | <u>\$</u>        | <u>\$</u>     | <u>\$</u>        | <u>\$</u>        | <u>\$</u>     | <u>\$</u>        |
|                        | Canada           | India         | Total            | Canada           | India         | Total            |
| Property and equipment | 2,252,888        | 13,301        | 2,266,189        | 2,827,357        | 11,453        | 2,838,810        |
| Right-of-use assets    | 2,563,027        | —             | 2,563,027        | 4,763,389        | —             | 4,763,389        |
| Intangible assets      | 1,085,012        | —             | 1,085,012        | 1,588,107        | —             | 1,588,107        |
|                        | <u>5,900,927</u> | <u>13,301</u> | <u>5,914,228</u> | <u>9,178,853</u> | <u>11,453</u> | <u>9,190,306</u> |

In 2025 and 2024, none of the selected asset categories above were located in Italy.

### 32. Subsequent event

In March 2026, Company completed a non-brokered private placement (the "Private Placement"). The Private Placement comprises of the sale and issuance of 3,654,537 units (the "Units") at a price of \$0.54 per Unit, for gross proceeds of \$1,973,450. Each Unit includes one common share of the Company and one-half of a common share purchase warrant (each whole such common share purchase warrant, a "Warrant") of the Company. Each Warrant entitles the holder thereof to purchase one common share at a price of \$0.70 for a period of 36 months following the closing date of the Private Placement. The common shares and Warrants issued in connection with the Private Placement, and the common shares underlying the Warrants, are subject to a statutory hold period of four months and one day from the date of closing, in accordance with applicable securities legislation.

Under the terms of the Common Share Purchase Warrant Indenture, the Company will have the right to accelerate the expiry date of the Warrants, provided that if at any time before their expiry date, the closing price of the common shares on

**PyroGenesis Inc.****Notes to the Consolidated Financial Statements**

For the years ended December 31, 2025 and 2024

(In Canadian dollars)

---

the TSX is greater than \$0.90 in 2 of any 5 consecutive trading days, the Company will be entitled, within 15 days of the occurrence of such event, to accelerate the expiry date of the Warrants to the date that is 30 days following the date that notice of such acceleration is provided. Such notice shall be deemed to have been provided upon either the email notification of the holders of such Warrants or the issuance of a press release by the Company announcing the achievement of the acceleration event.

Among the interested participants, the President and CEO of the Company, directly subscribed for approximately \$400,000.

The Company intends to use the net proceeds from the Private Placement for working capital and general corporate purposes. The Private Placement has been conditionally approved by TSX, but remains subject to the TSX's final approval, as well as other customary closing conditions.