PYROGENESIS

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PYROGENESIS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at June 30, 2026, and for the three and six-month periods ended June 30, 2026, and 2025 (Unaudited)

www.pyrogenesis.com

The accompanying unaudited condensed consolidated financial statements of PyroGenesis Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements for the period ended June 30, 2026.

PyroGenesis Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(In Canadian dollars)

	Note	**June 30, 2026**	December 31, 2025
		$	$
Assets			
Current assets			
Cash		**1,310,328**	1,088,707
Accounts receivable	6	**4,043,263**	4,147,739
Costs and profits in excess of billings on uncompleted contracts	7	**932,391**	699,305
Inventory		**2,206,701**	2,376,148
Investment tax credits receivable	8	**163,762**	115,431
Income taxes receivable		**3,002**	22,875
Current portion of deposits		**1,281,913**	945,849
Current portion of royalties receivable		**538,062**	509,660
Contract assets		**264,836**	436,763
Prepaid expenses		**626,901**	393,102
Total current assets		**11,371,159**	10,735,579
Non-current assets			
Deposits		**60,435**	60,435
Strategic investments	9	**51,290**	46,161
Property and equipment		**1,884,181**	2,266,189
Right-of-use assets		**1,192,779**	2,563,027
Royalties receivable		**560,903**	529,081
Intangible assets		**1,037,801**	1,085,012
Total assets		**16,158,548**	17,285,484
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**11,596,277**	10,414,397
Billings in excess of costs and profits on uncompleted contracts	11	**4,915,516**	9,880,704
Current portion of term loans	12	**90,000**	90,000
Current portion of lease liabilities		**81,062**	2,348,963
Current portion of balance due on business combination		**771,120**	771,120
Current portion of convertible debenture		**101,000**	673,433
Current portion of secured loan		**952,278**	1,980,250
Total current liabilities		**18,507,253**	26,158,867
Non-current liabilities			
Lease liabilities		**1,356,600**	1,397,941
Term loans	12	**124,624**	157,594
Total liabilities		**19,988,477**	27,714,402
Shareholders' equity	14		
Common shares		**106,590,699**	99,674,796
Warrants		**3,989,265**	2,546,970
Contributed surplus		**31,082,778**	30,660,473
Equity portion of the convertible debentures		**217,663**	217,663
Accumulated other comprehensive income (loss)		**(228,889)**	(206,356)
Deficit		**(145,481,445)**	(143,322,464)
Total shareholders' equity (deficiency)		**(3,829,929)**	(10,428,918)
Total liabilities and shareholders' equity (deficiency)		**16,158,548**	17,285,484

The accompanying notes form an integral part of the condensed consolidated interim financial statements.
Contingent liabilities, Note 21

PyroGenesis Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited)
(In Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2026	2025	**2026**	2025
		$	$	**$**	$
Revenues	5	**4,424,678**	3,007,647	**9,297,242**	5,995,182
Cost of sales and services	16	**3,027,760**	1,337,381	**6,331,032**	3,526,433
Gross profit		**1,396,918**	1,670,266	**2,966,210**	2,468,749
Expenses					
Selling, general and administrative	16	**3,103,884**	3,591,972	**5,342,479**	7,328,395
Research and development, net		**135,036**	424,786	**267,056**	734,157
		3,238,920	4,016,758	**5,609,535**	8,062,552
Net loss from operations		**(1,842,002)**	(2,346,492)	**(2,643,325)**	(5,593,803)
Gain (loss) from changes in fair value of strategic investments	9	**10,258**	(1,352,685)	**5,129**	(2,081,153)
Other income	16	**960,711**	–	**960,711**	–
Finance income (expense), net	17	**(259,951)**	783,665	**(481,496)**	497,455
Loss before income taxes		**(1,130,984)**	(2,915,512)	**(2,158,981)**	(7,177,501)
Net loss		**(1,130,984)**	(2,915,512)	**(2,158,981)**	(7,177,501)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation gain (loss) on investments in foreign operations		**(18,509)**	(194,952)	**(22,533)**	(300,440)
Comprehensive loss		**(1,149,493)**	(3,110,464)	**(2,181,514)**	(7,477,941)
Loss per share					
Basic	18	**(0.01)**	(0.02)	**(0.01)**	(0.04)
Diluted	18	**(0.01)**	(0.02)	**(0.01)**	(0.04)

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

PyroGenesis Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
(Unaudited)
(In Canadian dollars)

	Note	Number of common shares	Common shares	Warrants	Contributed surplus (1)	Equity portion of convertible debentures and loan (1)	Accumulated other comprehensive loss	Deficit	Total
			$	$	$	$	$	$	$
December 31, 2025		**202,431,729**	**99,674,796**	**2,546,970**	**30,660,473**	**217,663**	**(206,356)**	**(143,322,464)**	**(10,428,918)**
Shares issued upon principal payment of the convertible debenture		**1,403,335**	**505,000**	–	**–**	**–**	–	–	**505,000**
Equity portion of secured loans	13	**–**	**–**	–	**100,000**	**–**	–	–	**100,000**
Private placement	14	**9,536,888**	**3,444,037**	**529,412**	–	**–**	–	–	**3,973,449**
Proceeds from equity financing, net of financing fees	14	**12,514,875**	**2,966,866**	**912,883**	–	**–**	–	–	**3,879,749**
Share-based compensation expense	16	**–**	**–**	**–**	**322,305**	**–**	**–**	**–**	**322,305**
Other comprehensive loss for the period		**–**	**–**	**–**	**–**	**–**	**(22,533)**	**–**	**(22,533)**
Net loss		**–**	**–**	**–**	**–**	**–**	**–**	**(2,158,981)**	**(2,158,981)**
June 30, 2026		**225,886,827**	**106,590,699**	**3,989,265**	**31,082,778**	**217,663**	**(228,889)**	**(145,481,445)**	**(3,829,929)**
December 31, 2024		184,143,645	94,800,796	421,016	29,604,640	394,012	(120,070)	(128,563,782)	(3,463,388)
Shares issued upon exercise of warrants	14	625,000	256,125	–	–	–	–	–	256,125
Shares issued upon conversion of Convertible loan		2,541,683	1,174,540	–	176,349	(176,349)	–	–	1,174,540
Warrants granted upon issuance of loan	13	–	–	709,938	–	–	–	–	709,938
Share-based compensation expense	16	–	–	–	152,787	–	–	–	152,787
Other comprehensive loss for the period		–	–	–	–	–	(194,952)	–	(194,952)
Net loss		–	–	–	–	–	–	(7,177,501)	(7,177,501)
June 30, 2025		187,310,328	96,231,461	1,130,954	29,933,776	217,663	(315,022)	(135,741,283)	(8,542,451)

(1) The equity portion of the secured loan was reclassed to contributed surplus upon redemption of the convertible loan in May 2026.

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

PyroGenesis Canada Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(In Canadian dollars)

	Note	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
		$	$	**$**	$
Cash flows provided by (used in)					
Operating activities					
Net income (loss)		**(1,130,984)**	(2,915,512)	**(2,158,981)**	(7,177,501)
Adjustments for:					
Share-based payments	16	**160,916**	140,120	**322,305**	152,787
Depreciation of property and equipment	16	**196,080**	68,406	**392,258**	248,729
Depreciation of right-of-use assets	16	**30,222**	182,553	**101,376**	365,107
Amortization and write-off of intangible assets	16	**17,769**	14,087	**66,592**	25,194
Amortization of contract assets		**76,951**	16,502	**118,179**	16,502
Lease modification		**(880,711)**	–	**(880,711)**	–
Net finance costs (income)	17	**259,951**	(783,665)	**481,496**	(497,455)
Change in fair value of investments		**(10,258)**	1,352,685	**(5,129)**	2,081,153
Gain on disposal of property and equipment		**(80,000)**	–	**(80,000)**	–
Unrealized foreign exchange		**(21,573)**	(62,957)	**(33,366)**	(167,521)
		(1,381,637)	(1,987,781)	**(1,675,981)**	(4,953,005)
Net change to working capital items	15	**(2,824,750)**	(362,945)	**(4,413,189)**	574,270
		(4,206,387)	(2,350,726)	**(6,089,170)**	(4,378,735)
Investing activities					
Additions to property and equipment		**(4,327)**	–	**(10,250)**	(2,266)
Additions to intangible assets		**(13,211)**	(56,478)	**(19,381)**	(170,621)
Disposal of property and equipment		**80,000**	–	**80,000**	–
Disposal of strategic investments		**–**	1,744,512	**–**	1,744,512
		62,462	1,688,034	**50,369**	1,571,625
Financing activities					
Decrease in bank indebtedness		**–**	–	**–**	(88,046)
Interest paid		**(93,662)**	(164,057)	**(122,715)**	(227,321)
Repayment of term loans		**(22,500)**	(22,500)	**(45,000)**	(45,000)
Repayment of lease liabilities		**(38,622)**	(192,000)	**(159,898)**	(321,127)
Repayment of convertible debentures		**–**	(303,000)	**(101,000)**	(606,000)
Repayment of secured loans		**(800,000)**	–	**(1,975,000)**	–
Proceeds from issuance of shares upon exercise of warrants		**–**	256,125	**–**	256,125
Proceeds from private placement		**2,000,000**	–	**3,973,449**	–
Proceeds from equity financing, net of financing fees		**3,879,749**	–	**3,879,749**	–
Proceeds from secured loan, net of finance fees		**–**	2,085,000	**800,000**	2,085,000
		4,924,965	1,659,568	**6,249,585**	1,053,631
Effect of exchange rate changes on cash denominated in foreign currencies		**3,068**	(25,595)	**10,837**	(26,529)
Net increase (decrease) in cash		**784,108**	971,281	**221,621**	(1,780,008)
Cash - beginning of period		**526,220**	224,172	**1,088,707**	2,975,461
Cash - end of period		**1,310,328**	1,195,453	**1,310,328**	1,195,453
Supplemental cash flow disclosure					
Non-cash transactions:					
Interest accretion on and revaluation of balance due on business combination		**–**	(1,035,892)	**–**	(1,016,151)
Interest accretion income on royalties receivable		**(30,718)**	(23,051)	**(60,225)**	(45,192)
Interest accretion on term loan		**5,808**	7,401	**12,031**	15,174
Interest accretion on convertible debentures		**12,397**	36,662	**33,707**	90,191
Interest accretion on convertible loan		**–**	–	**–**	5,313
Interest accretion on secured loans		**126,818**	–	**247,028**	–
Initial recognition or modification of lease liabilities and right-of-use assets:					
Right-of-use assets		**(1,268,872)**	–	**(1,268,872)**	–
Lease liabilities		**(2,149,583)**	–	**(2,149,583)**	–
Lease modification		**(880,711)**	–	**(880,711)**	–

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

1. Nature of operations

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“.

2. Going concern

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

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

The Company has incurred, in the last years, operating losses and negative cash flows from operations, and as a result, the Company has an accumulated deficit of $145,481,445 as at June 30, 2026 ($143,322,464 as at December 31, 2025). Furthermore, there have been unexpected delays in the collection of certain accounts receivable from contracts closed in a prior year. This has resulted in a shortfall in cash flows from operating activities that would be used in funding the Company’s operations.

As at June 30, 2026, the Company has working capital deficiency of $7,136,093 (working capital deficiency of $15,423,288 as at December 31, 2025) including cash of $1,310,328 ($1,088,707 as at December 31, 2025). The working capital is net of an allowance for credit losses amounting to $1,014,000 ($2,017,000 as at December 31, 2025) as further described in Notes 6 and 7. The Company’s business plan is dependent upon the successful completion of contracts and also the receipt of payments from certain contracts closed in a prior year and expects these payments to be made during fiscal 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. In March and June 2026, the Company completed a non-brokered private placement for gross proceeds of $1,973,449, and an equity financing for aggregate gross proceeds of $4,255,058 and concurrently, a non-brokered private placement for gross proceeds of $2,000,000. While the Company has been successful in securing financing, raising additional funds is dependent on a number of factors, some of which are outside the Company’s control, and therefore there is no assurance that it will be able to do so in the future or that these sources will be available to the Company or that they will be available on terms which are acceptable to the Company. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue operating as a going concern.

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

3. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Statements, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the necessary information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2025.

These financial statements were approved and authorized for issuance by the Board of Directors on August 6, 2026.

(b) Functional and presentation currency

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

(c) Basis of measurement

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

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

(d) Basis of consolidation

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

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

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

The accounting policies disclosed in the December 31, 2025, year-end consolidated financial statements have been applied consistently in the preparation of these condensed consolidated interim financial statements. Financial income (expenses) and changes in fair value of strategic investments are excluded from the loss from operations in the consolidated statements of comprehensive loss.

(In Canadian dollars)

4. Significant accounting judgments, estimates and assumptions

The significant judgments, estimates and assumptions applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its audited annual financial statements as at and for the year ended December 31, 2025.

5. Revenues

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

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
High purity metallurgical grade silicon & solar grade silicon from quartz (PUREVAP™)	**–**	136,275	**35,124**	296,104
Aluminium and zinc dross recovery (DROSRITE™)	**596,809**	125,234	**872,239**	293,974
Development and support related to systems supplied to the U.S. Navy	**411,927**	146,075	**695,198**	363,941
Torch-related products and services	**1,591,437**	1,225,094	**3,695,428**	1,755,361
Refrigerant destruction (SPARC™)	**1,062,134**	333,124	**2,611,263**	609,908
Biogas upgrading and pollution controls	**592,416**	779,883	**1,121,956**	2,192,344
Other sales and services	**169,955**	261,962	**266,034**	483,550
	4,424,678	3,007,647	**9,297,242**	5,995,182

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

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Revenue from contracts with customers:				
Sales of goods under long-term contracts recognized over time	**3,742,554**	2,717,023	**7,842,876**	5,278,235
Sales of goods at a point of time	**682,124**	290,624	**1,454,366**	716,947
	4,424,678	3,007,647	**9,297,242**	5,995,182

See Note 23 for sales by geographic area.

Transaction price allocated to remaining performance obligations:

As at June 30, 2026, revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date is $39,829,544 ($47,778,108 as at December 31, 2025). 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.

(In Canadian dollars)

6. Accounts receivable

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

	June 30, 2026	December 31, 2025
	$	$
Current	**202,483**	781,065
1 – 30 days	**150,091**	778,034
31 – 60 days	**87,873**	114,927
61 – 90 days	**434,232**	73,159
Greater than 90 days	**3,055,332**	3,217,423
Holdback receivable (1)	**363,211**	371,578
Total trade accounts receivable	**4,293,222**	5,336,186
Allowance for expected credit loss	**(944,000)**	(1,747,000)
Other receivables	**481,117**	310,824
Sales tax receivable	**212,924**	247,729
	4,043,263	4,147,739

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

As at June 30, 2026, the allowance for expected credit loss on trade accounts receivable is $944,000 ($1,747,000 as at December 31, 2025), whereby a net reversal of $803,000 was recognized during the six-month period (net reversal of $757,500 during fiscal 2025). The credit loss allowance on trade accounts receivable at June 30, 2026, includes $630,000 attributable to one specific customer, whereby the carrying amount has been reduced from $2,348,920 to $1,718,920. The carrying value of all other trade receivables was reduced from $1,944,301 to $1,630,301. On the basis of the Company's expected credit loss policy, the allowance was determined generally by applying a loss rate of 1% on balances 1-30 days past the invoice date, 2% for 31-60 days, 3% for 61-90 days and a minimum of 10% for those beyond 90 days. Specific consideration was applied for situations where the receivable is a holdback on a contract, and also for customers that have exceeded normal payment terms.

The closing balance of the trade receivables credit loss allowance as at June 30, 2026, reconciles with the trade receivables credit loss allowance opening balance as follows:

	$
Loss allowance at December 31, 2024	**2,504,500**
Reversal recognized during the year	**(1,555,000)**
Loss recorded during the year	**797,500**
Loss allowance at December 31, 2025	**1,747,000**
Reversal recognized during the period	**(1,170,000)**
Loss recorded during the period	**367,000**
Loss allowance at June 30, 2026	**944,000**

(1) For the three-month period ended June 30, 2026. the gain recognized was $132,500 and a gain of $803,000 for the six-month period ended June 30, 2026.

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

As at June 30, 2026, the Company had eight contracts with total billings of $9,861,901 which were less than total costs incurred and had recognized cumulative revenue of $10,794,292 since those projects began. This compares with 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 as at December 31, 2025.

(In Canadian dollars)

The net amount of $932,391 as at June 30, 2026, includes an expected credit loss allowance of $70,000 ($270,000 as at December 31, 2025). On the basis of the Company's expected credit loss policy, the allowance was determined generally by applying a loss rate of 2% on all balances, and adjusting for specific situations, such as past due customers, whereby the loss rate varied from 25% to 50%, or greater, if needed.

Changes in costs and profits in excess of billings on uncompleted contracts during the six-month period ended June 30, 2026, are explained by $698,398 ($1,532,480 as at December 31, 2025) recognized at the beginning of the year being transferred to accounts receivable, $731,484 ($860,806 as at December 31, 2025) resulting from changes in the measure of progress and the variation in expected credit loss allowance of $200,000 ($161,500 as at December 31, 2025).

8. Investment tax credits

Investment tax credits earned, for the three and six-month periods ended June 30, 2026, amount to $42,861, and $48,332, respectively.

In the six-month period ended June 30, 2026, of the $48,332 of investment tax credits earned $18,857 was recorded against cost of sales and services, and $29,475 against research and development expenses. During the six-month period ended June 30, 2025, the Company earned $17,781 of investment tax credits, whereby $5,063 was recognized against cost of sales and services, and $12,718 against research and development expenses.

9. Strategic investments

	June 30, 2026	December 31, 2025
	$	$
Beauce Gold Fields ("BGF") shares – level 1	**51,290**	46,161
	51,290	46,161

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, 2024	1,025,794	30,774	–	–	–	–	30,774
Additions[(1)]	–	–	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	**1,025,794**	**46,161**	**–**	**–**	**17,968,873**	**–**	**46,161**
Change in the fair value	**–**	**5,129**	**–**	**–**	**–**	**–**	**5,129**
Balance, June 30, 2026	**1,025,794**	**51,290**	**–**	**–**	**17,968,873**	**–**	**51,290**

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

(In Canadian dollars)

At June 30, 2026, the fair value of the HPQ warrants was measured using the Black-Scholes option pricing model using the following assumptions:

	June 30, 2026
Number of warrants	17,968,873
Date of issuance	January 15, 2025
Exercise price ($)	0.29
Assumptions under the Black-Scholes model:	
Fair value of the shares ($)	0.01
Risk free interest rate (%)	2.73
Expected volatility (%)	67.10
Expected dividend yield	–
Contractual remaining life (in months)	7

As at June 30, 2026, the cumulative unrealized loss related to the initial recognition of the warrants is $1,640,516 and was included in the loss from the change in fair value of the strategic investment recognized in 2025.

10. Accounts payable and accrued liabilities

	June 30, 2026	December 31, 2025
	$	$
Accounts payable	**5,926,300**	6,224,169
Accrued liabilities	**4,967,121**	3,513,815
Sale commissions payable[1]	**370,164**	553,910
Due to the controlling shareholder and CEO	**332,692**	122,503
	11,596,277	10,414,397

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

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

The amount to date of costs incurred and recognized profits less recognized losses for construction projects in progress for the six months ending June 30, 2026, amounted to $44,164,965 ($31,750,803 as at December 31, 2025).

Payments to date received for the six-months ending June 30, 2026, were $49,080,482 on contracts in progress ($41,631,507 as at December 31, 2025).

Changes in billings in excess of costs and profits on uncompleted contracts during the six-month period ended June 30, 2026, is explained by $6,364,905 recognized at the beginning of the period being recognized as revenue, and an increase of $1,399,717 resulting from cash received, excluding amounts recognized as revenue. The variation in billings in excess of costs and profits on uncompleted contracts during the six-month period ended June 30, 2025, is explained by $2,696,842 recognized at the beginning of the period being recognized as revenue, and an increase of $2,702,918 resulting from cash received, excluding amounts recognized as revenue.

(In Canadian dollars)

12. Term loans

	Economic Development Agency of Canada Loan[1]
	$
Balance, December 31, 2025	247,594
Accretion	12,030
Payments	(45,000)
Balance, June 30, 2026	214,624
Less current portion	(90,000)
Balance, June 30, 2026	**124,624**

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

13. Secured loan

Secured Loan, $2,385,000 May 2025

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

The May 2025 Loan included a one-time, non-refundable, upfront fee of $300,000, and bears an interest rate of 5% per annum for the first year and 18% per annum thereafter. Interest is to be paid monthly. The loan will mature three years following the effective date of the loan. However, PyroGenesis has the right to prepay the balance of the loan at any time upon five days prior written notice to the lender.

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

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

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

The effective interest rate of the liability component is 21%.

In 2026, $1,175,000 of the May 2025 Loan was repaid.

Secured Loan, $800,000 February 2026

In February 2026, the Company completed a non-brokered private placement consisting of a loan (the "February 2026 Loan") in the amount of $800,000 with P. Peter Pascali who as the President and CEO of PyroGenesis, is a related party. In the three-month period ended June 30, 2026, the entirety of the February 2026 Loan was repaid.

The February 2026 Loan bore an interest rate of 5% per annum. Interest was to be paid quarterly and mature one year following the effective date of the loan. However, PyroGenesis had the right to prepay the balance of the loan at any time upon five days prior written notice to the lender.

In connection with the $800,000 the Company received, during the term of the loan, the lender had the right to convert, at any time, in whole or in part, the loan principal into units of the Company at the conversion price equal to $0.30. Each of these unit consisted of one common share of the Company and one-half a common share purchase warrant. Each full warrant entitled the holder to purchase one Common Share at a price of $0.40 for a period of thirty-six months following the issuance date.

(In Canadian dollars)

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

The 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. The fair value of the liability component at inception, of $700,000 was determined using estimated future cash flows discounted using a market interest rate of 20%. The residual amount representing the value of conversion feature totalling $100,000 was classified in the shareholders' equity (deficiency).

The effective interest rate of the liability component is 24%.

	May 2025 Loan	February 2026 Loan	Total
	$	$	$
December 31, 2025	1,980,250	—	**1,980,250**
Issuance, net of equity component	—	700,000	**700,000**
Accretion expense	147,028	100,000	**247,028**
Repayment	(1,175,000)	(800,000)	**(1,975,000)**
June 30, 2026	**952,278**	**—**	**952,278**

14. Shareholders' equity

Common shares and warrants

Authorized:

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

Issuance of units

On June 3, 2026, the Company completed a bought deal equity financing, consisting of the issuance and sale of 12,514,875 units of the Company at a price of $0.34 per unit, for gross proceeds of $4,255,058, before financing fees of $375,308. 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 $0.42 until June 3, 2029. The Company allocated an amount of $2,966,867 to share capital representing the fair value of the shares on June 3, 2026, of $0.26 per common share and the residual amount of $912,883 to warrants.

On June 4, 2026, the Company completed a non-brokered private placement consisting of the issuance and sale of 5,882,352 units of the Company at a price of $0.34 per unit, for net proceeds of $2,000,000. 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 $0.42 until June 4, 2029. The Company allocated an amount of $1,470,588 to share capital representing the fair value of the shares on June 4, 2026, of $0.25 per common share and the residual amount of $529,412 to warrants.

On March 26, 2026, the Company completed a non-brokered private placement consisting of the issuance and sale of 3,654,536 units of the Company at a price of $0.54 per unit, for net proceeds of $1,973,449. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.70 until March 30, 2029. The entire amount is allocated to the common shares as the fair value of the common shares on March 30, 2026, was $0.54 per common share.

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.

(In Canadian dollars)

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 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.

Stock options

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

The following table sets out the activity in stock options:

	Number of options	Weighted average exercise price
		$
Balance – December 31, 2024	13,210,000	2.74
Granted	8,960,000	0.23
Forfeited	(3,530,000)	3.15
Balance, December 31, 2025	18,640,000	1.45
Granted	**900,000**	**0.30**
Forfeited	**(1,180,000)**	**6.13**
Balance, June 30, 2026	**18,360,000**	**1.09**

Stock options granted in 2026

In January 2026, 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.

In May 2026, the Company granted 200,000 stock options to the Vice-President, Legal Affairs and Corporate Secretary of the Company. The stock options have an exercise price of $0.30 per common share, The 200,000 options will vest as follows: 50 percent on the first anniversary of the grant date, 50 percent on the second anniversary of the grant date, and are exercisable over a period of five (5) years.

(In Canadian dollars)

Stock options granted in 2025

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

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.

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

	2026	2025		
Number of options granted	**200,000**	**700,000**	**8,160,000**	**100,000**
Exercise price ($)	**0.30**	**0.30**	**0.20**	**0.51**
Fair value of each option under the Black-Scholes pricing model ($)	**0.20**	**0.20**	**0.12**	**0.34**
Assumptions under the Black-Scholes model:				
Fair value of the shares ($)	**0.30**	**0.30**	**0.20**	**0.51**
Risk-free interest rate (%)	**3.07**	**2.90**	**2.64**	**2.61**
Expected volatility (%)	**80.34**	**79.69**	**77.50**	**83.88**
Expected dividend yield	**—**	**—**	**—**	**—**
Expected life (number of months)	**60**	**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.

(In Canadian dollars)

As at June 30, 2026, the outstanding options, as issued under the stock option plan to directors, officers, employees and consultants for the purchases of one common share per option, are as follows:

Issuance date	Number of stock options December 31, 2025	Granted	Forfeitures	Number of stock options June 30, 2026	Number of stock options vested [1]	Exercise price per option	Expiry date
						$	
April 6, 2021	550,000	–	(550,000)	–	550,000	8.47	April 6, 2026
June 1, 2021	200,000	–	(200,000)	–	200,000	6.59	June 1, 2026
June 14, 2021	100,000	–	(100,000)	–	100,000	6.70	June 14, 2026
October 14, 2021	100,000	–	–	100,000	100,000	5.04	October 14, 2026
December 17, 2021	1,920,000	–	–	1,920,000	1,920,000	3.13	December 17, 2026
December 31, 2021	100,000	–	–	100,000	100,000	3.61	December 31, 2026
January 3, 2022	450,000	–	–	450,000	450,000	3.36	January 3, 2027
April 5, 2022	250,000	–	–	250,000	250,000	2.96	April 5, 2027
June 2, 2022	1,500,000	–	(100,000)	1,400,000	1,400,000	3.88	June 2, 2027
January 2, 2023	1,375,000	–	(125,000)	1,250,000	1,250,000	1.03	January 2, 2028
April 11, 2023	60,000	–	(60,000)	–	–	1.09	April 11, 2028
September 29, 2023	1,425,000	–	–	1,425,000	1,425,000	0.53	September 29, 2028
January 1, 2024	550,000	–	–	550,000	550,000	0.43	January 1, 2029
May 1, 2024	100,000	–	–	100,000	65,000	0.43	May 1, 2029
October 8, 2024	1,000,000	–	–	1,000,000	800,000	0.43	October 9, 2029
January 1, 2025	700,000	–	–	700,000	700,000	0.43	January 1, 2030
April 3, 2025	100,000	–	–	100,000	50,000	0.51	April 3, 2030
December 3, 2025	8,160,000	–	(45,000)	8,115,000	1,776,000	0.20	December 3, 2030
January 14, 2026	–	700,000	–	700,000	700,000	0.30	January 14, 2031
May 22, 2026	–	200,000	–	200,000	–	0.30	May 22, 2031
	18,640,000	**900,000**	**(1,180,000)**	**18,360,000**	**12,386,000**	**1.09**	

(1) At June 30, 2026, the weighted average exercise price for options outstanding which are exercisable was $1.60.

For the three-month and six-month periods ended June 30, 2026, a stock-based compensation expense of $160,916 and $322,305, respectively, was recorded in Selling, general and administrative expenses in the condensed consolidated statements of comprehensive income, ($140,120 and $152,787 for the three-month and six-month periods ended June 30, 2025).

At June 30, 2026, an amount of $182,852 ($810,126 at December 31, 2025) remains to be amortized until January 2030 related to the grant of stock options.

(In Canadian dollars)

Share purchase warrants

The following table reflects the activity in warrants during the period ended June 30, 2026, and the number of issued and outstanding share purchase warrants at June 30, 2026:

Issuance Date	Number of warrants December 31, 2025	Issued	Number of warrants June 30, 2026	Exercise price per warrant $	Expiry date
July 22, 2024[(1)]	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
March 30, 2026	1,827,268	—	**1,827,268**	0.70	March 30, 2029
June 3, 2026	—	13,326,725	**13,326,725**	0.42	June 3, 2029
June 4, 2026	—	5,882,352	**5,882,352**	0.42	June 4, 2028
	22,636,911	**19,209,077**	**41,845,988**		

[(1)] These warrants were extended and repriced from $1.20 to $0.63 during the year ended December 31, 2025.

15. Supplemental disclosure of cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Accounts receivable	**1,072,670**	1,409,114	**104,476**	1,076,708
Costs and profits in excess of billings on uncompleted contracts	**(496,349)**	(187,418)	**(233,086)**	599,732
Inventory	**133,000**	101,482	**169,447**	(19,921)
Investment tax credits receivable	**(42,861)**	(17,781)	**(48,331)**	(17,781)
Deposits	**(49,725)**	312,284	**(336,064)**	184,886
Contract assets	**53,748**	(18,008)	**53,748**	(23,736)
Prepaid expenses	**(36,545)**	339,497	**(233,799)**	(325,100)
Accounts payable and accrued liabilities	**(779,982)**	(1,168,784)	**1,075,609**	(906,594)
Billings in excess of costs and profits on uncompleted contracts	**(2,678,706)**	(1,133,331)	**(4,965,189)**	6,076
	(2,824,750)	(362,945)	**(4,413,189)**	574,270

(In Canadian dollars)

16. Supplemental disclosure on statements of comprehensive loss

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Cost of Sales and Services:				
Employee salary and benefits	**940,373**	791,445	**1,888,416**	1,672,486
Amortization and write-off of intangible assets	**17,769**	14,087	**66,592**	25,194
Inventories recognized in cost of sales	**46,996**	–	**86,901**	33,766
Selling, General and Administrative Expenses:				
Employee salaries and benefits	**1,853,752**	2,429,395	**3,550,717**	4,363,877
Share-based compensation expense	**160,916**	140,120	**322,305**	152,787
Government grants	**(200,941)**	(32,823)	**(233,067)**	(33,679)
Depreciation of property and equipment	**196,080**	68,406	**392,258**	248,729
Depreciation of right-of-use assets	**30,222**	182,553	**101,376**	365,107

The Company occupies a manufacturing facility, since 2012, as part of a long-term lease agreement for which it had a purchase option at the end of the lease term. The option was exercised but was contested by the lessor. During the three-month period ended June 30, 2026, the Company signed an out-of-court settlement agreement whereby the lessor would sell the property to the Company. This resulted in a lease modification whereby the Company is no longer is a long-term lease agreement and has not yet acquired the facility. Consequently, this generated a gain of $880,711 related to the adjustment and derecognition of the right-of-use asset and lease liability associated with the facility, following the settlement of the arrangement.

Other Income also includes a gain of $80,000 resulting from the sale of equipment, representing the excess of proceeds over the carrying value of the asset disposed.

17. Net finance costs (income)

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Financial expenses				
Interest on lease liabilities	**28,673**	61,540	**57,727**	124,803
Interest on convertible debentures	**6,818**	51,550	**21,547**	99,312
Interest on convertible loan	**–**	14,532	**–**	5,313
Interest on secured loans	**36,873**	16,349	**71,165**	16,349
Interest accretion on long term loans	**5,808**	7,402	**12,031**	15,175
Interest accretion on convertible debentures	**12,397**	36,662	**33,707**	90,191
Interest accretion on convertible loan	**–**	–	**–**	30,908
Interest accretion on secured loans	**126,818**	36,331	**247,028**	36,331
Penalties and other interest expenses	**73,282**	50,912	**98,516**	145,506
	290,669	275,278	**541,721**	563,888
Financial income				
Interest accretion on and revaluation of balance due on business combination[1]	**–**	(1,035,892)	**–**	(1,016,151)
Accretion interest on royalty receivable	**(30,718)**	(23,051)	**(60,225)**	(45,192)
Net financial expenses (income)	**259,951**	(783,665)	**481,496**	(497,455)

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

(In Canadian dollars)

18. Loss per share

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

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Weighted average number of common shares outstanding	**212,381,222**	186,754,009	**220,720,379**	185,464,322
Weighted average number of diluted shares outstanding	**212,381,222**	186,754,009	**220,720,379**	185,464,322
Number of anti-dilutive stock options and warrants excluded from fully diluted earnings per share calculation	**59,394,138**	23,579,416	**59,394,138**	23,579,416

19. Related party transactions

During the three and six-month periods ended June 30, 2026, the Company concluded the following transactions with related parties:

A balance due to the controlling shareholder and CEO of the Company amounted to $332,692 at June 30, 2026, ($122,503 at December 31, 2025) and is included in accounts payable and accrued liabilities.

In June 2026, the President and CEO, participated in a non-brokered private placement for gross proceeds of $2,000,000.

In March 2026, the President and CEO, participated in a non-brokered private placement for gross proceeds of $397,000. Two officers of the Company also participated for a total amount of $68,800.

In February 2026, the President and CEO, participated in a non-brokered secured loan for gross proceeds of $800,000.

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, are the members of the Board of Directors and certain officers. Total compensation to key management consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Salaries – key management	**322,880**	758,211	**603,799**	1,201,902
Pension contributions	**5,607**	13,825	**10,305**	21,967
Fees – Board of Directors	**38,700**	75,900	**76,000**	116,500
Share-based compensation – officers	**40,575**	98,166	**152,737**	219,631
Share-based compensation – Board of Directors	**16,144**	32,406	**32,123**	80,408
Other benefits – key management	**94,127**	176,134	**135,871**	329,126
Total compensation	**518,033**	1,154,642	**1,010,835**	1,969,534

20. Financial instruments

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

Foreign currency risk

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

As at June 30, 2026, and December 31, 2025, the Company's exposure to foreign exchange risk for amounts denominated in US dollars and Euros is as follows, as expressed in Canadian dollars:

	June 30, 2026		December 31, 2025	
	US	**Euro**	US	Euro
	$	**$**	$	$
Cash	**242,557**	**40,530**	860,174	–
Accounts receivable	**3,573,963**	**251,405**	3,318,106	912,512
Accounts payable and accrued liabilities	**(2,154,386)**	**(1,453,752)**	(1,928,905)	(15,313)
Total	**1,662,134**	**(1,161,817)**	2,249,375	897,199

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

Sensitivity analysis

At June 30, 2026, if the US dollar and Euro had changes by 10% against the Canadian dollar with all other variables held constant, the impact on pre-tax gain or loss and equity for the three-month period ended June 30, 2026, would have been $166,213 and ($116,182), respectively (December 31, 2025 - $224,938 and $89,720, respectively).

Credit concentration

During the three-month period ended June 30, 2026, four customers accounted for 63%, (Three-month period ended June 30, 2025 – three customers for 55%) of revenues from operations.

During the six-month period ended June 30, 2026, two customers accounted for 40%, (Six-month period ended June 30, 2025 – three customers for 51%) of revenues from operations.

	Three months ended June 30, 2026		Six months ended June 30, 2026	
	Revenues	% of total revenues	Revenues	% of total revenues
	$	%	**$**	**%**
Customer 1	1,062,134	24	2,611,263	28
Customer 2	655,017	15	1,093,364	12
Customer 3	586,652	13	–	–
Customer 4	499,194	11	–	–
Total	**2,802,997**	**63**	**3,704,627**	**40**

Two customers accounted for 54% and 19%, respectively (December 31, 2025 – two customers for 37% and 12%, respectively) of the total trade accounts receivable before expected credit loss allowance 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 June 30, 2026, 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 2025. The Company does not have collateral or other security associated with the collection of this receivable. The carrying amount of the royalties receivable have been discounted to reflect the time value of money and credit risk of the counterparty.

The deposits are payments made to suppliers and entities from which the Company leases property. The Company does not have collateral or other security associated with the collection of these deposits. As at June 30, 2026, and December 31, 2025, no loss allowance has been recognized in connection with these deposits, and the maximum exposure is the carrying amount of these deposits.

During the six-month period ended June 30, 2026, and the year-end December 31, 2025, provisions for expected credit losses were recorded, however, the accounts provisioned by the loss are still subject to enforcement activity in order to collect the balances due.

Interest rate risk

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

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from foreign currency risk and interest risk), whether those changes are caused by factors specific to the individual financial instrument or its issuers or factors affecting all similar financial instruments traded in the market. The most significant exposure to the price risk for the Company arises from its investments in shares and warrants of public companies quoted on the TSX Venture Exchange. If equity prices had increased or decreased by 25% as at June 30, 2026, with all other variables held constant, the Company's investments would have increased or decreased respectively, by approximately $12,823 ($11,540 as at December 31, 2025).

(In Canadian dollars)

Liquidity risk

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

The following table summarizes the contractual amounts payable and maturities of financial liabilities and other liabilities at June 30, 2026:

	Carrying value	Total contractual amount	Less than one year	2-3 years	4-5 years	Over 5 years
	$	$	$	$	$	$
Accounts payable and accrued liabilities[1]	10,229,134	10,229,134	10,229,134	–	–	–
Term loans	214,624	247,500	90,000	157,500	–	–
Balance due on business combination	771,120	771,120	771,120	–	–	–
Lease liabilities	1,437,662	2,102,493	191,784	408,130	401,580	1,100,999
Convertible debentures	101,000	101,561	101,561	–	–	–
Secured loans	952,278	1,609,797	217,800	1,391,997	–	–
	13,705,818	**15,061,605**	**11,601,399**	**1,957,627**	**401,580**	**1,100,999**

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

A commercial bank issued a standby letter of credit on behalf of the Company to a customer in the amount $257,000 (expiration in November 2026) on advance guarantees secured by Export Development Canada.

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 9).

(In Canadian dollars)

The fair value of the term loans and the convertible debentures, as at June 30, 2026, is determined using the discounted future cash flows method and management's estimates for market interest rates for similar issuances.

The balance due on business combination is determined by estimating the present value of probable future economic outflows from the settlement of the provisions contained in the purchase agreement. Accordingly, as a result, their fair market values correspond to their carrying amount. The term loans and convertible debentures are classified as level 2 and the balance due on business combination as Level 3.

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

	$
Balance due on business combination at December 31, 2024	1,787,271
Interest accretion on and revaluation of balance due on business combination(1)	(1,016,151)
Balance due on business combination at December 31, 2025	771,120
Balance due on business combination at June 30, 2026	**771,120**

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

21. 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.

22. Capital management

The Company’s objectives in managing capital are:

a) To ensure sufficient liquidity to support its current operations and execute its business plan; and

b) To provide adequate return to the shareholders

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

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

The Company monitors its working capital in order to meet its financial obligations. On June 30, 2026, the Company’s working capital deficiency was $7,136,093 ($15,423,288 at December 31, 2025).

The management of capital includes shareholders’ deficiency for a total amount of $3,829,929 and term loans of $214,624 ($10,428,918 and $247,594 respectively at December 31, 2025), as well as cash amounting to $1,310,328 ($1,088,707 at December 31, 2025).

(In Canadian dollars)

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

23. Segment information

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

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

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Austria	**–**	–	**–**	27,503
Brazil	**39,878**	3,959	**38,719**	1,015
Belgium	**54,867**	–	**124,620**	–
Canada	**690,009**	476,828	**1,128,794**	1,133,248
China	**2,078**	–	**2,078**	–
France	**421,981**	(3,182)	**896,045**	(3,182)
Germany	**–**	14,993	**–**	15,282
India	**(5,398)**	370,560	**30,574**	493,798
Italy	**–**	–	**7,535**	–
Mexico	**10,157**	14,582	**99,833**	70,419
Netherlands	**16,161**	78,828	**81,132**	100,059
New Zealand	**1,062,134**	333,124	**2,611,263**	609,908
Norway	**147,586**	65,496	**288,166**	64,662
Poland	**45,787**	143	**143,560**	43,195
Saudi Arabia	**586,652**	110,652	**772,406**	196,053
Sweden	**153,444**	–	**837,797**	–
United States of America	**1,199,342**	1,541,662	**2,234,720**	3,243,223
	4,424,678	3,007,647	**9,297,242**	5,995,182

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

24. Commitments and contingencies

As at June 30, 2026, the Company had entered into an out-of-court settlement with the lessor of a manufacturing facility that is occupies, in order to purchase the property. The purchase price is $3.1 million, and the agreement followed the exercise of the purchase option and termination of the long-term lease during the three-month period ended June 30, 2026. Completion of the transaction is subject to the satisfaction of certain conditions and accordingly the purchase had not been completed as at June 30, 2026.