



**Hybrid Power Solutions Inc.**

Condensed Consolidated Interim Financial Statements

As of November 30, 2025

And

For the Six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Hybrid Power Solutions Inc. (the "Company") as of November 30, 2025 and for the six months ended November 30, 2025 and 2024, have been prepared by, and are the responsibility of, the management of the Company and approved by the Company's Audit Committee and Board of Directors.

Under National Instrument 51-102 Continuous Disclosure Obligations, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity's auditor.

# Hybrid Power Solutions Inc.

## Consolidated Statements of Loss and Comprehensive Loss

As of November 30, 2025 and May 31, 2025

(Unaudited-Expressed in Canadian dollars)

|                                                         | Notes | As of November<br>30, 2025 | May 31, 2025<br>(Audited) |
|---------------------------------------------------------|-------|----------------------------|---------------------------|
| <b>ASSETS</b>                                           |       |                            |                           |
| Current assets                                          |       |                            |                           |
| Cash                                                    |       | \$ 28,345                  | \$ 62,997                 |
| Accounts and other receivable                           | 5     | 465,071                    | 282,658                   |
| Prepaid expenses and deposits                           | 6     | 134,234                    | 87,614                    |
| Inventory                                               | 7     | 676,558                    | 804,768                   |
| Total current assets                                    |       | 1,304,209                  | 1,238,037                 |
| Contract costs                                          | 14    | 17,469                     | 22,482                    |
| Prepaid expenses and deposits                           | 6     | 3,333                      | 20,553                    |
| Property and equipment                                  | 8     | 412,251                    | 404,143                   |
| Right of use assets                                     | 9     | 55,264                     | 44,364                    |
| Total assets                                            |       | \$ 1,792,526               | \$ 1,729,579              |
| <b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>         |       |                            |                           |
| Current liabilities                                     |       |                            |                           |
| Accounts payable and accrued liabilities                | 10    | \$ 1,784,921               | \$ 1,607,583              |
| Line of credit                                          | 11    | -                          | -                         |
| Warranty liability                                      | 14    | 41,522                     | 32,689                    |
| Contract liabilities                                    | 14    | 401,639                    | 244,897                   |
| Loans payable                                           | 12,19 | 718,578                    | 672,369                   |
| Lease liability                                         | 9     | 31,754                     | 53,852                    |
| Convertible debentures                                  | 13    | 230,230                    | -                         |
| Total current liabilities                               |       | 3,208,643                  | 2,611,390                 |
| Lease liability                                         | 9     | 36,602                     | -                         |
| Loans payable                                           | 12,17 | 675,163                    | 461,341                   |
| Contract liabilities                                    | 14    | 43,028                     | 59,328                    |
| Total liabilities                                       |       | \$ 3,963,437               | \$ 3,132,059              |
| Shareholders' (deficiency) equity                       |       |                            |                           |
| Share capital                                           | 18    | \$ 9,374,749               | \$ 9,354,417              |
| Shares to be Issued                                     | 18    | 90,560                     | -                         |
| Reserves                                                | 18    | 3,080,020                  | 2,744,516                 |
| Convertible Debt-Conversion Option                      | 13    | 284,685                    | -                         |
| Deficit                                                 |       | (15,000,925)               | (13,501,412)              |
| Total shareholders' (deficiency) equity                 |       | (2,170,911)                | (1,402,478)               |
| Total liabilities and shareholders' (deficiency) equity |       | \$ 1,792,526               | \$ 1,729,579              |

Nature of operations and going concern (Note 1)

*The accompanying notes form an integral part of these consolidated financial statements*

# Hybrid Power Solutions Inc.

Consolidated Statements of Loss and Comprehensive Loss

As of November 30, 2025 and May 31, 2025

(Unaudited-Expressed in Canadian dollars)

|                                                       | Notes   |    | Three<br>months<br>ended<br>November<br>30, 2025 | Three<br>months<br>ended<br>November<br>30, 2024 |    | Six<br>months<br>ended<br>November<br>30, 2025 | Six<br>months<br>ended<br>November<br>30, 2024 |
|-------------------------------------------------------|---------|----|--------------------------------------------------|--------------------------------------------------|----|------------------------------------------------|------------------------------------------------|
| Revenue                                               | 14      | \$ | <b>\$279,445</b>                                 | \$1,033,133                                      | \$ | <b>578,371</b>                                 | 2,071,715                                      |
| Cost of sales                                         | 7, 15   |    | <b>242,819</b>                                   | 777,286                                          |    | <b>519,508</b>                                 | 1,444,504                                      |
| Gross profit                                          |         |    | <b>36,626</b>                                    | 255,847                                          |    | <b>58,863</b>                                  | 627,211                                        |
| Expenses                                              |         |    |                                                  |                                                  |    |                                                |                                                |
| Advertising                                           |         | \$ | <b>9,880</b>                                     | (213,878)                                        | \$ | <b>12,812</b>                                  | 240,381                                        |
| General and administrative                            | 16      |    | <b>116,081</b>                                   | 134,162                                          |    | <b>224,776</b>                                 | 209,021                                        |
| Salaries and benefits                                 | 19      |    | <b>354,698</b>                                   | 278,746                                          |    | <b>668,015</b>                                 | 638,324                                        |
| Professional fees                                     |         |    | <b>146,129</b>                                   | 282,403                                          |    | <b>284,432</b>                                 | 395,608                                        |
| Research and development                              |         |    | <b>33,833</b>                                    | 2,837                                            |    | <b>52,015</b>                                  | 11,817                                         |
| Share-based compensation                              | 18,19   |    | <b>62,788</b>                                    | 283,879                                          |    | <b>149,518</b>                                 | 698,758                                        |
| Total operating expenses                              |         |    | <b>(723,409)</b>                                 | (768,149)                                        |    | <b>(1,391,568)</b>                             | (2,193,909)                                    |
| Interest and accretion                                | 9,12,13 |    | <b>(139,313)</b>                                 | (41,806)                                         |    | <b>(191,102)</b>                               | (98,092)                                       |
| Foreign exchange                                      |         |    | <b>(4,476)</b>                                   | (17,566)                                         |    | <b>(8,094)</b>                                 | (29,596)                                       |
| Government assistance                                 | 17      |    | <b>113,306</b>                                   | 2,301                                            |    | <b>192,946</b>                                 | 2,301                                          |
| Loss on revaluation of derivative liability           | 13      |    | <b>(157,096)</b>                                 |                                                  |    | <b>(157,096)</b>                               |                                                |
| Other income                                          | 2       |    | <b>2,536</b>                                     | 9,459                                            |    | <b>2,538</b>                                   | 9,501                                          |
| Loss on sale of property and equipment                | 12      |    |                                                  |                                                  |    |                                                |                                                |
| Net loss before income taxes                          |         | \$ | <b>(871,826)</b>                                 | (559,914)                                        | \$ | <b>(1,499,513)</b>                             | (1,682,584)                                    |
| Recovery of deferred income taxes                     |         |    | -                                                | -                                                |    | -                                              | -                                              |
| Net loss and comprehensive loss for the year          |         |    | <b>(871,826)</b>                                 | (559,914)                                        |    | <b>(1,499,513)</b>                             | (1,682,584)                                    |
| Weighted average number of shares – Basic and diluted |         |    | <b>85,345,682</b>                                | 78,862,522                                       |    | <b>85,345,682</b>                              | 78,862,522                                     |
| Loss per share – Basic and diluted                    |         | \$ | <b>(0.01)</b>                                    | (0.01)                                           | \$ | <b>(0.02)</b>                                  | (0.02)                                         |

*The accompanying notes form an integral part of these consolidated financial statements*

# Hybrid Power Solutions Inc.

Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

For the six months ended November 30, 2025

(Unaudited - Expressed in Canadian dollars)

|                                                | Note | Number of<br>common<br>shares | Share<br>Capital<br>Amount | Subscription<br>Received<br>in Advance | Share-<br>based<br>payment<br>reserve | Convertible<br>debt-<br>Conversion<br>option | Deficit                | Total<br>shareholders'<br>(deficiency)<br>equity |
|------------------------------------------------|------|-------------------------------|----------------------------|----------------------------------------|---------------------------------------|----------------------------------------------|------------------------|--------------------------------------------------|
| <b>Balance, May 31, 2024</b>                   |      | 73,944,665                    | \$ 8,229,142               | \$                                     | 2,762,274                             | \$ -                                         | \$ (10,572,571)        | \$ 418,845                                       |
| Issuance of units pursuant to \$0.20 financing | 18   | 4,609,512                     | 752,214                    | -                                      | -                                     | -                                            | -                      | 752,214                                          |
| Share issuance costs - cash                    | 18   | -                             | (20,497)                   | -                                      | -                                     | -                                            | -                      | (20,497)                                         |
| Share issuance costs – non-cash                | 18   | -                             | (30,352)                   | -                                      | 36,140                                | -                                            | -                      | 5,788                                            |
| Conversion of convertible debt                 | 13   | 3,302,857                     | 174,407                    | -                                      | -                                     | -                                            | -                      | 174,407                                          |
| Settlement of RSUs                             | 18   | 3,357,500                     | 183,704                    | -                                      | (185,579)                             | -                                            | -                      | (1,875)                                          |
| Expired Broker's Warrant                       |      | -                             | 65,799                     | -                                      | (65,799)                              | -                                            | -                      | -                                                |
| Share-based compensation                       | 18   | -                             | -                          | -                                      | 197,481                               | -                                            | -                      | 197,481                                          |
| Net loss for the year                          |      | -                             | -                          | -                                      | -                                     | -                                            | (2,928,841)            | (2,928,841)                                      |
| <b>Balance, May 31, 2025</b>                   |      | <b>85,214,534</b>             | <b>\$ 9,354,417</b>        | <b>\$ -</b>                            | <b>2,744,516</b>                      | <b>\$ -</b>                                  | <b>\$ (13,501,412)</b> | <b>\$ (1,402,478)</b>                            |
| Issuance of units pursuant to \$0.20 financing | 18   | -                             | -                          | -                                      | -                                     | -                                            | -                      | -                                                |
| Share Issuance                                 | 18   | 750,000                       | 37,500                     | -                                      | -                                     | -                                            | -                      | 37,500                                           |
| Proceeds received for shares not issued        | 18   |                               |                            | 90,560                                 | -                                     | -                                            | -                      | 90,560                                           |
| Share issuance costs - cash                    | 18   | -                             | -                          | -                                      | -                                     | -                                            | -                      | -                                                |
| Share issuance costs – non-cash                | 18   | -                             | -                          | -                                      | -                                     | -                                            | -                      | -                                                |
| Issuance of Convertible Debt                   | 13   | -                             | -                          | -                                      | 168,819                               | 284,686                                      |                        | 453,505                                          |
| Conversion of convertible debt                 | 13   | -                             | -                          | -                                      | -                                     | -                                            | -                      | -                                                |
| Expired Broker's Warrant                       |      | -                             | (17,169)                   | -                                      | 17,169                                | -                                            | -                      | -                                                |
| Share-based compensation                       | 18   | -                             | -                          | -                                      | 149,518                               | -                                            | -                      | 149,518                                          |
| Net loss for the year                          |      | -                             | -                          | -                                      | -                                     | -                                            | (1,499,513)            | (1,499,513)                                      |
| <b>Balance, November 30, 2025</b>              |      | <b>85,964,534</b>             | <b>\$ 9,374,749</b>        | <b>\$ 90,560</b>                       | <b>3,080,022</b>                      | <b>\$ 284,686</b>                            | <b>\$ (15,000,925)</b> | <b>\$ (2,170,908)</b>                            |

*The accompanying notes form an integral part of these consolidated financial statements*

# Hybrid Power Solutions Inc.

## Consolidated Statements of Cash Flows

For the Six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian dollars)

|                                                     | Notes | For the Six<br>months<br>ended<br>November 30,<br>2025 | For the Six<br>months<br>ended<br>November<br>30,<br>2024 |
|-----------------------------------------------------|-------|--------------------------------------------------------|-----------------------------------------------------------|
| <b>Operating activities</b>                         |       |                                                        |                                                           |
| Net loss for the year                               |       | \$ (1,499,513)                                         | \$ (1,682,584)                                            |
| Items not affecting cash:                           |       |                                                        |                                                           |
| Accrued interest and accretion                      |       | 98,119                                                 | 28,987                                                    |
| Deferred income tax recovery                        | -     | -                                                      | -                                                         |
| Depreciation                                        |       | 60,239                                                 | 37,595                                                    |
| Bad debt expense                                    | 16    | 23,292                                                 | 1,133                                                     |
| Share-based compensation                            | 18    | 149,518                                                | 698,758                                                   |
| Government Assistance                               | 12    | (198,907)                                              | -                                                         |
| Loss on revaluation of derivative liability         | 13    | 157,096                                                | -                                                         |
| Loss on sale of property and equipment              | 12    | -                                                      | -                                                         |
| Non-cash working capital items:                     |       |                                                        |                                                           |
| Accounts receivable                                 |       | (205,705)                                              | (435,078)                                                 |
| Prepaid expenses                                    |       | (29,401)                                               | 92,746                                                    |
| Inventory                                           |       | 84,536                                                 | 333,832                                                   |
| Contract costs                                      |       | 5,014                                                  | 5,040                                                     |
| Accounts payable and accrued liabilities            |       | 205,202                                                | 62,346                                                    |
| Contract liabilities                                |       | 140,443                                                | 14,751                                                    |
| Warranty liability                                  |       | 8,832                                                  | (319)                                                     |
| Net cash used in operating activities               |       | (1,001,186)                                            | (842,793)                                                 |
| <b>Investing activities</b>                         |       |                                                        |                                                           |
| Purchase of property and equipment                  | 8     | (1,180)                                                | -                                                         |
| Government assistance                               | 8     | -                                                      | -                                                         |
| Proceeds from sale of property and equipment        |       | -                                                      | -                                                         |
| Net cash provided by (used in) investing activities |       | (1,180)                                                | -                                                         |
| <b>Financing activities</b>                         |       |                                                        |                                                           |
| Net proceeds from convertible debentures            | 13    | -                                                      | -                                                         |
| Proceeds from issuance of shares                    | 18    | 500,000                                                | 540,000                                                   |
| Share issuance costs                                |       | -                                                      | (20,497)                                                  |
| Line of credit                                      |       | -                                                      | 17,795                                                    |
| Proceeds from loans payable                         | 12    | 491,516                                                | -                                                         |
| Repayments of loans payable                         |       | (96,560)                                               | (7,479)                                                   |
| Lease payments                                      |       | -                                                      | (27,451)                                                  |
| RSU Conversion                                      |       | -                                                      | -                                                         |
| ROU Asset Addition                                  |       | 12,000                                                 | -                                                         |
| Proceeds from shares not yet issued                 |       | 90,560                                                 | -                                                         |
| Issuance Cost-Convertible Debenture                 |       | (29,800)                                               | -                                                         |
| Net cash provided by financing activities           |       | 967,716                                                | 502,368                                                   |
| Increase (decrease) in cash                         |       | (34,650)                                               | (340,425)                                                 |
| Cash, beginning of year                             |       | 62,995                                                 | 342,071                                                   |
| <b>Cash, end of year</b>                            |       | <b>\$ 28,345</b>                                       | <b>\$ 1,646</b>                                           |
| <b>Supplemental cashflow disclosure</b>             |       |                                                        |                                                           |
| Interest paid                                       | \$    | 13,589                                                 | \$ 52,737                                                 |
| Agent's warrants issued                             | \$    | (17,169)                                               | \$ -                                                      |
| Shares issued to settle debt                        | \$    | 37,500                                                 | 11,639                                                    |

The accompanying notes form an integral part of these consolidated financial statements

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Hybrid Power Solutions Inc. (the "Company") was incorporated on December 7, 2015, under the Business Corporations Act of Ontario, and continued into British Columbia under the Business Corporations Act of British Columbia on June 13, 2022. Its head office is located at 208-333 Terminal Avenue, Vancouver, British Columbia, V6A 4C1, and its manufacturing facility is in Toronto, Ontario. HPS Solar Inc., a wholly owned subsidiary of the Company, was incorporated under the laws of Ontario on March 17, 2022.

The Company designs and manufactures patent pending portable battery systems and customized energy solutions for a variety of industrial markets, including the mining, railway, public transit, and construction sectors. During the year ended May 31, 2023, the Company, through its wholly owned subsidiary, HPS Solar Inc., introduced a franchise network of solar power installers that operate under the Company's trademark and offer the sale and installation of the Company's products.

On November 29, 2023, the Company's common shares became listed on the Canadian Securities Exchange ("CSE") under the symbol HPSS. On December 1, 2023 the Company closed its initial public offering ("IPO") and began trading on the CSE on December 4, 2023. The Company's common shares are also listed on the Over-the-Counter Quotation Board ("OTCQB") exchange under the symbol HPSIF and Frankfurt Stock Exchange ("FSE") under the symbol E092.

### Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has not generated positive cash flows from operations and has historically relied on financing for its activities. During the six months ended November 30, 2025, the Company incurred a net loss of \$1,499,513 (2024 - \$1,682,584) and as of November 30, 2025, had an accumulated deficit of \$15,000,925 (May 31, 2025 - 13,501,412). The Company's ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives, and/or generating profitability and positive cash flows. The Company has a track record of successfully raising capital, including the post-year-end issuance of convertible debentures, however, it is not possible to predict with certainty whether additional financing will be required, and if required, whether a financing would be successful. As a result, a material uncertainty over the Company's ability to operate as a going concern exists.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 2. BASIS OF PRESENTATION

### Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

### Basis of presentation

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, they have been prepared using the accrual basis of accounting, except for the cash flow information.

### Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary. Subsidiaries are those entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to variable returns from its activities. Details of the Company's subsidiary are follows:

| <b>SUBSIDIARIES</b> | <b>OWNERSHIP PERCENTAGE</b> | <b>JURISDICTION OF INCORPORATION</b> |
|---------------------|-----------------------------|--------------------------------------|
| HPS Solar Inc.      | 100%                        | Ontario, Canada                      |

Inter-company balances and transactions are eliminated on consolidation.

The consolidated financial statements were approved and authorized for issuance on September 29, 2025, by the Board of Directors.

### Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 the revision affects both the current and future periods.

#### *Judgments*

The following are the judgments that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

#### Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 2. BASIS OF PRESENTATION (continued)

### Research and development expenditures

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as of November 30, 2025 and 2024.

### Income taxes

Income tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These differences could materially impact net income (loss).

### *Estimates*

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

### Provision for expected credit losses ("ECL")

For trade receivables, the Company applies a simplified approach to calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date, by applying a loss rate to each aging bucket. In estimating the ECL, management takes into account historical experience, current collection trends, age of receivables and when warranted and available, the financial condition of specific counterparties.

### Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined with reference to the estimated selling price. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions.

### Property and equipment – useful lives

The Company estimates the useful lives and selects methods used to allocate depreciation amounts of property and equipment on a systematic basis. Technical obsolescence of the tangible assets could significantly impact estimated residual useful lives and in turn, carrying values being over or understated.

### Impairment of Long-Lived Assets

The Company reviews the carrying amounts of its non-financial assets, including property and equipment and right-of-use assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The Company considers various factors including, but not limited to, the condition of its long-lived assets, economic factors that may impact the value of the long-lived assets and any indications of obsolescence.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 2. BASIS OF PRESENTATION (continued)

### *Estimates (continued)*

#### Return and warranty liability

Revenue is recorded net of the returns and refunds. The Company offers various warranties on its products, and an allowance for warranty claims is made based on the estimated number of repairs and replacements.

#### Leases - Estimating the incremental borrowing rate

In situations where the Company cannot readily determine the interest rate implicit in leases where it is the lessee, the Company uses its Incremental Borrowing Rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of comparable value to the right-of-use asset in a similar economic environment. IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

#### Fair value of share-based payments, warrants, and derivative financial instruments

Management uses the Black-Scholes option-pricing model to calculate the fair value of share-based payments, warrants and any identified derivative liabilities, including the conversion feature and any embedded warrants that do not meet the "fixed for fixed" criteria. Management considers factors that knowledgeable, willing market participants would consider when selecting the appropriate valuation model to apply. Use of this method requires assumptions and estimates about the share price on the measurement date, expected life of the instruments, expected dividends, the risk-free rate (based on government bonds), the expected volatility of the Company's share price (based on weighted average historical volatility of comparable companies adjusted for changes expected due to publicly available information) and the probabilities of certain events occurring. In making these assumptions and estimates, management relies on historical market data. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of these instruments. The fair value reported may not represent the transaction value if these options/warrants/derivatives were exercised/exchanged at any point in time.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied and consistently presented in these consolidated financial statements, unless otherwise indicated.

### a) Revenue recognition

Revenue consists of product sale revenue, franchise revenue, and consulting and other revenue. Revenue is recognized at the point in which the performance obligation under the terms of a contract with the customer have been satisfied and control has transferred. In the case of product sale revenue, the Company's performance obligation is typically defined as the accepted order with the customer which requires the Company to ship the requested products at agreed upon prices at the time and location of the customer's choice. The Company satisfies its performance obligation and transfers control to the customer upon shipping of the product. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized. Franchise revenues include initial franchise fees earned on execution of a franchise agreement, royalty fees and advertising revenue are earned based on a percentage of the franchisee's gross sales each month. All franchise revenues are recognized as revenue as earned. In the case of initial franchise fees, revenue is deferred and recognized over the period of the franchise agreement. The revenue recorded is presented net of sales and other taxes the Company collects on behalf of governmental authorities. Amounts received from customers in advance of revenue recognition are recorded as contract liabilities. The Company's customer contracts do not contain a significant financing component. Incremental costs of obtaining a contract are recognized as an asset if they are expected to be recovered from the customer. As a practical expedient, incremental costs of obtaining a contract can be expensed if the amortization period would be one year or less. Costs to fulfil a contract are recognized as an asset only if they relate directly to a contract, generate or enhance resources to be used to satisfy performance obligations in future, and are expected to be recovered.

### b) Inventories and cost of sales

Inventory consists primarily of raw materials and finished goods. Inventory is valued at the lower of cost and net realizable value with cost based upon the First In First Out ("FIFO") method of inventory costing. The net realizable value of finished goods is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The cost of finished goods inventory is based on landed cost, which includes all costs incurred to bring inventory to the Company's warehouse including product costs, inbound freight and duty. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

### c) Financial instruments

#### *Financial assets*

##### Initial recognition and measurement

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. Financial assets are initially recognized at fair value plus transaction costs directly attributable to the asset, except for transaction costs for financial assets measured at fair value through profit or loss which are expensed as incurred.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### c) Financial instruments (continued)

#### *Financial assets (continued)*

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgment.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### *i) Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets measured at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value therein, recognized in profit or loss.

##### *ii) Financial assets measured at fair value through other comprehensive income ("FVTOCI")*

Financial assets measured at fair value through other comprehensive income are measured at fair value with changes in fair value included in other comprehensive income.

##### *iii) Financial assets measured at amortized cost*

Financial assets are subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

#### Impairment

In relation to the impairment of financial assets, IFRS requires an ECL model. The ECL model requires the Company to account for ECLs and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

#### Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### *Financial liabilities*

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

### *Compound financial instruments*

The Company's convertible debentures are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements. The conversion feature of the convertible debentures is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as an equity instrument under IAS 32, Financial Instruments: Presentation. One of the criteria is that the conversion option exchanges a fixed number of shares for a fixed amount of cash ("fixed for fixed").

If the conversion feature meets the fixed for fixed criterion, the conversion option will be classified as an equity instrument. Therefore, when the initial carrying amount of the convertible debentures is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument, which is determined using a market rate for an equivalent non-convertible debenture. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criterion, the conversion option will be recorded as a derivative financial liability, which must be separately accounted for at fair value on initial recognition. Subsequent to initial recognition, the derivative financial liability is remeasured at fair value at the end of each reporting period with changes in fair value recognized in profit or loss for each reporting period, while the debt component, initially recorded net of any transaction costs, is accreted to the face value of the debt using the effective interest method.

Transaction costs are allocated to the debt and equity components or derivative liability components in proportion to the allocation of the proceeds on initial recognition, net of any related income tax benefit for the amount allocated to the equity component.

### *Fair value hierarchy*

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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 or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data, comprehensive income or loss.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### c) Financial instruments (continued)

*Fair value hierarchy (continued)*

The Company's financial instruments are accounted for as follows:

#### Financial Assets

|                                |                |
|--------------------------------|----------------|
| Cash                           | FVTPL          |
| Accounts and other receivables | Amortized cost |

#### Financial Liabilities

|                                          |                |
|------------------------------------------|----------------|
| Accounts payable and accrued liabilities | Amortized cost |
| Line of credit                           | Amortized cost |
| Loans payable                            | Amortized cost |
| Convertible debentures                   | Amortized cost |
| Derivative liability                     | FVTPL          |

### d) Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted loss per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if potentially dilutive instruments were converted or exercised. If these computations prove to be antidilutive, diluted loss per share is the same as basic loss per share.

Anti-dilutive securities include the convertible debentures, restricted share units, stock options, performance warrants and warrants (Notes 13 and 18).

### e) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

#### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### *Deferred tax*

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exist to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **f) Property and equipment**

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. This includes the purchase price, any other costs directly attributable to bringing the assets to a working condition for intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Where an item of equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of equipment and depreciated accordingly. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized through profit or loss.

Property and equipment is depreciated over its estimated useful life. Costs for normal repairs and maintenance that do not extend economic life or improve service potential are expensed as incurred. Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the estimated remaining useful life. The Company commences recording depreciation when the assets are in a working condition ready for use using the straight-line method at the following rates:

| <b>Class</b>                   | <b>Useful Life</b> |
|--------------------------------|--------------------|
| Computer equipment             | 3 years            |
| Equipment                      | 3 years            |
| Leased right of use assets     | Lease term         |
| Vehicles                       | 15 years           |
| Loaner units                   | 1 - 2.5 years      |
| Warehouse and storage facility | 5 years            |

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### g) Impairment of long-lived assets

The carrying amount of the Company's non-financial assets (which include property and equipment and ROU assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### h) Leases

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### h) Leases (continued)

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statements of loss and comprehensive loss in the period in which they are incurred.

The ROU assets are presented within "Right-of-use asset" and the lease liabilities are presented in "Lease liability" on the consolidated statements of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a remaining lease term of 12 months or less and leases of low-value assets.

### i) Foreign exchange

#### *Functional currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which has been determined to be the Canadian dollar for both the Company and its subsidiary.

#### *Foreign currency transaction and balances*

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. The resulting foreign exchange gains or losses are recorded in profit or loss.

### j) Government assistance

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions of the grant. Such grants are accounted for as income on a systemic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign exchange rate risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has cash as of November 30, 2025, in the amount of \$28,345 (May 31, 2025 - \$62,997), in order to meet current liabilities of \$3,132,428 (May 31, 2025 - \$2,559,659). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities.

The amounts disclosed in the table are the contractual undiscounted payments as of November 30, 2025 and 2024:

| <b>As of November 30, 2025</b>           | <b>Less than one year</b> | <b>One to two years</b> | <b>Two to three years</b> | <b>More than three years</b> | <b>Total</b>        |
|------------------------------------------|---------------------------|-------------------------|---------------------------|------------------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 1,784,921              | \$ -                    | \$ -                      | \$ -                         | \$ 1,784,921        |
| Convertible debentures                   | 230,230                   |                         |                           |                              | 230,230             |
| Lease liabilities                        | 31,754                    | 36,602                  | -                         | -                            | 68,356              |
| Loans payable                            | 610,893                   | 69,560                  | 137,277                   | 894,478                      | 1,712,209           |
|                                          | <b>\$ 2,657,798</b>       | <b>\$ 106,162</b>       | <b>\$ 137,277</b>         | <b>\$ 894,478</b>            | <b>\$ 3,795,716</b> |

| <b>As of May 31, 2025</b>                | <b>Less than one year</b> | <b>One to two years</b> | <b>Two to three years</b> | <b>More than three years</b> | <b>Total</b>        |
|------------------------------------------|---------------------------|-------------------------|---------------------------|------------------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 1,607,583              | \$ -                    | \$ -                      | \$ -                         | \$ 1,607,583        |
| Convertible debentures                   | -                         | -                       | -                         | -                            | -                   |
| Lease liabilities                        | 53,852                    | -                       | -                         | -                            | 53,852              |
| Loans payable                            | 710,604                   | 122,854                 | 57,101                    | 568,912                      | 1,459,471           |
|                                          | <b>\$ 2,372,039</b>       | <b>\$ 122,854</b>       | <b>\$ 57,101</b>          | <b>\$ 568,912</b>            | <b>\$ 3,120,906</b> |

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

### Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers. During the six months ended November 30, 2025, the Company recorded bad expense of \$23,292 (May 31, 2025 - expense of \$22,346).

The following table provides disclosures about credit risk exposure and ECLs on individual trade, royalty and franchise fee receivables:

| As of November 30, 2025 |            | Aging Bucket      |                    |                    |                  |           |
|-------------------------|------------|-------------------|--------------------|--------------------|------------------|-----------|
| ECL                     | Current    | Overdue 1-30 days | Overdue 31-60 days | Overdue 61-90 days | Overdue 91+ days | Total     |
| Gross carrying amount   | \$ 152,423 | \$ 127,927        | \$ -               | \$ 1,149           | \$ 361,623       | \$643,391 |
| ECL allowance           | (1,524)    | (1,279)           | -                  | (213)              | (139,024)        | (142,040) |
| Net                     | \$150,899  | \$126,647         | \$ -               | \$ 1,206           | \$222,598        | \$501,351 |
| ECL rate                | 1%         | 1%                | 0%                 | 15%                | 38%              | 22%       |

| As of May 31, 2025    |          | Aging Bucket      |                    |                    |                  |           |
|-----------------------|----------|-------------------|--------------------|--------------------|------------------|-----------|
|                       | Current  | Overdue 1-30 days | Overdue 31-60 days | Overdue 61-90 days | Overdue 91+ days | Total     |
| Gross carrying amount | \$ 9,016 | \$ 41,526         | \$ 5,536           | \$ 14,136          | \$ 336,388       | \$406,602 |
| ECL allowance         | (361)    | (3,322)           | (664)              | (2,403)            | (111,998)        | (118,748) |
| Net                   | \$8,656  | \$38,204          | \$ 4,872           | \$ 11,733          | \$224,390        | \$287,854 |
| ECL rate              | 4%       | 8%                | 12%                | 17%                | 34%              | 30%       |

The continuity of ECLs is summarized in the table below:

|                                       | Six Months Ended<br>November 30,<br>2025 | Year Ended<br>May 31, 2025 |
|---------------------------------------|------------------------------------------|----------------------------|
| Balance, beginning                    | \$ 118,748                               | \$ 203,384                 |
| Additions to ECL allowance recognized | 23,292                                   | 22,346                     |
| Write offs                            | -                                        | (106,982)                  |
| Ending ECLs                           | \$ 142,040                               | \$ 118,748                 |

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

### Foreign exchange rate risk

Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. A portion of the Company's transactions occur in US dollars; therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its US dollars denominated trade receivables, accounts payable and accrued liabilities. A change of 1% in the U.S./CDN exchange rate will have an immaterial impact on the net loss.

The balances held in USD are summarized below presented in CAD:

| As of                                    | November 30, 2025 | May 31, 2025 |
|------------------------------------------|-------------------|--------------|
|                                          | \$                | \$           |
| Cash                                     | 18,628            | 22,855       |
| Accounts receivable                      | 257,370           | 68,961       |
| Accounts payable and accrued liabilities | (149,290)         | (121,687)    |

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their loans payable, line of credit and convertible debentures. The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

### Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The Company considers its capital structure to consist of shareholders' deficiency, line of credit, loans payable, and convertible debentures. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged from the six months ended November 30, 2025.

## 5. ACCOUNTS AND OTHER RECEIVABLE

|                                       | November 30, 2025 | May 31, 2025 |
|---------------------------------------|-------------------|--------------|
| Accounts receivable                   | \$ 429,735        | \$ 222,902   |
| Royalty and franchise fees receivable | 44,632            | 44,632       |
| Sales taxes recoverable               | -                 | 15,124       |
|                                       | \$ 474,366        | \$ 282,658   |

## Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

### 6. PREPAID EXPENSES AND DEPOSITS

|                       | November 30, 2025 | May 31, 2025      |
|-----------------------|-------------------|-------------------|
| Marketing             | \$ -              | \$ -              |
| Technology            | 14,403            | 20,773            |
| Inventory prepayments | 77,406            | 40,974            |
| Insurance             | 20,550            | 9,308             |
| Filing fees           | 5,099             | 17,003            |
| Security deposit      | 12,747            | 12,747            |
| Other deposits        | 7,363             | 7,362             |
|                       | <b>\$ 137,568</b> | <b>\$ 108,167</b> |
| Current portion       | 134,234           | 87,614            |
| Long-term portion     | 3,334             | 20,553            |

### 7. INVENTORY

|                | November 30, 2025 | May 31, 2025      |
|----------------|-------------------|-------------------|
| Finished goods | \$ 53,496         | \$ 46,300         |
| Raw materials  | 623,062           | 758,468           |
|                | <b>\$ 676,558</b> | <b>\$ 804,768</b> |

During the three and six months ended November 30, 2025, the cost of inventories recognized as an expense totalled \$212,518 and \$448,527 (2024 –\$ 578,567 and \$1,245,785 respectively).

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 8. PROPERTY AND EQUIPMENT

| Cost                              | Computer equipment | Equipment        | Vehicles          | Building Under Construction | Warehouse and Storage Facility | Loaner Units      | Total             |
|-----------------------------------|--------------------|------------------|-------------------|-----------------------------|--------------------------------|-------------------|-------------------|
| <b>Balance, May 31, 2024</b>      | <b>\$ 10,088</b>   | <b>\$ 69,091</b> | <b>\$ 177,467</b> | <b>\$ 227,540</b>           | <b>\$ 6,500</b>                | <b>-</b>          | <b>\$ 490,686</b> |
| Additions                         | 1,202              | -                | -                 | -                           | -                              | 104,667           | 105,869           |
| Government grants                 | -                  | -                | (57,868)          | -                           | -                              | -                 | (57,868)          |
| <b>Balance, May 31, 2025</b>      | <b>\$ 11,290</b>   | <b>\$ 69,091</b> | <b>\$ 119,601</b> | <b>\$ 227,540</b>           | <b>\$ 6,500</b>                | <b>\$ 104,667</b> | <b>\$ 538,689</b> |
| Additions                         | 1,180              | -                | -                 | -                           | -                              | 43,674            | 44,854            |
| Disposition                       | -                  | -                | -                 | -                           | -                              | -                 | -                 |
| <b>Balance, November 30, 2025</b> | <b>\$ 12,470</b>   | <b>\$ 69,091</b> | <b>\$ 119,601</b> | <b>\$ 227,540</b>           | <b>\$ 6,500</b>                | <b>\$ 148,341</b> | <b>\$ 583,543</b> |
| <b>Accumulated Depreciation</b>   |                    |                  |                   |                             |                                |                   |                   |
| <b>Balance, May 31, 2024</b>      | <b>\$ 5,582</b>    | <b>\$ 33,832</b> | <b>\$ 17,402</b>  | <b>\$ -</b>                 | <b>\$ 50</b>                   | <b>-</b>          | <b>\$ 56,867</b>  |
| Depreciation                      | 2,704              | 14,534           | 10,867            | -                           | 1,300                          | 57,919            | 87,324            |
| Disposition                       | -                  | -                | (9,645)           | -                           | -                              | -                 | (9,645)           |
| <b>Balance, May 31, 2025</b>      | <b>\$ 8,286</b>    | <b>\$ 48,367</b> | <b>\$ 18,624</b>  | <b>\$ -</b>                 | <b>\$ 1,350</b>                | <b>\$ 57,919</b>  | <b>\$ 134,546</b> |
| Depreciation                      | 1,184              | 5,386            | 3,987             | -                           | 650                            | 25,540            | 36,746            |
| Disposition                       | -                  | -                | -                 | -                           | -                              | -                 | -                 |
| <b>Balance, November 30, 2025</b> | <b>\$ 9,470</b>    | <b>\$ 53,752</b> | <b>\$ 22,611</b>  | <b>\$ -</b>                 | <b>\$ 2,000</b>                | <b>\$ 83,459</b>  | <b>\$ 171,291</b> |
| <b>Carrying Amounts</b>           |                    |                  |                   |                             |                                |                   |                   |
| <b>As of May 31, 2025</b>         | <b>\$ 3,004</b>    | <b>\$ 20,724</b> | <b>\$ 100,977</b> | <b>\$ 227,540</b>           | <b>\$ 5,150</b>                | <b>\$ 46,748</b>  | <b>\$ 404,143</b> |
| <b>As of November 30, 2025</b>    | <b>\$ 3,000</b>    | <b>\$ 15,339</b> | <b>\$ 96,990</b>  | <b>\$ 227,540</b>           | <b>\$ 4,500</b>                | <b>\$ 64,883</b>  | <b>\$ 412,252</b> |

Included in property and equipment is equipment under lease with a net book value of \$13,279 (2025 - \$17,705), the contractual lease payments on this lease are included in Note 9.

During the year ended May 31, 2024, the Company received \$70,966 in government grants from the Northern Ontario Heritage Fund Corporation ("NOHFC") INVEST North Program for reimbursement of eligible costs incurred on its building under construction. The Company also received low interest term loans from NOHFC totalling \$90,320 (Note 12), where the discount on initial recognition of \$36,226 (Note 12) was recognized as a government grant against the cost of building under construction.

## Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

### 9. LEASES

During the year ended May 31, 2022, the Company entered into a lease agreement for manufacturing and office space for a term of five years. Upon the commencement of the lease, the Company recognized a right-of-use asset of \$221,820 and a lease liability of \$221,820 using an incremental borrowing rate of 10%.

The below table shows the continuity of the right-of-use asset:

| <b>Right of use asset</b>              |           |                |
|----------------------------------------|-----------|----------------|
| <b>Cost:</b>                           |           |                |
| Balance as of May 31, 2024             | \$        | 221,820        |
| Additions                              |           | -              |
| Disposals                              |           | -              |
| Balance, May 31, 2025                  | \$        | 221,820        |
| Additions                              |           | 34,392         |
| Disposals                              |           | -              |
| <b>Balance as of November 30, 2025</b> | <b>\$</b> | <b>256,212</b> |
| <b>Accumulated depreciation:</b>       |           |                |
| Balance as of May 31, 2024             | \$        | 133,092        |
| Disposals                              |           | -              |
| Depreciation                           |           | 44,364         |
| Balance as of May 31, 2025             | \$        | 177,456        |
| Depreciation                           |           | 23,492         |
| <b>Balance as of November 30, 2025</b> | <b>\$</b> | <b>200,948</b> |
| <b>Net carrying value:</b>             |           |                |
| As of May 31, 2025                     | \$        | 44,364         |
| <b>As of November 30, 2025</b>         | <b>\$</b> | <b>55,264</b>  |

The continuity of the Company's lease obligation is below:

| <b>Lease liabilities</b>          |           |               |
|-----------------------------------|-----------|---------------|
| Balance, May 31, 2024             | \$        | 105,597       |
| Interest                          |           | 8,231         |
| Payments                          |           | (59,976)      |
| Balance, May 31, 2025             | \$        | 53,852        |
| Additions                         |           | 46,392        |
| Interest                          |           | 3,785         |
| Payments                          |           | (35,673)      |
| <b>Balance, November 30, 2025</b> | <b>\$</b> | <b>68,356</b> |
| Current portion                   |           | 31,754        |
| <b>Non-current portion</b>        | <b>\$</b> | <b>36,602</b> |

## Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

### 9. LEASES (continued)

As of November 30, 2025, the Company is committed to minimum lease payments as follows:

| <b>Maturity analysis</b>                    |           |               |
|---------------------------------------------|-----------|---------------|
| Less than one year                          | \$        | 35,340        |
| One to five years                           |           | 41,415        |
| Total undiscounted lease liabilities        | \$        | 76,755        |
| Unamortized interest                        |           | (8,399)       |
| <b>Total lease liabilities – discounted</b> | <b>\$</b> | <b>68,356</b> |

### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payables and accrued liabilities consists of the following:

|                               | <b>November 30, 2025</b> | <b>May 31, 2025</b> |
|-------------------------------|--------------------------|---------------------|
| Accounts payable              | <b>\$ 1,160,228</b>      | \$ 1,017,497        |
| Accrued liabilities and other | <b>457,756</b>           | 438,288             |
| Credit cards payable          | <b>163,333</b>           | 148,194             |
| Sales taxes payable           | <b>3,605</b>             | 3,605               |
|                               | <b>\$ 1,784,922</b>      | \$ 1,607,584        |

### 11. LINE OF CREDIT

The Company has an operating line of credit with Meridian Credit Union of up to \$100,000. The line of credit bears interest of prime plus 2.75% computed daily and compounded monthly. The line of credit is secured by a general security agreement and by guarantees and postponement of claims by the Company's Chief Executive Officer ("CEO"). As of November 30, 2025, the line of credit balance is \$Nil (2025 - \$Nil).

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 12. LOANS PAYABLE

A continuity of the Company's loans payable is set out below:

|                                   | BDC<br>Loans      | Shareho<br>lder<br>Loans | Scotia<br>Bank<br>Genesis | Meridian<br>OneCap<br>Loan | Treewalk<br>Promisso<br>ry Note | Grenke<br>Deposit | NOHFC<br>term<br>loan | 2023 Ford<br>Maverick<br>Loan | Loop<br>Financia<br>l Loan | Pagnatty<br>Loan | FedDev<br>Loan | Total             |
|-----------------------------------|-------------------|--------------------------|---------------------------|----------------------------|---------------------------------|-------------------|-----------------------|-------------------------------|----------------------------|------------------|----------------|-------------------|
|                                   | (a, b, c)         | (d)                      | (e)                       | (f)                        | (g)                             | (h)               | (i)                   | (j)                           | (k)                        | (l)              | (m)            |                   |
| <b>Balance, May 31, 2024</b>      | <b>\$ 127,870</b> | <b>\$ 413,634</b>        | <b>\$ 101,666</b>         | <b>\$ 19,564</b>           | <b>\$ 111,371</b>               | <b>\$ 77,993</b>  | <b>\$ 60,824</b>      | <b>\$ 34,678</b>              | <b>\$ -</b>                | <b>\$ -</b>      | <b>\$ -</b>    | <b>\$ 947,600</b> |
| Additions                         | -                 | 57,456                   | -                         | -                          | -                               | -                 | -                     | -                             | 43,000                     | 63,625           | 257,707        | 419,789           |
| Interest                          | 10,520            | 27,667                   | 2,575                     | 922                        | 15,000                          | -                 | -                     | 1,403                         | 4,045                      | -                | -              | 62,131            |
| Accretion                         | 3,673             | -                        | -                         | -                          | -                               | 7,435             | 9,806                 | -                             | -                          | 375              | 4,341          | 25,629            |
| Government assistance             | -                 | -                        | -                         | -                          | -                               | -                 | -                     | -                             | -                          | -                | -              | -                 |
| Repayments                        | (43,813)          | (37,988)                 | (69,037)                  | (6,910)                    | -                               | (30,540)          | -                     | (8,823)                       | (32,447)                   | -                | -              | (227,557)         |
| Conversion of Debt                | -                 | -                        | -                         | -                          | -                               | -                 | -                     | -                             | -                          | (64,000)         | -              | (64,000)          |
| Settlement of Debt                | -                 | (29,885)                 | -                         | -                          | -                               | -                 | -                     | -                             | -                          | -                | -              | (29,885)          |
| <b>Balance, May 31, 2025</b>      | <b>98,248</b>     | <b>430,885</b>           | <b>35,203</b>             | <b>13,576</b>              | <b>126,371</b>                  | <b>54,889</b>     | <b>70,630</b>         | <b>27,259</b>                 | <b>14,598</b>              | <b>\$ -</b>      | <b>262,048</b> | <b>1,133,710</b>  |
| Additions                         | -                 | 60,000                   | -                         | -                          | -                               | -                 | -                     | -                             | -                          | -                | 232,609        | 292,609           |
| Interest                          | 3,713             | 11,173                   | 694                       | 336                        | 7,500                           | -                 | -                     | 581                           | 625                        | -                | -              | 24,621            |
| Accretion                         | 1,545             | -                        | -                         | -                          | -                               | 2,700             | 5,496                 | -                             | -                          | -                | 22,353         | 32,093            |
| Repayments                        | (20,360)          | (17,716)                 | (12,857)                  | (3455)                     | -                               | (15,270)          | -                     | (4,411)                       | (15,223)                   | -                | -              | (89,293)          |
| Conversion of Debt                | -                 | -                        | -                         | -                          | -                               | -                 | -                     | -                             | -                          | -                | -              | -                 |
| Settlement of Debt                | -                 | -                        | -                         | -                          | -                               | -                 | -                     | -                             | -                          | -                | -              | -                 |
| <b>Balance, November 30, 2025</b> | <b>83,146</b>     | <b>484,342</b>           | <b>23,039</b>             | <b>10,457</b>              | <b>133,871</b>                  | <b>42,319</b>     | <b>76,126</b>         | <b>23,430</b>                 | <b>-</b>                   | <b>\$ -</b>      | <b>517,010</b> | <b>1,393,741</b>  |
| <b>Current portion</b>            | <b>30,848</b>     | <b>484,342</b>           | <b>23,039</b>             | <b>6,499</b>               | <b>133,871</b>                  | <b>27,404</b>     | <b>4,642</b>          | <b>7,932</b>                  | <b>-</b>                   | <b>-</b>         | <b>-</b>       | <b>718,577</b>    |
| <b>Non-current portion</b>        | <b>52,298</b>     | <b>-</b>                 | <b>-</b>                  | <b>3,958</b>               | <b>-</b>                        | <b>14,914</b>     | <b>71,484</b>         | <b>15,498</b>                 | <b>-</b>                   | <b>-</b>         | <b>517,010</b> | <b>675,163</b>    |

\*Canada Emergency Business Account

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 12. LOANS PAYABLE (continued)

- (a) On April 19, 2021, the Company entered into a loan facility for up to \$70,000 with the BDC. The loan facility has an interest rate equal to BDC's floating base rate, plus 3.71% and a maturity date of March 1, 2028. The loan is personally guaranteed by the CEO of the Company. During the six months ended November 30, 2025, the Company repaid \$7,486 (2024 - \$8,514) of the loan and incurred interest of \$1,653 (2024 - \$3,058). As of November 30, 2025, the loan balance is \$27,222 (May 31, 2025 - \$33,055).
- (b) On March 19, 2022, the Company entered into a loan facility for up to \$70,000 with the BDC. The loan facility has an interest rate equal to BDC's floating base rate, plus 4.57% and a maturity date of August 18, 2028. The loan is personally guaranteed by the CEO of the Company. During the six months ended November 30, 2025, the Company repaid \$7,894 (2024 - \$9,009) of the loan and incurred interest of \$2,060 (2024 - \$3,364). As of November 30, 2025, the loan balance is \$32,083 (May 31, 2025 \$37,917).
- (c) On October 19, 2022, the Company entered into a loan facility for up to \$50,000 with the BDC. The loan facility does not bear interest and matures on September 17, 2028. The loan is personally guaranteed by the CEO of the Company. The loan was fair valued at \$33,680 using a discount rate of 12.00%, which was determined to be a market rate. The difference between the face value of the loan and the fair value of the loan of \$16,320 was recognized as other income during the year ended May 31, 2023. During the six months ended November 30, 2025, the Company repaid \$4,980 (2024 - \$4,980) of the loan and recognized accretion expense on the loan facility of \$1,545 (2024 - \$1,930). As of November 30, 2025, the loan balance is \$23,841 (May 31, 2025 - \$27,276).
- (d) From time to time, the Company receives loans from the CEO and another significant shareholder of the Company. The loans are non-interest-bearing, unsecured and due on demand. During the six months ended November 30, 2025, the Company received shareholders' loans of \$60,000 (2024 - \$19,456) and repaid \$17,716 (2024 - \$16,716). As of November 30, 2025, the shareholders' loans totalled \$484,342 (May 31, 2025 - \$488,176) (Note 19).

The shareholders' loan includes mortgage proceeds personally received by the CEO and transferred to the Company. The proceeds were for the construction of the Company's building under construction. The mortgage is between the lender and the shareholder, and the Company is the guarantor for the mortgage. The total proceeds from the mortgage were \$300,000, of which \$294,507 was transferred to the Company after legal proceeds of \$5,493 were paid upon closing. The loan is interest bearing at 9.45% per annum and repayable by December 15, 2026.

- (e) On October 17, 2022, the Company entered into an auto loan agreement for \$93,788 with Scotiabank. The loan bears interest at 4.60% per annum and matures on October 17, 2026. The loan is secured against the vehicle purchased. During the six months ended November 30, 2025, the Company repaid \$12,857 (2024 - \$12,858) of the loan and accrued \$694 in interest (2024 - \$1,239). As of November 30, 2025, the loan balance is \$23,039 (May 31, 2025 - \$35,203).
- (f) On September 15, 2022, the Company entered into a loan agreement for \$30,439 with Meridian OneCap to purchase equipment. The loan bears interest of 5.474% annually and matures on September 27, 2027. The loan is secured by the equipment purchased. During the six months ended November 30, 2025, the Company repaid \$3,455 (2024 - \$3,455) of the loan and accrued interest of \$336 (2024 - \$502). As of November 30, 2025, the loan balance is \$10,457 (May 31, 2025 - \$13,576).

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 12. LOANS PAYABLE (continued)

(g) On August 28, 2023, the Company entered into a payment agreement with Treewalk Consulting Inc. ("Treewalk"), a corporation controlled by the Company's former Chief Financial Officer ("CFO"). The agreement specifies payment terms for \$688,137 in outstanding accounts payable owed to Treewalk as follows:

- a. \$38,137 in accounts payable is due immediately;
- b. \$100,000 in accounts payable will be converted to an unsecured promissory note with the principal balance of \$100,000, bearing interest at 15% per annum and due on the earlier of: (a) August 28, 2025; and (b) the completion of an equity financing(s) by the Company (occurring after the completion of the IPO) for minimum gross proceeds of \$3,000,000;
- c. On closing of the IPO, the Company will pay Treewalk \$400,000 (paid);
- d. The Company will facilitate a \$150,000 investment by Treewalk concurrent with and on the same terms as the IPO offering (375,000 units issued on December 1, 2023 at \$0.40 per unit, Note 18).

As a result of the Company entering into the payment agreement, \$100,000 in accounts payable was reclassified as a promissory note to loans payable with a fair value of \$100,000 on initial recognition.

During the six months ended November 30, 2025, the Company repaid \$Nil on the promissory note (2025 - \$Nil) and accrued \$7,500 (2024 - \$7,500) in interest. As of November 30, 2025 the promissory note balance was \$133,871 (May 31, 2025 - \$126,371).

(h) On June 22, 2023, the Company entered into an agreement with GC Leasing Ontario Inc. ("Grenke"), whereby Grenke would purchase certain equipment from the Company with a value of \$100,000. Grenke provided the full \$100,000 as deposit until the equipment was delivered. Subsequent to receiving the deposit, the sale was not completed, nor the equipment delivered, and it was agreed that the Company would repay the deposit amount through 48 blended principal and interest payments of \$7,635 paid quarterly. The effective interest rate on the deposit amount is 11.42%. During the six months ended November 30, 2025, the Company repaid \$15,270 (2024 - \$15,270) against the deposit and accrued interest of \$2,700 (2024 - \$4,055). As of November 30, 2025 the Grenke loan balance was \$42,319 (May 31, 2025 - \$54,889).

(i) On May 15, 2023, the Company entered into a loan and conditional contribution agreement with North Ontario Heritage Fund Corporation ("NOHFC"), the agreement closed in June 2023. Under the agreement, a loan and conditional contribution of up to \$450,000 is intended to provide government assistance towards the construction of the Company's building under construction (Note 7). Funds under the agreement are advanced once the Company has incurred eligible expenses and only after approval is received by NOHFC, subsequent to their review of supporting documentation.

Funds advanced under the agreement are allocated between a loan and conditional contribution as follows:

- a) 44% of funds advanced are considered a conditional contribution;
- b) the remaining 56% of funds advanced are considered a term loan bearing 5.95% interest per annum and maturing on the 7<sup>th</sup> anniversary subsequent to the commencement date of 48 blended

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 12. LOANS PAYABLE (continued)

principal and interest payments. The commencement date of the 48 blended principal and interest payments is the earlier of: (a) March 31, 2025, and (b) the date in which the loan is fully drawn.

During the year ended May 31, 2024, \$70,966 was advanced under the agreement as a contribution and credited as a government grant against the cost of the Company's building under construction (Note 8) and an additional \$90,320 was advanced related to the term loan portion. On initial recognition, the low interest term loan portions were determined to have a fair value of \$61,906 with the discount amount of \$36,226 being recognized as a government grant and also credited against the cost of the Company's building under construction (Note 8). The term loan is amortized using an effective interest rate of approximately 15%. During the six months ended November 30, 2025, the Company accrued accretion of \$5,496 (2024 - \$4,733) against the term loan. As of November 30, 2025, the outstanding term loan was \$76,126 (May 31, 2025 - \$70,630).

- (j) On September 26, 2023, the Company entered into an auto loan agreement for \$39,445 with Ford Credit Canada Company. The loan bears interest of 4.49% annually and matures on September 26, 2028. The loan is secured against the vehicle purchased. During the six months ended November 30, 2025, the Company repaid \$4,411 (2024 - \$4,411) of the loan and accrued \$581 in interest (2024 - \$747). As of November 30, 2025, the loan balance is \$23,430 (May 31, 2025 - \$27,260).
- (k) The loan is interest bearing at a 1.7%, repayable monthly. As result of Loop crediting extra \$43,000 to HPS account, the amount was converted to a loan bearing 1.7% interest. For the six months ended November 30, 2025 the Company repaid \$15,223 (2025 - \$30,447) of the loan and accrued \$625 in interest (2025 - \$4,045). As of November 30, 2025, the loan balance is fully paid.
- (l) In December 23, 2024, Hybrid Power Solutions entered into a contribution agreement under the Business Scale-Up and Productivity stream whereby the Minister (Federal Economic Development Agency for Southern Ontario) agreed to make a repayable contribution of maximum amount of \$2,250,000 in support of the Recipient's Eligible Costs until May 31, 2028. The fair value of the loan was determined using an estimate market interest rate of 12% rate per annum. The contribution is repayable from June 30, 2028 in 60 equal monthly payments, maturing on May 31, 2033. For the six months ended November 30, 2025 Hybrid Power Solutions claimed \$431,516 with a fair value of \$232,609 (2025- claimed \$500,566 with a fair value of \$257,707).

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 13. CONVERTIBLE DEBENTURES

### **\$328,500 Convertible Debenture Financing**

On July 27, 2022, the Company closed a financing of non-transferable unsecured convertible debentures of \$328,500. The debentures bear no interest and are payable two years from the closing date. If the Company fails to file a preliminary long form prospectus in connection with a going public transaction one-year from the closing date, the debentures will accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company files the preliminary prospectus, but does not complete an IPO for minimum gross proceeds of \$5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the preliminary prospectus then:

- the maturity date will automatically be extended to five years from the closing date and
- the debentures will bear interest at the prime rate, subject to the Company's prepayment right

If both events occur then the debentures will accrue interest for the first two years at a penalty rate of 10% per annum until the earlier of the conversion date and the date all of the principal amount has been repaid, subject to the prepayment. The preliminary long-form prospectus was filed on April 14, 2023; therefore, no interest was accrued on the debenture.

If the Company completes a going public transaction, the principal amount will automatically be converted into common shares of the Company at a price of \$0.02 per share on either the date the shares are listed on a recognized stock exchange in Canada or United States or a date that is within 10 business days (before or after) the listing date, subject to any applicable stock exchange acceptance and securities law.

Upon initial recognition, the convertible debentures were presented as a liability and the embedded conversion feature has been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) on initial recognition in the amount of \$291,216 was measured using a discount rate of 12%, which was determined to be a market rate for similar unsecured debt without the conversion feature. The residual amount of \$37,284 was allocated to equity (conversion feature). Debt issuance costs of \$12,578 was prorated and allocated to convertible debenture and equity in the amount of \$11,230 and \$1,348 respectively. The convertible debenture was amortized at an effective interest rate of 15.13%. During year ended May 31, 2024, the Company recognized \$10,652 (2023 - \$37,861) in accretion expense.

Prior to closing of the Company's IPO, on November 30, 2023, the full principal balance of the July 27, 2022 unsecured convertible debentures was converted into 16,425,000 common shares of the Company (Note 18).

### **\$1,170,000 and \$458,500 Convertible Debenture Financings**

#### *\$1,170,000 Convertible Debenture Financing*

On August 3, 2022, the Company closed a brokered private placement of \$1,170,000 non-transferable unsecured convertible debentures of the Company. The debentures were non interest bearing and payable to the agent on behalf of the subscribers two years from the closing date. If the Company fails to file a preliminary long form prospectus in connection with a going public transaction one-year from the closing date, the debentures will accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company files the Preliminary Prospectus, but does not complete an initial public offering for minimum gross proceeds of \$5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the Preliminary Prospectus then:

- the maturity date will automatically be extended to five years from the Closing Date and

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

## 13. CONVERTIBLE DEBENTURES (continued)

- the debentures will bear interest at the prime rate, subject to the Company's prepayment right

The preliminary long-form prospectus was filed on April 14, 2023; therefore, no interest will accrue on the debenture.

On November 9, 2023, a waiver and extension were granted to the Company on the convertible debentures so that the original 180 day deadline for IPO completion (October 14, 2023) was extended to January 13, 2024.

In consideration for the Agent's services, the Company paid the agent:

- A cash commission equal to 4.0% of the gross proceeds; and
- Compensation warrants equal to 4.0% of the principal number of debentures issued. The warrants will be exercisable into common shares of the Company at a price of \$0.20 per share for a period of 24 months from the closing date

Pursuant to the August 3, 2022, engagement letter, the agent will also act as sole and exclusive agent for the Company's IPO of a minimum of 12,500,000 units at a price of \$0.40 per unit and a maximum if up to

15,000,000 units for gross proceeds of a minimum of \$5,000,000 and a maximum of up to \$6,000,000. As consideration the Agent will receive consideration of:

- Cash commission of 8.0% of the gross proceeds received by the Company from the sale of units (including those issued pursuant to the exercise of the Over-Allotment Option and excluding any units sold to President's list subscribers), provided that the IPO cash commission shall be reduced to 4.0% of the gross proceeds received by the Company from the sale of units to President's List Subscribers
- Compensation warrants equal to 8.0% of the principal number of units issued pursuant to the IPO (including those issued pursuant to the exercise of the over-allotment option and excluding any units sold to President's list subscribers) provided that the number of IPO Agent's Warrants shall be reduced to 4.0% of the Principal Number of Units sold to President's List subscribers. The warrants will be exercisable into Units of the Company at a price of \$0.40 per unit for a period of 24 months from the closing date of the IPO (Note 18).
- A work fee in the amount of \$45,000 (plus GST) for providing corporate finance services in connection with the offering and the IPO offering payable to the Agent from the proceeds of the IPO Offering on closing of the IPO

The Agent has the option to purchase or sell up to an additional 15% units, on the same terms and conditions as the IPO, which will be exercisable by giving written notice to the Company at any time up to 48 hours prior to closing. The Company is entitled to designate to the Presidents List certain subscribers to be included in the Brokered Offering and certain subscribers to be included in the IPO Offering for up to 250,000 Units.

### *\$458,500 Convertible Debenture Financing*

On August 18, 2022, the Company approved an additional non-brokered private placement of non-transferrable unsecured convertible debentures for gross proceeds of up to \$458,500. The Debentures

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 13. CONVERTIBLE DEBENTURES (continued)

were non interest bearing and re-payable two years from the closing date of the offering or 180 days from the date the Company receives a receipt for the preliminary prospectus.

If the Company failed to file a preliminary long form prospectus in connection with its going public transaction one-year from the closing date, the debentures would accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company filed a Preliminary Prospectus, but did not complete an initial public offering for minimum gross proceeds of \$5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the Preliminary Prospectus then:

- the maturity date will automatically be extended to five years from the Closing Date and
- the debentures will bear interest at the prime rate, subject to the Company's Prepayment right

If both events did not occur then the debentures would accrue interest for the first two years at a penalty rate of 10% per annum until the earlier of the conversion date and the date all of the principal amount has been repaid, subject to the Prepayment. If the Company completed a going public transaction, the principal amount will automatically be converted into units of the Company at a price of \$0.20 per unit on either the date the Shares are listed on a recognized stock exchange in Canada or United States or a date that is within 10 business days (before or after) the listing date, subject to any applicable stock exchange acceptance and securities law.

Upon initial recognition, the \$1,170,000 and \$458,500 convertible debenture financings were presented as a liabilities and the embedded conversion features have been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) on initial recognition of \$1,454,018 was measured using a discount rate of 12%, which was determined to be a market rate for similar unsecured debt without the conversion feature. The residual amount of \$174,482 was allocated to equity (conversion feature). The issuance costs of \$174,359 was prorated and allocated to convertible debenture and equity in the amount of \$155,678 and \$18,681 respectively. The issuance costs included the value of

213,000 agents' warrants of \$27,690, which was determined using the Black-Scholes pricing model with the following inputs and assumptions: Stock price - \$.20; Exercise price - \$.20; Dividend yield - \$Nil; Expected volatility – 124.91%; Risk free interest rate 3.37% and expected life of 2 years.

The convertible debentures were amortized at an effective interest rate of 22.86%. During the year ended May 31, 2024, the Company recognized \$78,930 in accretion expense (2023 - \$251,231).

Each debenture unit will be comprised of one common share of the Company and one-half of one transferable common share purchase warrant. Each debenture warrant is exercisable into one common share at \$0.60 per debenture warrant share for a period of two years from the conversion date, subject to acceleration, such that if the daily volume weighted average trading price of the Shares exceeds \$0.80 on each of those 15 consecutive days, then the Warrants will expire in 30 days following notice.

The debenture units issuable upon conversion (including all underlying securities) will be subject to voluntary resale restrictions as follows:

- 10% of the debenture units (including all underlying securities) released on the listing date;
- 40% of the debenture units (including all underlying securities) released six months after the listing date; and
- 50% of the debenture units (including all underlying securities) released twelve months after the listing date;

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 13. CONVERTIBLE DEBENTURES (continued)

Shares issuable upon conversion will be subject to voluntary resale restrictions as follows:

- 25% of the Shares released on the listing date;
- 25% of the Shares released four months after the listing date;
- 25% of the Shares released eight months after the listing date; and
- 25% of the Shares released twelve months after the listing date;

Prior to closing of the Company's IPO, on November 30, 2023, the full principal balance of the August 3, 2022 unsecured convertible debentures was converted into 8,142,500 common shares and 4,071,250 warrants of the Company (Note 18).

### **\$535,000 Convertible Debenture Financing**

On August 16, 2023, the Company issued 535 secured convertible debentures to an arm's length party, for an aggregate purchase price of \$535,000 in order to provide funds for the Company's operations prior to the close of the Company's initial public offering. The convertible debentures have the following terms:

- each convertible debenture will consist of \$1,111.11 principal amount for an aggregate original principal amount of \$594,444;
- the Principal Amount will not bear interest (except that the Principal Amount will bear interest at an additional rate of 25% per annum if an event of default occurs) (as defined in the certificate representing the convertible debentures;)
- the convertible debentures will mature 12 months from the date of issuance on August 16, 2024;
- subsequent to the year ended May 31, 2024, the maturity date of the debt was extended to November 16, 2024;
- Each convertible debenture is convertible at the option of the lender, in whole or in part, at any time while any principal or interest amounts remains outstanding, into common shares of the Company at a price of \$0.32;
- In the event the Company issues common shares or other instruments convertible into common shares at a price lower than \$0.32, in the year-ended May 31, 2025, the price was revised at \$0.05.

Upon initial recognition, the convertible debentures were presented as a liability and the embedded conversion feature has been presented as a derivative liability requiring bifurcation, due to the potential variability in the conversion price. On initial recognition, the derivative liability was valued first, and the residual value was assigned to the host debt component. The fair value of the derivative liability at issuance was estimated to be \$128,183 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: \$0.22, risk-free rate of 5.08%, expected life of 1 year, volatility factor of 107% and dividend yield of Nil. The residual amount of \$406,817 was allocated to the host debt component. The debt issuance costs of \$53,200 were prorated and allocated to the convertible debenture and expensed to professional fees in the amount of \$40,454 and \$12,746 respectively.

The convertible debenture is amortized using the effective interest rate method. During the year ended May 31, 2025, the Company recognized \$93,259 (2024 - \$109,163) in accretion expense related to the August 16, 2023 debenture.

During the year ended May 31, 2024, the \$433,333 of the principal balance of the August 16, 2023 convertible debenture was converted into 1,354,165 common shares of the Company (Note 18). During the

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 13. CONVERTIBLE DEBENTURES (continued)

year ended May 31, 2025, the Company amended the terms of the note several times, resulting in decreases to the conversion price, increasing the value of the principal of the note and issuing warrants to

holder of the notes. As a result of these transactions, the Company recorded a net impact of \$39,497 as gain on revaluation of derivative liability and convertible debentures, and issued a total of 3,302,857 common shares (Note 18) for the conversion of the remaining balance of the note.

### **\$500,000 Convertible Debenture Financing**

On August 18, 2025, the Company issued 500 secured convertible debentures to an arm's length party, for an aggregate purchase price of \$500,000 in order to provide funds for the Company's operations. The convertible debentures have the following terms:

- each convertible debenture will consist of \$1,000.00 principal amount for an aggregate original principal amount of \$500,000.00;
- the Principal Amount will bear interest @ 12% per annum (as defined in the certificate representing the convertible debentures;)
- the convertible debentures will mature 12 months from the date of issuance on August 17, 2025;
- Each Debenture, plus accrued but unpaid interest, is convertible, in whole or in part, at any time while any principal or interest remains outstanding, into common shares of the Corporation (each, a "Share") at \$0.05 per Share, all upon and subject to the terms and conditions set forth in Schedule "A" attached hereto.
- Each Warrant (together with the Debentures, the "Purchased Securities") will entitle the holder thereof to acquire one Share at an exercise price of \$0.06 for a period of two years from the Closing Date. All Debentures and Warrants purchased by the Subscriber will be represented by one certificate.

Upon initial recognition, the convertible debentures were presented as a liability and the embedded conversion feature and warrant option have been presented as a derivative liability, due to the potential variability in the conversion and exercise price.

On initial recognition, the derivative liability was valued first, and the residual value was assigned to the host debt component. The fair value of the derivative liability at issuance was estimated to be \$135,676 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: \$0.045, risk-free rate of 2.74%, expected life of 1 year, volatility factor of 86.17% and dividend yield of Nil.

The fair value of the warrant call option at grant date was estimated to be \$179,519 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: \$0.045, risk-free rate of 2.74%, expected life of 2.04 year, volatility factor of 86.17% and dividend yield of Nil. The FV of the Debt Host is \$184,805.

The debt issuance costs of \$29,800 were prorated and deducted to the convertible debenture (\$11,014- amortized for 12 months); Conversion Option-\$8,086; and Warrant Option-\$10,699.

The convertible debenture is amortized using the effective interest rate method. During the six months ended November 30, 2025, as per agreement, the Company recognized \$53,301 (2024 - \$13,761) in accretion expense related to the August 18, 2025 debenture, and interest paid of \$17,260.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 13. CONVERTIBLE DEBENTURES (continued)

The continuity of the derivative liability is summarized in the table below:

|                            |    | Derivative liability |
|----------------------------|----|----------------------|
| Balance, May 31, 2024      | \$ | -                    |
| Issued                     |    | 29,230               |
| Conversion                 |    | (29,230)             |
| Loss on revaluation        |    | -                    |
| Balance, May 31, 2025      | \$ | -                    |
| Issued                     |    | 127,590              |
| Conversion                 |    | -                    |
| Loss on revaluation        |    | 157,096              |
| Balance, November 30, 2025 | \$ | 284,686              |

## 14. REVENUE

### Disaggregation of revenue from contracts with customers

The Company generates revenue from selling portable battery systems and customized energy solutions and its newly formed franchise business. The following table presents a disaggregation of revenue by source:

|                                |           | Three<br>Months<br>Ended<br>November<br>30, 2025 | Three<br>Months<br>Ended<br>November<br>30, 2024 | Six Months<br>Ended<br>November<br>30, 2025 | Six Months<br>Ended<br>November<br>30, 2024 |
|--------------------------------|-----------|--------------------------------------------------|--------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Royalty revenue                | \$        | -                                                | -                                                | -                                           | 2,257                                       |
| Advertising revenue            |           | -                                                | -                                                | -                                           | 1,881                                       |
| Franchise fee revenue          |           | 8,150                                            | 9,725                                            | 16,300                                      | 17,875                                      |
| Other revenue                  |           | -                                                | -                                                | -                                           | 2,100                                       |
| <b>Total Franchise revenue</b> |           | <b>8,150</b>                                     | <b>9,725</b>                                     | <b>16,300</b>                               | <b>24,113</b>                               |
| Product and installation sales |           | 271,295                                          | 1,023,408                                        | 562,071                                     | 2,047,602                                   |
| Consulting and other revenue   |           | -                                                | -                                                | -                                           | -                                           |
| <b>Total</b>                   | <b>\$</b> | <b>279,445</b>                                   | <b>1,033,133</b>                                 | <b>578,371</b>                              | <b>2,071,715</b>                            |

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 14. REVENUE (Continued)

Revenue is generated in four geographical markets, being Canada and United States.

The following table presents a disaggregation of revenue by geographic markets:

|               |           | <b>Three Months<br/>Ended<br/>November 30,<br/>2025</b> | Three Months<br>Ended<br>November 30,<br>2024 | <b>Six Months<br/>Ended<br/>November 30,<br/>2025</b> | Six Months<br>Ended<br>November<br>30, 2024 |
|---------------|-----------|---------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------|---------------------------------------------|
| Canada        | \$        | <b>198,943</b>                                          | 454,516                                       | <b>235,312</b>                                        | 891,085                                     |
| United States |           | <b>80,502</b>                                           | 578,617                                       | <b>343,059</b>                                        | 1,180,630                                   |
| <b>Total</b>  | <b>\$</b> | <b>279,445</b>                                          | 1,033,133                                     | <b>578,371</b>                                        | 2,071,715                                   |

The Company provides either a 30 month commercial or a 60 month standard warranty and a 30-day return period for products shipped. The Company also offers a 30-month warranty on its Batt Pack Energy, Batt Pack Pro, Jupiter and Spark products for component parts. As of November 30, 2025, the Company has recorded a provision of \$41,522 (May 31, 2025 - \$32,689) in expected replacement parts and direct labour on future warranty claims and expected returns.

### Contract assets and liabilities

As of November 30, 2025 and May 31, 2025 the Company had the following contract assets:

|                                   |    | <b>November 30, 2025</b> |    | May 31, 2025 |
|-----------------------------------|----|--------------------------|----|--------------|
| Contract assets - Contract costs* | \$ | <b>17,469</b>            | \$ | 22,482       |

\*The Company incurs various costs to obtain contracts, in the form of sales commissions payable upon securing new franchisees and sign-up bonuses payable upon the receipt of payment of the initial franchise fee.

The continuity of contract liabilities is summarized in the table below:

|                                   |           | <b>For the six months<br/>ended<br/>November 30, 2025</b> |           | Year-ended<br>May 31, 2025 |
|-----------------------------------|-----------|-----------------------------------------------------------|-----------|----------------------------|
| Balance, beginning                | \$        | <b>304,225</b>                                            | \$        | 200,485                    |
| Additions to contract liabilities |           | 305,932                                                   |           | 585,305                    |
| Revenue earned during the year    |           | (165,489)                                                 |           | (481,565)                  |
| <b>Balance, ending</b>            | <b>\$</b> | <b>444,668</b>                                            | <b>\$</b> | 304,225                    |
| Current portion                   |           | 401,639                                                   |           | 244,897                    |
| Non-current portion               | \$        | 43,028                                                    | \$        | 59,328                     |

The current portion of contract liabilities consist mainly of consideration received from customers for orders received and paid for but not yet delivered. Non-current portion of contract liabilities consists of franchise

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

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fees received in advance, which will be recognized in revenue over the period of the contract. The amounts deferred include the unrecognized portion of the initial franchise fee related to access to franchise right.

## 15. COST OF SALES

Cost of sales for the three & six months ended November 30, 2025 and 2024 is summarized in the table below:

|                                    | Three months<br>ended November<br>30, 2025 | Three months<br>ended<br>November 30,<br>2024 | Six months ended<br>November 30,<br>2025 | Six months<br>ended November<br>30, 2024 |
|------------------------------------|--------------------------------------------|-----------------------------------------------|------------------------------------------|------------------------------------------|
| Parts, materials and direct labour | \$ 212,518                                 | 719,883                                       | 448,695                                  | \$ 1,292,999                             |
| Shipping                           | 30,301                                     | 57,403                                        | 70,813                                   | 151,505                                  |
| <b>Total</b>                       | <b>\$ 242,819</b>                          | <b>777,286</b>                                | <b>519,508</b>                           | <b>\$ 1,444,504</b>                      |

## 16. GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of general and administrative expenses for the Six months ended November 2025 and 2024:

|                              | Three<br>months<br>ends<br>November<br>30, 2025 | Three<br>months<br>ends<br>November<br>30, 2024 | Six months<br>ends<br>November<br>30, 2025 | Six months<br>ends<br>November<br>30, 2024 |
|------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Automotive                   | \$ 7,031                                        | 11,433                                          | 12,910                                     | \$ 18,240                                  |
| Bad debts (recovery)         | 7,241                                           | 20,136                                          | 23,292                                     | 1,133                                      |
| Bank and transaction charges | 15,817                                          | 6,382                                           | 22,334                                     | 15,266                                     |
| Brokerage fees               | 2,175                                           | 1,802                                           | 3,017                                      | 4,446                                      |
| Delivery                     | 45                                              | -1,228                                          | 285                                        | 1,302                                      |
| Depreciation                 | 16,713                                          | 7,486                                           | 34,395                                     | 15,038                                     |
| Dues and subscriptions       | 6,109                                           | 4,223                                           | 16,224                                     | 6,585                                      |
| Education and training       | 537                                             | -                                               | 2,422                                      | 358                                        |
| Filing fees                  | 2,100                                           | 29,262                                          | 8,173                                      | 41,131                                     |
| Insurance                    | 13,741                                          | 9,893                                           | 26,362                                     | 17,173                                     |
| Meal and entertainment       | 4,910                                           | 6,784                                           | 11,790                                     | 11,396                                     |
| Office                       | 17,807                                          | 13,663                                          | 32,486                                     | 33,414                                     |
| Rent                         | 6,143                                           | 3,230                                           | 11,613                                     | 7,164                                      |
| Repairs and maintenance      | 730                                             | 429                                             | 1,720                                      | 932                                        |
| Telephone and internet       | 1,850                                           | 2,884                                           | 4,638                                      | 5,185                                      |
| Utilities                    | 1,379                                           | 2,176                                           | 2,818                                      | 2,176                                      |
| Travel                       | 4,368                                           | 15,606                                          | 10,297                                     | 28,081                                     |
| <b>Total</b>                 | <b>\$ 108,695</b>                               | <b>134,162</b>                                  | <b>224,776</b>                             | <b>\$ 209,020</b>                          |

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 17. GOVERNMENT ASSISTANCE

The following is a breakdown of government assistance for the three and six months ended November 30, 2025 and 2024:

|                                                                         | <b>Three<br/>months<br/>ended<br/>November<br/>30, 2025</b> | Three months<br>ended<br>November<br>30, 2024 | <b>Six Months<br/>Ended<br/>November<br/>30, 2025</b> | Six Months<br>ended<br>November 30,<br>2024 |
|-------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------|---------------------------------------------|
| Federal Economic Development<br>Agency for Southern Ontario<br>(FedDev) | <b>\$117,875</b>                                            | -                                             | <b>\$ 198,907</b>                                     | -                                           |
| <b>Total</b>                                                            | <b>\$117,875</b>                                            | -                                             | <b>\$198,907</b>                                      | -                                           |

During the years ended May 31, 2025, the Company recognized \$Nil (2024 - \$58,620) in NRC IRAP as government assistance. The NRC IRAP provides advice, connections, and funding to help Canadian small and medium-sized businesses increase their innovation capacity and take ideas to market.

During the year ended May 31, 2025, the Company recognized \$Nil (2024 - \$14,809), received from NOHFC as government assistance. NOHFC's People and Talent Workforce Development Program is designed to provide financial assistance to organizations in order to strengthen and develop Northern Ontario's workforce through business partnerships by offering internships. During the year ended May 31, 2025, the Company received \$Nil (2024 - \$14,809) from NOHFC for eligible wages paid to an intern.

On December 23, 2024, Hybrid Power Solutions entered into a contribution agreement under the Business Scale-Up and Productivity stream whereby the Minister (Federal Economic Development Agency for Southern Ontario) agreed to make a repayable contribution of maximum amount of \$2,250,000 in support of the Recipient's 50% Eligible Costs. The fair value of the loan was calculation using an estimated market interest rate of 12% rate per annum. As of May 31, 2025 Hybrid Power Solutions claimed \$500,586 with a fair value of \$242,859.

For the six months ended November 30, 2025 Hybrid Power Solutions claimed \$431,516 with a fair value of \$232,609.

The difference between the fair value of the advances on the date of receipt and the face value of the loan has been recognized as government assistance.

On November 14, 2022, the Company and Northumberland Community Futures Development Corporation ("NCFDC") entered into a contribution agreement where NCFDC will contribute up to \$100,000 to the Company covering 50% of eligible costs incurred in the development and testing of a new line of portable power packs that will be able to charge using grid, solar panels, or a vehicle alternator. During the year ended May 31, 2025, the Company received \$Nil in contributions from NCFDC (2024 - \$10,000).

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

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## 18. SHARE CAPITAL AND RESERVES

### ***Authorized capital***

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

### ***Issued share capital***

As of November 30, 2025, the Company had 85,964,534 (2025 – 85,214,534) shares outstanding.

#### *During the six months ended November 30, 2025:*

On October 8, 2025, the Company issued 750,000 shares at the price of \$0.05 per share to creditors. The shares for debt transaction are pursuant to a debt settlement agreement to settle the outstanding indebtedness of \$37,500.

#### *During the year ended May 31, 2025:*

On July 15, 2024, the Company closed the first and second tranche of a non-brokered prospectus offering (the "Offering") through the issuance of 3,000,000 Units at a price of \$0.20 per Unit, for gross proceeds of \$600,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant (a "Warrant"), whereby each Warrant entitles the holder to acquire one common share at an exercise price of \$0.25 per Common Share within 24-months from the date of issuance. No value was allocated to the Warrants based on the residual method.

In connection with the Offering, the Company incurred cash share issuance costs of \$20,497 and issued a total of 92,500 finder's warrants (the "Finder's Warrants") to eligible finders, representing a 5.0% finder's fee on certain subscriptions. Each Finder's Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.25 per common share within 24-months from the date of issuance. The fair value of the finder's warrants was determined to be \$11,638 using the Black-Scholes Option Pricing Model using the following weighted average assumptions: stock price: \$0.21, risk-free rate of 3.92%, expected life of 2 years, volatility factor of 124.58% and dividend yield of Nil.

A portion of the Offering comprising of 150,000 Units was issued to a professional advisor of the Company to partially settle an outstanding debt of \$30,000. 150,000 Units were also issued to a consulting company controlled by the Company's Shareholder, to partially settle an outstanding debt of \$30,000.

On July 24, 2024, the Company issued 35,000 common shares on the settlement of 35,000 previously vested RSUs. As a result, the Company reclassified \$14,525 in RSU reserves to share capital.

On August 22, 2024, \$20,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 142,857 common shares of the Company.

On September 23, 2024, \$20,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 400,000 common shares of the Company.

On September 25, 2024, \$25,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 500,000 common shares of the Company.

On November 5, 2024, \$25,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 500,000 common shares of the Company.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 18. SHARE CAPITAL AND RESERVES (Continued)

On November 22, 2024, the Company issued 50,000 common shares on the settlement of 50,000 previously vested RSUs. As a result, the Company reclassified \$16,679 in RSU reserves to share capital.

On November 25, 2024, the Company issued 290,000 common shares on the settlement of \$14,500 in outstanding debt for market-making services provided at \$0.05 per share.

On December 03, 2024, the Company issued 500,000 common shares on the settlement of 500,000 previously vested RSUs. As a result, the Company reclassified \$100,000 in RSU reserves to share capital.

On December 11, 2024, \$25,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 500,000 common shares of the Company.

On December 31, 2024, \$30,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 600,000 common shares of the Company.

On January 10, 2025, \$33,000 of the principal balance of the August 16, 2023 convertible debentures was converted into 660,000 common shares of the Company.

On January 17, 2025 1,219,512 Units were issued to a consulting company controlled by the Company's former Chief Financial Officer, to partially settle an outstanding debt of \$50,000.

On February 10, 2025, the Company issued 1,500,000 common shares on the settlement of 1,500,000 previously vested RSUs. As a result, the Company reclassified \$52,500 in RSU reserves to share capital.

On May 14, 2025, the Company issued 1,272,500 RSU against debt of \$64,000. As a result, the Company reclassified \$82,713 in RSU reserves to share capital.

On May 27, 2025, there was a partial exercise of warrants of 50,000 into \$2,500 at a price of \$0.05 per common share, for each warrant represented.

On May 28, 2025, there was a partial exercise of warrants of 50,000 into \$2,500 at a price of \$0.05 per common share, for each warrant represented.

### *During the year ended May 31, 2024:*

On November 30, 2023, the Company issued 16,425,000 common shares upon the conversion of the July 27, 2022 Convertible Debentures (Note 13). As a result of the full conversion of the July 27, 2022 Convertible Debentures, the Company reclassified \$364,436 from its convertible debenture liability and conversion option to share capital.

On November 30, 2023, the Company issued 8,142,500 units upon the conversion of the August 3, 2022 Convertible Debentures, for a total of 8,142,500 common shares and 4,071,250 common share purchase warrants. Each warrant is exercisable at a price of \$0.60 until November 29, 2025. As a result of the full conversion of the August 3, 2022 Convertible Debentures, the Company reclassified \$1,728,182 from its convertible debenture liability and conversion option to share capital.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

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## 18. SHARE CAPITAL AND RESERVES (Continued)

On December 1, 2023, the Company completed its IPO through the issuance of 12,279,500 Units at a price of \$0.40 per unit pursuant to the Company's amended and restated prospectus dated August 28, 2023, as further amended on September 13, 2023 and October 18, 2023. Gross proceeds before deducting agent fees and estimated offering expenses were \$4,911,800. The Company's Agent was paid cash commissions of \$392,944 representing 8% of the gross proceeds, a corporate finance fee of \$45,000 and non-cash commission in the form of 982,360 Agent's Warrants on closing of the IPO. Each Agent's Warrant is exercisable into one Unit of the Company at a price of \$0.40 per unit. The fair value of the Agent's Warrants was determined to be \$224,344 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: \$0.40, risk-free rate of 4.07%, expected life of 2 years, volatility factor of 107.54% and dividend yield of Nil. The Company incurred an additional \$437,340 in cash share issuance costs related to the IPO.

Each Unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.60 per common share until December 1, 2025 subjects to acceleration if the daily volume weighted average trading price of the Company's common shares on the CSE exceeds \$0.80 for 15 days consecutively. The Company applied the residual method in determining the value attributable to the warrants. As the value of the shares exceeded the conversion price, \$nil was allocated to the warrant reserve.

Treewalk participated in the IPO through the issuance of 375,000 Units to settle \$150,000 in outstanding accounts payable (Note 12 (i)).

On December 17, 2023, the Company issued 1,837,500 common shares on the vesting of 1,837,500 RSUs. As a result, the Company reclassified \$638,603 in RSU reserves to share capital.

During the year ended May 31, 2024, the Company issued 1,354,165 common shares upon the conversion of the August 16, 2023 Convertible Debentures (Note 13). As a result of the conversion of the August 16, 2023 Convertible Debentures, the Company reclassified \$383,179 from its convertible debenture liability and conversion option to share capital.

On May 29, 2024, the Company closed the first tranche of a non-brokered prospectus offering. The Company issued 1,806,000 units (the "Units") of the Company at a price of \$0.30 per Unit for gross proceeds of \$541,800. Each Unit is comprised of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.32 per common share until May 29, 2026. The fair value of the Warrants was determined to be \$90,300 using the residual value method with a share price on date of issuance of \$0.25.

In connection with the closing of the first tranche of the non-brokered prospectus offering, the Company paid finders' fees of \$27,427 and issued an aggregate of 91,420 finder's warrants. Each finder's warrant is exercisable for a period of two years from the date of issuance at an exercise price of \$0.32 per share. The fair value of the compensation options was determined to be \$4,571 using the Black-Scholes Option Pricing Model using the following assumptions: stock price: \$0.25, risk-free rate of 4.31%, expected life of 2 years, volatility factor of 123.59% and dividend yield of Nil.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 18. SHARE CAPITAL AND RESERVES (continued)

### Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

|                                   | Number of Warrants | Weighted Average Exercise Price |
|-----------------------------------|--------------------|---------------------------------|
| <b>Balance, May 31, 2024</b>      | <b>25,438,786</b>  | <b>\$ 0.54</b>                  |
| Granted                           | 4,092,500          | 0.23                            |
| Expired                           | (348,006)          | 0.24                            |
| Cancelled                         | (9,000,000)        | 0.000001                        |
| Exercised                         | (100,000)          | 0.05                            |
| <b>Balance, May 31, 2025</b>      | <b>20,083,280</b>  | <b>\$ 0.38</b>                  |
| Granted                           | 10,000,000         | \$ 0.06                         |
| Expired                           | (4,071,250)        | 0.60                            |
| Cancelled                         | -                  | -                               |
| Exercised                         | -                  | -                               |
| <b>Balance, November 30, 2025</b> | <b>26,012,030</b>  | <b>\$ 0.23</b>                  |

As of November 30, 2025, the following warrants were outstanding and exercisable:

| Outstanding Number of Warrants | Exercisable Number of Warrants | Exercise Price | Expiry Date       |
|--------------------------------|--------------------------------|----------------|-------------------|
| 982,360                        | 982,360                        | \$0.40         | December 1, 2025  |
| 6,139,750                      | 6,139,750                      | \$0.60         | December 1, 2025  |
| 1,806,000                      | 1,806,000                      | \$0.32         | May 29, 2026      |
| 91,420                         | 91,420                         | \$0.32         | May 29, 2026      |
| 2,200,000                      | 2,200,000                      | \$0.25         | July 5, 2026      |
| 82,500                         | 82,500                         | \$0.25         | July 5, 2026      |
| 3,000,000                      | -                              | \$0.000001     | Milestones        |
| 800,000                        | 800,000                        | \$0.25         | July 15, 2026     |
| 10,000                         | 10,000                         | \$0.25         | July 15, 2026     |
| 900,000                        | 900,000                        | \$0.25         | February 14, 2027 |
| 10,000,000                     | 10,000,000                     | \$0.06         | August 31, 2027   |
| <b>26,012,030</b>              | <b>23,012,030</b>              |                |                   |

On April 3, 2023, the Company issued 3,000,000 performance warrants (the "Personnel Performance Warrants") as an incentive to personnel. The Personnel Performance Warrants are exercisable for one Common Share at an exercise price of \$0.000001 upon the Company completing equity and/or debt financings for minimum gross proceeds of \$5,000,000 within two (2) years of the listing date.

Upon vesting, the Performance Warrants will be exercisable for one (1) year. A value of \$900,000 was assigned to the performance warrants based on the price of the Company's most recent financing of \$0.30/share. During the six months ended November 30, 2025, the Company recognized \$Nil (2025 - \$145,648) in share-based compensation related to the personnel performance warrants.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 18. SHARE CAPITAL AND RESERVES (continued)

On November 29, 2023, the Company issued 4,071,250 warrants upon the conversion of the August 3, 2022 convertible debentures. Each warrant is exercisable at a price of \$0.60 until November 29, 2025. As of November 30, 2025, these warrants are expired.

The Company granted 982,360 agents' warrants during the year ended May 31, 2024, pursuant to the IPO. A value of \$224,344 was assigned to the warrants using the Black-Scholes option pricing model with the following inputs: Stock price - \$0.40; Exercise price - \$0.40; Dividend yield - \$Nil; Expected volatility – 107.54%; Risk free interest rate 4.07% and expected life of 2 years.

As of November 30, 2025, the weighted average remaining contractual life of outstanding warrants, excluding Management Performance Warrants and Personnel Performance Warrants is 0.93 years (2025 – 0.96).

### Stock Options

During the six months ended November 30, 2025 the Company recognized share-based compensation of \$95,395 (2025 - \$544,765) in relation to the grant of its stock options with a corresponding credit to reserves.

On July 15, 2025, the Company granted 500,000 stock options to Jason Miller, at a price of \$0.065 per share, exercisable for a period of two years. The stock options vest over periods starting on the initial grant date July 15, 2025.

The weighted average grant date fair value of the stock options granted during the six months ended November 30, 2025, was \$0.37 (2025 - \$0.27) per option. Option pricing models require the use of highly subjective estimates and assumptions including expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of stock options was estimated on the measurement date using the Black-Scholes Option Pricing Model.

The assumptions used to calculate the fair value were as follows:

|                                | November 30,<br>2025 | May 31, 2025 |
|--------------------------------|----------------------|--------------|
| Risk free rate of interest     | 3.13%                | 2.73%        |
| Expected life of options       | 2 years              | 2 years      |
| Exercise price of options      | \$0.065              | \$0.05       |
| Expected annualized volatility | 162%                 | 139%         |
| Expected dividend rate         | Nil                  | Nil          |

The Company has limited trading history, and therefore expected annualized volatility was determined through the use of comparable companies that are publicly listed.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 18. SHARE CAPITAL AND RESERVES (continued)

A summary of the changes in the Company's stock options during the six months ended November 30, 2025 are as follows:

|                                | Number of<br>options | Weighted average<br>exercise price |
|--------------------------------|----------------------|------------------------------------|
| Outstanding, May 31, 2025      | 4,868,838            | 0.38                               |
| Granted                        | 500,000              | 0.065                              |
| Cancelled                      | -                    | -                                  |
| Outstanding, November 30, 2025 | 5,368,838            | \$ 0.34                            |

As of November 30, 2025, the following options were outstanding:

| Options<br>outstanding | Options<br>exercisable | Exercise price | Expiry date       | Remaining<br>contractual<br>life (years) |
|------------------------|------------------------|----------------|-------------------|------------------------------------------|
| 5,368,838              | 4,320,379              | \$0.34         | November 29, 2028 | 3.0                                      |

### Restricted Share Units ("RSUs")

On November 29, 2023, the Company granted 3,000,000 RSUs to consultants of the Company, which vested immediately.

On November 29, 2023, the Company granted a further 875,000 RSUs to directors and a consultant of the Company. 10% of the RSUs vested immediately and 15% will vest every six months after November 29, 2023.

On November 29, 2023, the Company granted a further 50,000 RSUs to a director of the Company. The RSUs will vest over 24 months subsequent to November 29, 2023, with 25% vesting every 6 months.

The fair value of each RSU was determined to be \$0.33 through estimating the value of one common share issued on closing of the Company's IPO unit offering at \$0.40 per unit.

On December 17, 2023, 1,837,500 of the vested RSUs were settled for 1,837,500 common shares and the related reserves of \$638,603 were reclassified to share capital.

On December 21, 2023, the Company granted a further 100,000 RSUs to a consultant of the Company. The RSUs vested immediately. The fair value of each RSU was determined to be \$0.59, based on the market value of the shares on the grant date.

On March 18, 2024, the Company granted 35,000 RSUs to employees of the Company. The RSUs vested on March 30, 2024. The fair value of each RSU was determined to be \$0.42, based on the market value of the shares on the grant date.

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 18. SHARE CAPITAL AND RESERVES (continued)

On April 26, 2024, 1,400,000 RSUs previously granted and settled were cancelled. In replacement, 1,378,940 RSUs were granted with 50,000 RSUs vesting immediately on grant, and 50,000 RSUs vesting each year on November 29 until November 29, 2033 when the remaining 878,940 RSUs will vest.

On July 12, 2024, the Company granted 500,000 RSUs to a consultant of the Company. The RSUs vest on November 13, 2024. The fair value of each RSU was determined to be \$0.20, based on the market value of the shares on the grant date.

### *Restricted Share Units ("RSUs") (continued)*

At the discretion of the Board of Directors, RSUs may be settled in equity, cash or a combination of both. The fair value of RSUs, which are settled in equity, are recognized as a share-based payment with a corresponding increase in reserves, over the vesting period.

During the six months ended November 30, 2025, the Company recognized share-based compensation of \$54,123 (May 31, 2025 – \$413,595) relating to the vesting of the RSUs with a corresponding credit to reserves.

As of November 30, 2025, the Company had 2,048,940 RSUs outstanding and 520,000 RSUs which had fully vested but have yet to be settled (2025 – 2,048,940 & 345,000 units respectively).

A summary of the changes in the Company's RSUs during the six months ended November 30, 2025 are as follows:

|                            | Number of Restricted Share Units |
|----------------------------|----------------------------------|
| Balance, May 31, 2025      | 2,048,940                        |
| Granted                    | -                                |
| Settled in common shares   | -                                |
| Balance, November 30, 2025 | 2,048,940                        |

A summary of share-based compensation recognized during the six months ended November 30, 2025 and 2024 is as follows:

|                      | November 30, 2025 | November 30, 2024 |
|----------------------|-------------------|-------------------|
| Performance warrants | \$ -              | \$ 145,648        |
| Stock options        | 95,395            | 346,859           |
| RSUs                 | 54,123            | 206,249           |
|                      | \$ 149,518        | \$ 698,756        |

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel for the six months ended November 30, 2025 and 2024 are summarized as follows:

|                          | November 30, 2025 |               | November 30, 2024 |                |
|--------------------------|-------------------|---------------|-------------------|----------------|
| Salaries and benefits    | \$                | 75,000        | \$                | 69,240         |
| Share-based compensation |                   | -             |                   | 519,283        |
| Director's Fee           |                   | 12,000        |                   | -              |
| <b>Total</b>             | <b>\$</b>         | <b>87,000</b> | <b>\$</b>         | <b>588,523</b> |

As of November 30, 2025, loans payable (Note 12) included:

- \$7,384 (2025 - \$7,384) due from the CEO of the company to the company. The loan is non-interest-bearing, unsecured and due on demand.
- \$228,493 (2025 - \$234,036) due to the CEO of the Company in relation to mortgage proceeds personally received by the CEO and transferred to the Company. The loan is interest bearing at 9.45% per annum and repayable by December 15, 2026;
- \$133,871 (2025 - \$126,371) owing under a promissory note due to a corporation controlled by a shareholder. The promissory note bears interest at 15% per annum, is unsecured and is due on the earlier of: (a) August 28, 2025, and (b) the date that the Company completes an equity financing(s) (occurring after the completion of the IPO) for minimum gross proceeds of \$3,000,000;
- \$263,233 (2025 - \$204,233) due to a shareholder of the Company. The loan is non-interest-bearing, unsecured and due on demand.

As of November 30, 2025, accounts payable included \$468,240 (2025 - \$441,695) owing to a company controlled by a shareholder. The Company incurred a total of \$26,546 accrued late fees (2025- \$155,482) from the company controlled by a shareholder.

## 20. SUBSEQUENT EVENTS

On October 23, 2025, the company is offering Units for \$0.06 each. Every Unit includes one common share and one warrant. Each warrant allows the holder to buy one additional common share for \$0.10 within two years. If the company's share price stays at or above \$0.20 for 20 consecutive trading days, the company can shorten the warrant's expiry date by giving 30 days' notice through a press release. The total offering will raise between \$1,000,000 (minimum) and \$2,000,000 (maximum) by selling between 16,666,667 and 33,333,333 Units, and the sale will be expected to close in one or more stages by December 2025.

On December 29, 2025, the Company completed a first Tranche non-brokered private placement financing under the listed issuer financing exemption pursuant to Part 5A of National Instrument 45-106 – *Prospectus Exemptions*. The Company issued 16,914,999 units at a price of \$0.06 per unit, for gross proceeds of

# Hybrid Power Solutions Inc.

Notes to the Consolidated Financial Statements

For the three and six months ended November 30, 2025 and 2024

(Unaudited - Expressed in Canadian Dollars)

## 20. SUBSEQUENT EVENTS (continued)

approximately \$1,014,899.94. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.10 per share for a period of 24 months from the date of issuance.

On December 29, 2025, the company closed another tranche of Life Offering Financing for gross proceeds of \$12,000 from the sale of 200,000 units ("Unit") of the Company at a price of \$0.06 per Unit (the "Life Offering") under the Listed Issue Financing Exemption. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.10 per share for a period of 24 months from the date of issuance.

On January 19, 2026, the Company issued 883,750 units at a price of \$0.06 per unit, as part of the Life Offering Financing for gross proceeds of approximately \$53,025. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.10 per share for a period of 24 months from the date of issuance.

In connection with the financing, the Company paid cash finder's fees of approximately \$38,690 and issued 644,840 broker warrants, each exercisable at \$0.10 per share for a period of two years from the date of issuance.

The net proceeds from the financing are intended to be used for company operations, product and research and development, sales growth initiatives, marketing, and general corporate and administrative purposes.