SHARC INTERNATIONAL SYSTEMS INC.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2026

Unaudited
Expressed in Canadian dollars

SHARC INTERNATIONAL SYSTEMS INC.

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed financial statements; the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial information by an entity's auditor.

Management has prepared the information and representations in this interim report. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the condensed financial statements.

The company maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

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

	Note	September 30, 2026 (unaudited) $	December 31, 2025 (audited) $
ASSETS			
Current			
Cash		1,797,401	262,513
Receivables, net of bad debt allowance	4,5	232,996	227,693
Prepaid expenses		164,720	75,777
Inventory	6	572,956	1,035,687
Total current assets		**2,768,073**	**1,601,670**
Restricted cash	7	109,814	108,039
Property and equipment	8	237,140	386,786
Total assets		**3,115,027**	**2,096,495**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	5	795,863	1,333,864
Deferred revenue	9	1,703,562	95,383
Debenture	10	160,000	160,000
Lease liabilities	12	196,253	179,441
Total current liabilities		**2,855,678**	**1,768,688**
Debenture	10	1,835,013	1,609,523
Convertible debenture	11	3,441,860	1,289,595
Warranty provisions		270,739	147,753
Lease liabilities	12	25,573	174,939
Total Liabilities		**8,428,863**	**4,990,498**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	13	36,818,449	36,746,291
Reserves	13	5,191,623	4,872,236
Currency translation reserve		(126,101)	(12,437)
Deficit		(47,197,807)	(44,500,093)
Total shareholders' equity (deficiency)		**(5,313,836)**	**(2,894,003)**
Total liabilities and shareholders' equity (deficiency)		**3,115,027**	**2,096,495**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.
Nature of Operations and Going Concern [Note 1]
Subsequent Events [Note 18]

Approved on behalf of the Board of Directors on October 27, 2026:

/s/ Shane Dungey
Director

/s/Felix Fred Andriano
Director

SHARC International Systems Inc.
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian dollars)

	Note	Three months ended September 30, 2026 $	Three months ended September 30, 2025 $	Nine months ended September 30, 2026 $	Nine months ended September 30, 2025 $
Revenue	17	833,714	829,909	1,595,596	2,691,028
Cost of Sales		(564,277)	(506,331)	(1,059,421)	(1,678,489)
Gross Margin		**269,437**	**323,578**	**536,175**	**1,012,539**
Expenses					
Accounting and legal		83,669	109,117	202,347	221,471
Advertising and promotion		18,576	26,595	99,855	91,681
Consulting	5	137,786	113,696	344,724	363,300
Depreciation	8	50,599	52,009	151,465	155,608
Insurance		14,301	10,704	35,687	35,710
Interest and financing expense	10,11,12	218,464	112,380	539,523	322,556
Office and miscellaneous		29,888	34,566	96,628	96,443
Regulatory and filing fees		17,570	13,563	42,311	41,072
Rent		17,225	17,225	51,675	51,675
Repairs and maintenance		5,464	4,920	18,355	12,287
Research and development		5,217	1,805	(1,519)	44,110
Share-based payments	13	135	11,949	16,051	204,496
Telephone and utilities		15,277	22,954	62,195	76,674
Travel		53,913	28,734	133,350	105,446
Wages and benefits		468,067	528,580	1,470,295	1,568,047
Warranty expense		13,541	60,566	144,968	94,156
		1,149,692	**1,149,363**	**3,407,910**	**3,484,732**
		(880,255)	**(825,785)**	**(2,871,735)**	**(2,472,193)**
Interest income		10	21	32	612
Foreign exchange		10,478	35,365	80,863	(54,176)
Loss on debt settlement		—	—	5,000	—
Loss before income taxes		**(869,767)**	**(790,399)**	**(2,785,840)**	**(2,525,757)**
Deferred tax recovery		—	55,342	88,124	55,342
Loss for the period		**(869,767)**	**(735,057)**	**(2,697,716)**	**(2,470,415)**
Other comprehensive income					
Foreign currency translation		(7,181)	(50,035)	(113,664)	46,610
Loss and comprehensive loss for the period		**(876,948)**	**(785,092)**	**(2,811,380)**	**(2,423,805)**
Basic and diluted loss per common share		**(0.01)**	**(0.01)**	**(0.02)**	**(0.02)**
Weighted average number of common shares outstanding – basic and diluted		**164,687,454**	**162,609,033**	**164,625,639**	**162,357,950**

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

SHARC International Systems Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Common Shares		Reserves	Currency translation reserve	Obligation to issue shares	Deficit	Total
	Number	$	$	$	$	$	$
Balance, December 31, 2024	**161,262,422**	**35,956,154**	**5,133,412**	**(97,446)**	**50,782**	**(41,019,495)**	**23,407**
Stock options exercised	950,000	83,750	-	-	-	-	**83,750**
Fair value of stock options exercised	-	67,654	(67,654)	-	-	-	**-**
Issuance of convertible debt	-	-	127,114	-	-	-	**127,114**
Fair value of finder's warrants	-	-	35,521	-	-	-	**35,521**
Settlement of RSU Units	2,351,402	638,733	(587,951)	-	(50,782)	-	**-**
Options issued for loan	-	-	40,035	-	-	-	**40,035**
Currency translation adjustment	-	-	-	85,009	-	-	**85,009**
Share-based payments	-	-	191,759	-	-	-	**191,759**
Loss for the year	-	-	-	-	-	(3,480,598)	**(3,480,598)**
Balance, December 31, 2025	**164,563,824**	**36,746,291**	**4,872,236**	**(12,437)**	**-**	**(44,500,093)**	**(2,894,003)**
Issuance of convertible debt	-	-	202,591	-	-	-	**202,591**
Share issue cost	-	-	106,410	-	-	-	**106,410**
Conversion of convertible debt	596,835	72,158	(5,665)				**66,493**
Currency translation adjustment	-	-	-	(113,664)	-	-	**(113,664)**
Share-based payments	-	-	16,051	-	-	-	**16,051**
Loss for the year	-	-	-	-	-	(2,697,716)	**(2,697,716)**
Balance, September 30, 2026	**165,160,659**	**36,818,449**	**5,191,623**	**(126,101)**	**-**	**(47,197,809)**	**(5,313,838)**

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

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

	Nine months ended September 30, 2026 $	2025 $
OPERATING ACTIVITIES		
Loss for the period	(2,697,716)	(2,470,415)
Add: Items not affecting cash		
Depreciation	151,465	155,608
Unrealized foreign exchange	(112,359)	46,091
Share based payments	16,051	204,496
Accrued interest expense	536,477	316,307
Deferred tax recovery	(88,124)	—
Changes in non-cash working capital items:		
Receivables	(5,303)	(200,853)
Prepaid expenses and deposits	(88,943)	102,725
Inventory	462,731	182,937
Accounts payable and accrued liabilities	(541,201)	635,991
Deferred revenue	1,608,179	(922,761)
Warranty provisions	119,906	39,797
Cash used in operating activities	**(638,836)**	**(1,965,419)**
INVESTING ACTIVITY		
Purchase of Property and equipment	(1,819)	(2,795)
Transfer of restricted cash	—	50,000
Cash used in investing activity	(1,819)	**47,205**
FINANCING ACTIVITIES		
Proceeds on exercise of stock options	—	83,750
Loan funds received, net of costs	—	1,433,079
Proceeds from issuance of convertible debentures	2,333,200	—
Payment of lease liabilities	(157,657)	(157,657)
Cash provided by (used in) financing activities	**2,175,543**	**1,359,172**
Increase (decrease) in cash	1,534,888	(559,042)
Cash, beginning of the period	262,513	818,259
Cash, end of the period	**1,797,401**	**259,217**

Supplemental disclosure with respect to cash flow (Note 16)
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

SHARC International Systems Inc. (the "**Company**" or "**SHARC Energy**") was incorporated under the *Business Corporations Act* (British Columbia) on February 4, 2011. The Company's shares are listed on the Canadian Securities Exchange (the "**CSE**") under the trading symbol "**SHRC**", Frankfurt Stock Exchange (the "**FSE**") under the trading symbol "**IWIA**" and the OTC under the symbol "**INTWF**". The Company is engaged in providing Wastewater Energy Transfer ("**WET**") expertise and products that service commercial, industrial, public utilities and residential development projects objectives of reducing their carbon footprint while saving on energy costs. The Company's registered and records office is located at 1443 Spitfire Place, Port Coquitlam, British Columbia, Canada, V3C 6L4.

These condensed consolidated interim financial statements (the "Financial Statements") have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

As at September 30, 2026, the Company had an accumulated deficit of $47.2 million, negative working capital of $87,605, and a loss of $2.7 million for the nine months then ended. The Company continues to fund its operations through a combination of revenues generated from operations and external financing activities.

During 2026, the Company strengthened its liquidity position through the completion of $2.5 million of unsecured convertible debenture financing and increased its cash balance to $1.8 million at September 30, 2026. In addition, the Company reported a sales order backlog of approximately $10.1 million as of October 30, 2026, providing increased visibility with respect to future revenue generation.

The Company's ability to continue meeting its obligations will depend on the successful execution of its project backlog, collection of customer receivables, management of operating expenditures, and access to financing if required. While management believes the Company is positioned to continue executing its business plan, there can be no assurance that additional financing, if required, will be available on acceptable terms or at all.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the fiscal year ended December 31, 2025, which have been prepared with International Financial Reporting Standards ("IFRS"). These Financial Statements were approved by the Company's Board of Directors on April 30, 2026.

2. BASIS OF PRESENTATION (CONTINUED)

[b] Basis of measurement and consolidation

These Financial Statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities measured at fair value.

These Financial Statements include the accounts of the Company's subsidiaries:

Company	Location	Ownership % as at September 30, 2026	Ownership % as at December 31, 2025
SHARC Energy Systems Inc. ("**SES**")	Canada	100	100
SHARC Energy (US) Systems Inc. (**"SHARC US"**)	United States	100	100

The Company includes assets, liabilities and operations of subsidiaries from the date of acquisition to the date of disposal.

All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

[c] Functional and presentation currency

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiary SES. The functional currency of its subsidiary, SHARC US is US dollars. The results of SHARC US have been converted and are reflected in Canadian dollars within these Financial Statements.

[d] Significant accounting estimates and judgments

The preparation of these Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company reviews its estimates and underlying assumptions on an ongoing basis.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

2. BASIS OF PRESENTATION (CONTINUED)

i. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.

ii. The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

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

ii. Warranty provisions are recognized for the future obligations to provide services for the repairs and maintenance of products sold to its customers. The Company assesses its warranty provision based on experience. Actual costs incurred may differ from those amounts estimated.

iii. The Company estimates the net realizable values of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market drive changes that may reduce future selling prices.

iv. The Company may enter into contracts for product sales with custom specifications whereby the product has no alternative use. Revenue associated with these products are recognized over the time of production of the unit. Judgement is made when utilizing the cost-based input method and determining the revenue and associated cumulative cost-plus estimated margin to recognized at the end of each reporting period.

v. The equity component of the convertible debenture is calculated using a discounted cash flow method which requires management to make an estimate on an appropriate discount rate.

vi. The fair value of share purchase warrants with non-market vesting conditions requires the Company to estimate probability of vesting conditions occurring which may be affected by several factors that may be highly speculative. Changes in these assumptions can materially affect the fair value estimate. Management is required to reassess the probability assigned at each period end.

3. MATERIAL ACCOUNTING POLICY INFORMATION

These Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended December 31, 2025.

4. RECEIVABLES

	As at September 30, 2026 $	As at December 31, 2025 $
GST recoverable	21,268	25,543
Other receivables	32,194	42,925
Trade receivables, net of expected credit losses	179,535	159,225
Total	**232,997**	**227,693**

5. RELATED PARTY DISCLOSURE

Transactions with related parties

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors.

The Company incurred the following charges with key management personnel:

	Three months ended September 30,		Nine months ended September 30,	
	2026 $	2025 $	2026 $	2025 $
Consulting Fees [i]	83,336	55,526	197,084	167,355
Wages and Benefits [ii]	107,984	140,895	387,858	429,719
Share-based payments [iii]	-	9,111	10,281	118,863
	191,320	**205,532**	**595,222**	**715,937**

i. The Company paid consulting fees to a company controlled by the Interim CEO, Interim CFO and Chairman of the Board, and includes prior fees paid to the former CFO.

ii. The Company paid wages and benefits to the President and the former Vice-Chairman of the Board .

iii. Share-based payments were recognized in connection with the vesting of options granted to director and officers of the Company.

Included in receivables is $32,194 (December 31, 2025 - $42,925) due from related parties.

Included in accounts payable and accrued liabilities is $255,384 (December 31, 2025 - $185,031) due to related parties.

6. INVENTORY

	As at September 30, 2026 $	As at December 31, 2025 $
Materials and supplies	463,060	666,848
Work-in-progress	109,896	321,797
Finished goods	-	47,042
Total	**572,956**	**1,035,687**

7. RESTRICTED CASH

The restricted cash balance of $109,814 (December 31, 2025 - $108,039) is comprised of a bank lien, in the form of an interest bearing GIC, on funds held as collateral for the Company's corporate credit card limits.

8. PROPERTY AND EQUIPMENT

	Equipment, Furniture & Fixtures $	Computer Hardware $	Leasehold Improvements $	Right-of-use assets $	Total $
COST:					
Balance, December 31, 2024	**145,506**	**126,832**	**76,315**	**1,106,823**	**1,455,476**
Additions	3,784	666	—	—	4,450
Balance, December 31, 2025	**149,290**	**127,498**	**76,315**	**1,106,823**	**1,459,927**
Additions	1,820	—	—	—	1,820
Balance, September 30, 2026	**151,110**	**127,498**	**76,315**	**1,106,823**	**1,461,747**
ACCUMULATED DEPRECIATION:					
Balance, December 31, 2024	**86,963**	**106,148**	**55,321**	**616,851**	**865,283**
Depreciation expense	12,186	9,381	10,555	175,736	207,858
Balance, December 31, 2025	**99,149**	**115,529**	**65,876**	**792,587**	**1,073,141**
Depreciation expense	7,520	5,603	6,539	131,802	151,464
Balance, September 30, 2026	**106,669**	**121,132**	**72,415**	**924,389**	**1,224,605**
NET BOOK VALUE:					
Balance, December 31, 2025	**50,141**	**11,969**	**10,439**	**314,236**	**386,786**
Balance, September 30, 2026	**44,441**	**6,366**	**3,900**	**182,434**	**237,142**

9. DEFERRED REVENUE

Deferred revenue relates to on-going projects and service agreements at year end. Revenue is recognized on completion and sale of projects and over the length of term for the service agreements. As at September 30, 2026, the balance was $1,703,562 (December 31, 2025 - $95,383).

10. DEBENTURE

On July 8, 2024, the Company issued 2,000 unsecured debenture units with a total principal amount of $2,000,000. The debenture matures on July 8, 2027, and bears interest at an annual rate of 8% due annually. The debenture, including any accrued and unpaid interest, will be repayable in part or in full on any one or more occasions without penalty at any time prior to the maturity date at the option of the Company.

Each debenture unit consists of a $1,000 principal amount of 8.0% unsecured debenture of the Company; and 5,000 common share purchase warrants of the Company. Each warrant will entitle the holder to acquire one common share in the capital of the Company at an exercise price of $0.20 per share for a period of 36 months from the date of issuance.

Total finders' fee of $160,000 in cash, 800,000 finder's warrants valued at $57,368, and regulatory fees of $540 were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.20 per share for a period of three years following the date of issuance. The fair value of $57,368 was assigned to the 800,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 63.66% which is based on historical volatility, risk-free rate of return of 3.47% and an expected maturity of three years.

The debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 12%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The equity component consists of the warrants. The value attributed to the warrants was based on the relative fair value approach.

On initial recognition, the liability component was $1,786,856 ($1,592,147 net of transaction costs) and the warrants were $189,921 ($132,373 net of tax effect).

Accretion charges, included in interest and financing expense on the statements of loss and comprehensive loss, attributable to the debentures for the period ended June 30, 2026 was $75,123 (June 30, 2025 - $69,810) of which $nil relates to interest paid.

10. DEBENTURE (CONTINUED)

Balance, December 31, 2024	**1,642,513**
Accretion expense	287,010
Interest payable	(160,000)
Balance, December 31, 2025	**1,769,523**
Accretion expense	225,490
Interest payable	—
Balance, September 30, 2026	**1,995,013**

11. CONVERTIBLE DEBENTURE

i. Debenture #1 – August 15, 2025

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

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

The debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

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

During the nine months ended September 30, 2026, $70,000 of debentures plus $4604.44 worth of interest were converted to 596,835 common shares.

ii. Debenture #2A – February 23, 2026

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

11. CONVERTIBLE DEBENTURE (CONTINUED)

Total finders' fee of $24,000 in cash, 192,000 finder's warrants valued at $11,616, and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $11,616 was assigned to the 192,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

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

iii. Debenture #2B – April 28, 2026

On April 28th, 2026, the Company issued unsecured debentures with a total principal amount of $300,000. The debenture matures on April 28, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $8,000 in cash, 64,000 finder's warrants valued at $3,003, and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $3,003 was assigned to the 64,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $260,834 ($251,267 net of transaction costs) and the equity portion were $39,166 ($27,155 net of transaction costs and tax effect).

11. CONVERTIBLE DEBENTURE (CONTINUED)

iv. Debenture #2C – May 22, 2026

On May 22nd, 2026, the Company issued unsecured debentures with a total principal amount of $1,471,000. The debenture matures on May 22, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $117,680 in cash, 941,440 finder's warrants valued at $85,196 and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $85,196 was assigned to the 941,440 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $1,278,955 ($1,102,566 net of transaction costs) and the equity portion were $192,045 ($113,706 net of transaction costs and tax effect).

v. Debenture #2D – May 28, 2026

On May 28th, 2026, the Company issued unsecured debentures with a total principal amount of $429,000. The debenture matures on May 28, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $17,120 in cash, 72,960 finder's warrants valued at $6,595 and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $6,595 was assigned to the 72,960 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

11. CONVERTIBLE DEBENTURE (CONTINUED)

On initial recognition, the liability component was $372,922 ($352,374 net of transaction costs) and the equity portion were $56,008 ($37,790 net of transaction costs and tax effect).

Accretion charges included in interest and financing expense on the statements of loss and comprehensive loss, attributable to all the convertible debentures for the period ended September 30, 2026 was $238,272 of which $nil relates to interest paid. (September 30, 2025 was $nil, of which $nil relates to interest paid)

	Note 11 [i] $	Note 11 [ii] $	Note 11 [iii] $	Note 11 [iv] $	Note 11[v] $	TOTAL $
Balance, December 31, 2024	-	-	-	-	-	-
Principal	1,570,000	-	-	-	-	1,570,000
Warrant component	(204,969)	-	-	-	-	(204,969)
Transaction costs	(172,442)	-	-	-	-	(172,442)
Accretion expense	74,493	-	-	-	-	74,493
Interest payment	-	-	-	-	-	-
Conversion of debt	-	-	-	-	-	-
Balance, December 31, 2025	**1,289,595**	**-**	**-**	**-**	**-**	**1,289,595**
Principal	-	300,000	300,000	1,471,000	429,000	2,500,000
Warrant component	-	(34,616)	(37,730)	(165,558)	(52,911)	(290,715)
Transaction costs	-	(35,616)	(11,003)	(202,876)	(23,715)	(273,210)
Accretion expense	159,552	23,261	14,383	68,523	16,963	282,682
Interest payment	(4,604)	-	-	-	-	(4,604)
Conversion of debt	(61,888)	-	-	-	-	(61,888)
Balance, September 30, 2026	**1,382,655**	**253,129**	**265,650**	**1,171,089**	**369,337**	**3,441,860**

12. LEASE LIABILITIES

The Company leases vehicles and office space in Canada. The lease liabilities are discounted using an incremental borrowing rate of 12%.

	As at September 30, 2026 $	As at December 31, 2025 $
Balance, beginning of year	**354,379**	**513,625**
Additions	—	—
Interest	25,103	50,963
Lease payments	(157,657)	(210,209)
Balance, end of year	**221,825**	**354,379**
Less: non-current portion	(25,573)	(174,938)
Balance, current portion	**196,252**	**179,441**

Undiscounted lease payments	**$**
Not later than one year	210,209
Later than one year and not later than 5 years	25,899
September 30, 2026	**236,108**

12. LEASE LIABILITIES (CONTINUED)

For the nine months ended September 30, 2026, $51,675 of variable lease payments (nine months ended September 30, 2025 - $51,675) were included in rent expense on the statements of loss and comprehensive loss.

13. SHARE CAPITAL

[a] Authorized Share Capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

[b] Common shares

The Company had the following share capital transactions during the year ended December 31, 2025

[i] issued 950,000 common shares pursuant to the exercise of stock options for aggregate gross proceeds of $83,750. The fair value increment adjustment of the options of $67,654 was transferred from reserves to share capital.

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

The Company had the following share capital transactions during the six months ended June 30, 2026

[i] issued 596,835 shares upon conversion of $70,000 of debentures and $4,604 interest at a conversion price of $0.125 per share

[c] Common share purchase warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number	Weighted Average $
Balance, December 31, 2024	**14,573,585**	**0.22**
Issued	1,004,800	0.125
Forfeited	(3,773,585)	0.265
Balance, December 31, 2025	**11,804,800**	**0.19**
Issued	1,270,400	0.125
Balance, September 30, 2026	**13,075,200**	**0.19**

13. SHARE CAPITAL (CONTINUED)

Date of Expiry	Exercise price $	Warrants outstanding	Warrants exercisable
July 8, 2027	0.200	10,800,000	10,800,000
August 15, 2028	0.125	1,004,800	1,004,800
February 23, 2029	0.125	192,000	192,000
April 28, 2029	0.125	64,000	64,000
May 22, 2029	0.125	941,440	941,440
May 28, 2029	0.125	72,960	72,960
Balance, September 30, 2026		**13,075,200**	**13,075,200**

[d] Stock options

On August 7, 2020 and as amended on August 10, 2023, the Company adopted a stock option plan for directors, officers, employees, and consultants of the Company. Under the terms of the plan, each vested option awarded entitles the option holder to receive one common share in the Company. The maximum number of options granted should not exceed 10% of the issued shares of the Company aggregated with all other security-based compensation arrangements.

During the three and nine month period ended September 30, 2026, the Company recorded share-based payment expense of $135 and $16,051 (September 30, 2025 - $11,949 and $68,308) directly related to stock options.

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price $
Balance, December 31, 2024	**4,841,141**	**0.26**
Issued	800,000	0.10
Exercised	(950,000)	0.09
Expired/Cancelled	(3,891,141)	0.30
Balance, December 31, 2025 & September 30, 2026	**800,000**	**0.10**

Date of Expiry	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
May 16, 2028	0.10	800,000	800,000
Balance, September 30, 2026	**0.10**	**800,000**	**800,000**

As of September 30, 2026 the weighted average remaining life for outstanding options was 1.61 years (December 31, 2025: 2.37 years).

13. SHARE CAPITAL (CONTINUED)

[e] Restricted Share Units ("RSU")

On August 7, 2020 and as amended August 10, 2023, the Company adopted an RSU plan for directors, officers, employees and consultants of the Company. Under the terms of the plan, each vested RSU awarded entitles the RSU holder to receive, subject to adjustment as provided for in the RSU Plan, either one common share in the Company or, at the Company's option, an equivalent cash payment. The maximum number of RSUs granted should not exceed 10% of the issued shares of the Company aggregated with all other security-based compensation arrangements.

During the three and nine months ended September 30, 2026, the Company recorded no share-based payments expense related to the RSUs (September 30, 2025: $nil and $136,188)

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

	Number	Weighted Average Fair Value $
Balance, December 31, 2024	**2,913,037**	**0.27**
Exercised	(1,966,000)	0.27
Exercised	(204,037)	0.28
Forfeited/Expired	(743,000)	0.27
Balance, December 31, 2025 & September 30, 2026	**—**	**—**

14. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to support the development of its business and maintain the necessary corporate and administration functions to facilitate these activities. The capital of the Company consists of items included in shareholders' equity (deficiency).

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to raise new funds.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

IFRS 13 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and restricted cash is based on Level 1 inputs. The fair value of the Company's cash, restricted cash, receivables, deposits, accounts payable and accrued liabilities and debentures approximate their carrying values due to the short-term to maturity. The fair value of the debenture and lease liabilities are initially recorded at fair value and subsequently carried at amortized cost using rates comparable to market interest rates.

[a] Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, restricted cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash and restricted cash by placing these instruments with institutions of high credit worthiness. Receivables are primarily from sales. The Company believes these parties to be of sound creditworthiness. As at September 30, 2026 the Company is exposed to credit risk arising from receivables and recorded a loss allowance of $50,000 (December 31, 2025 - $50,000).

[b] Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through debt financing. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

[c] Market risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2026 the Company is not exposed to any significant interest rate risk.

[d] Foreign exchange rate risk

The Company operates in Canada and the United States of America and is, therefore, exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

At September 30, 2026, the Company had US denominated current assets of US$474,014 and US denominated current liabilities of US$540,895 (December 31, 2025 - US$191,922 and US$563,159, respectively). Accordingly, a 10% change in the foreign exchange rate would result in $12,584 credit or charge to operations (December 31, 2025 - $69,984).

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Nine months ended September 30,	
	2026	2025
	$	$
Fair value of stock options and RSU's exercised	—	242,884
Issuance of convertible debt— warrant component	290,715	—
Fair value of broker warrants	106,410	—

17. SEGMENTED INFORMATION

The Company has a single operating segment, the sales and marketing of Wastewater Energy Transfer ("**WET**") Equipment. As at September 30, 2026 and December 31, 2025, all of the Company's main operations, assets and employees are in Canada.

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

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
	$	$	$	$
Equipment rentals	3,600	3,600	10,800	10,800
Service and maintenance agreements	194,969	54,828	393,825	337,607
Product sales	635,145	771,481	1,190,971	2,342,621
	833,714	**829,909**	**1,595,596**	**2,691,028**

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2026:

[a] Grant of Options and RSU's

On October 2, 2026, the Board of Directors approved grants of stock options and restricted share units ("RSUs") pursuant to the Company's equity incentive plans.

The Company granted an aggregate of 9,590,000 stock options to directors, officers, and eligible participants. Each option is exercisable at $0.09 per common share, vests immediately, and expires on October 2, 2029, in accordance with the Company's Stock Option Plan.

The Company also granted an aggregate of 1,806,250 RSUs to non-executive employees under the Company's Restricted Share Unit Plan. The RSUs will vest four months following the date of grant.

These equity awards were approved after the reporting period and do not relate to conditions existing at the reporting date. Accordingly, they are treated as non-adjusting subsequent events under IAS 10. The

18. SUBSEQUENT EVENTS (CONTINUED)

Company will recognize the associated share-based compensation expense in future periods in accordance with IFRS 2 *Share-based Payment*.

[b] Legal Matters

The Company received two employment-related claims subsequent to the reporting date. One matter has proceeded to legal action and one matter remains at the demand stage. Management, together with external legal counsel, is assessing the claims and the appropriate response. As these matters arose after the reporting date and do not relate to conditions existing at September 30, 2026, they have been treated as non-adjusting subsequent events under IAS 10. The ultimate outcome and any potential financial impact cannot presently be determined and, accordingly, no provision has been recorded.

[c] Material Contract

The Company received a purchase order valued at over $5.0 million from the City of Surrey for the District Energy Sewer Heat Recovery Project. The purchase order represents the largest single customer order in the Company's history and includes the supply of three SHARC 880 Wastewater Energy Transfer ("WET") systems with a combined thermal capacity of approximately 6 megawatts (MW).

The project is intended to support the expansion of Surrey City Centre's district energy network and is expected to utilize municipal sewer infrastructure to provide a significant portion of the network's heating requirements. Equipment fabrication and delivery are scheduled to occur between late 2027 and early 2028. Revenue associated with the purchase order is expected to be recognized commencing in the second half of 2027 and continuing into 2028 as the Company's performance obligations are satisfied.