Charbone Hydrogen Corporation

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025, AND 2024

CHARBONE HYDROGEN CORPORATION

Condensed Consolidated Interim Financial Statements
(Unaudited)

Three-month periods ended March 31, 2025, and 2024

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Charbone Hydrogen Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Canadian dollars)

(Unaudited)

		March 31, 2025		**December 31, 2024**
ASSETS				
CURRENT ASSETS				
Cash	$	48,448	$	452,739
Accounts receivable (Note 4)		70,102		115,839
Prepaid expenses		28,189		56,263
		146,739		624,841
NON-CURRENT ASSETS				
Security deposits		33,100		34,422
Property, plant and equipment (Note 5)		4,867,985		4,669,650
Intangible assets (Note 6)		166,385		172,746
Right-of-use-assets (Note 7)		1,092,532		1,130,788
Restricted cash (Note 8)		213,552		213,697
		6,373,554		6,221,303
TOTAL ASSETS	$	6,520,293	$	6,846,144
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables (Note 10)	$	3,718,505	$	3,569,117
Short term loan (Note 9)		28,104		-
Current portion of lease obligations (Note 11)		156,389		148,982
Current portion of debentures (Note 12)		1,692,965		1,690,119
Due to key management personnel, without interest and no specific repayment terms (Note 18)		29,261		29,261
Due to an unrelated individual, without interest and no specific repayment terms		3,000		3,000
		5,628,224		5,440,479
NON-CURRENT LIABILITIES				
Lease obligations (Note 11)		1,051,097		1,094,901
Debentures (Note 12)		-		- -
Convertible notes (Note 12)		1,579,643		1,544,599
Embedded derivative (Note 12)		82,666		129,501
		2,713,406		2,769,001
TOTAL LIABILITIES		8,341,630		8,209,480
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 13)		14,912,617		14,271,154
Contributed surplus (Note 14)		1,014,369		550,979
Warrants (Note 14)		1,395,308		1,769,786
Accumulated other comprehensive income (loss)		56,138		56,728
Equity component of the convertible debenture (Note 12)		46,100		46,100
Deficit		(19,245,869)		(18,058,083)
TOTAL SHAREHOLDERS' DEFICIENCY		(1,821,337)		(1,363,336)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$	6,520,293	$	6,846,144

Nature of operations and going concern (Note 1)
Subsequent events (Note 20)

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

Charbone Hydrogen Corporation

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(in Canadian dollars, except number of shares)

(Unaudited)

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
INCOME		
Hydroelectricity income	$ 5,067	$ 81,637
EXPENSES		
General and administrative expenses (Note 15)	1,102,702	506,764
Depreciation of property, plant and equipment	44,339	42,067
Depreciation of right-of-use-assets	30,398	24,159
Amortization of intangible assets	6,194	5,818
	1,183,633	578,808
OPERATING LOSS BEFORE THE FOLLOWING:	(1,178,566)	(497,171)
FINANCIAL EXPENSES (Note 16)	7,067	48,710
NET LOSS BEFORE INCOME TAX	(1,185,633)	$ (545,881)
Current income tax	2,153	2,033
Deferred income tax	-	-
	2,153	2,033
NET LOSS	(1,187,786)	(547,914)
OTHER COMPRENSIVE LOSS		
Item that may be reclassified subsequently to the statement of loss		
Foreign currency translation income (loss)	(590)	2,849
TOTAL COMPREHENSIVE LOSS	$ (1,188,376)	$ (545,065)
LOSS PER SHARE		
Basic	$ (0.01)	$ (0.01)
Diluted	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	108,930,814	88,816,198

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

Charbone Hydrogen Corporation

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(in Canadian dollars, except for per share data)

(Unaudited)

For the three-month periods ended March 31, 2025 and 2024

	Share capital							
	Number of shares	Class "A" Common shares	Contributed surplus	Warrant reserve	Equity component of the convertible debenture	Deficit	Accumulated other Comprehensive income (loss)	Total shareholders' equity (deficiency)
	#	$	$	$	$	$	$	$
BALANCE AS AT DECEMBER 31, 2024	135,837,929	14,271,154	550,979	1,769,786	46,100	(18,058,083)	56,728	(1,363,336)
Private placement (Notes 13 and 14)	-	-	-	-	-	-	-	-
Share issue costs (Notes 13 and 14)	-	(1,725)	-	-	-	-	-	(1,725)
Warrants issued to brokers (Notes 13 and 14)	-	-	-	-	-	-	-	-
Equity conversion option of the convertible debenture	-	-	-	-	-	-	-	-
Issuance of units for payment to suppliers (Notes 13 and 14)	4,133,334	268,667	-	-	-	-	-	268,667
Warrants issued with debentures (Note 14)	-	-	-	16,316	-	-	-	16,316
Warrants exercised (Note 14)	5,867,440	374,521	15,880	(97,131)	-	-	-	293,270
Warrants expired	-	-	293,663	(293,663)	-	-	-	-
Share based compensation	-	-	153,847	-	-	-	-	153,847
Net loss for the period	-	-	-	-	-	(1,187,786)	-	(1,187,786)
Other comprehensive loss :								
Foreign currency translation	-	-	-	-	-	-	(590)	(590)
BALANCE AS AT MARCH 31, 2025	145,838,703	14,912,617	1,014,369	1,395,308	46,100	(19,245,869)	56,138	(1,821,337)

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

Charbone Hydrogen Corporation
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(in Canadian dollars, except for per share data)

(Unaudited)
For the three-month periods ended March 31, 2025 and 2024

	Share capital							
	Number of shares	Class "A" Common shares	Contributed surplus	Warrant reserve	Equity component of the convertible debenture	Deficit	Accumulated other Comprehensive income (loss)	Total shareholders' equity (deficiency)
	#	$	$	$	$	$	$	$
BALANCE AS AT DECEMBER 31, 2023	77,540,043	11,469,685	388,689	1,703,464	43,401	(15,220,390)	(8,057)	(1,623,208)
Private placement (Notes 13 and 14)	16,992,440	568,324	-	281,298	-	-	-	849,622
Share issue costs (Notes 13 and 14)	-	(44,458)	-	(21,755)	-	-	-	(66,213)
Warrants issued to brokers (Notes 13 and 14)	-	-	-	23,204	-	-	-	23,204
Equity conversion option of the convertible debenture	-	-	-	-	941	-	-	941
Issuance of units for payment to suppliers (Notes 13 and 14)	500,000	19,903	-	5,097	-	-	-	25,000
Warrants exercised (Note 14)	200,000	12,772	-	(2,772)	-	-	-	10,000
Share based compensation	-	-	17,059	-	-	-	-	17,059
Net loss for the period	-	-	-	-	-	(547,914)	-	(547,914)
Other comprehensive income :								
Foreign currency translation	-	-	-	-	-	-	2,849	2,849
BALANCE AS AT MARCH 31, 2024	95,232,483	12,026,226	405,748	1,988,536	44,342	(15,768,304)	(5,208)	(1,308,660)

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

Charbone Hydrogen Corporation
CONSOLIDATED STATEMENT OF CASH FLOWS
(in Canadian dollars)

(Unaudited)

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
OPERATING ACTIVITIES		
Net loss	$ (1,187,786)	$ (547,914)
Adjustments:		
Depreciation of property, plant and equipment	44,339	42,067
Interest on debentures (Note 16)	174,605	75,240
Depreciation of right-of-use-assets (Note 7)	30,398	24,159
Amortization of intangible assets	6,194	5,818
Interest on lease obligations (Notes 11 and 16)	6,147	5,738
Share based compensation	153,847	17,059
Unrealized loss on foreign exchange (Note 16)	-	(7,894)
Fair value adjustment – embedded derivative (Note 12)	(46,638)	-
Gain on debt modification (Note 16)	-	(5,133)
Gain on settlement of accounts payable (Note 13)	(41,333)	(25,000)
Income tax	2,153	-
Changes in non-cash working capital items (Note 19)	237,977	(247,983)
Cash flows used in operating activities	(620,097)	(663,843)
INVESTING ACTIVITIES		
Security deposits	1,322	(4,914)
Additions of property, plant and equipment (Note 5)	(12,510)	(118,612)
Cash flows provided by (used in) investing activities	(11,188)	(123,526)
FINANCING ACTIVITIES		
Proceeds from issuance of units from private placement (Note 13)	-	849,622
Changes in short term loan	26,000	(5,160)
Issuance costs (Notes 13 and 14)	(1,725)	(35,196)
Payment of lease obligation (Note 11)	(59,953)	(52,158)
Interest paid	(31,055)	(40,000)
Debentures proceeds	-	100,000
Exercise of warrants (Note 14)	293,270	10,000
Cash flows from financing activities	226,537	827,108
NET CHANGE IN CASH	(404,748)	39,739
EFFECT OF MOVEMENT IN EXCHANGE RATE ON CASH HELD	457	(25,173)
CASH (BANK INDEBTEDNESS), BEGINNING OF PERIOD	452,739	55,123
CASH (BANK INDEBTEDNESS), END OF PERIOD	**$** 48,448	**$** 69,689

Additional cash flow information is presented in Note 19.

1. NATURE OF OPERATIONS AND GOING CONCERN

Charbone Hydrogen Corporation's (the "Corporation") is a start-up renewable energy group that generates revenues from small-scale hydroelectric power generation plants and that is in construction to deliver clean and reliable green hydrogen production facilities.

The Corporation is incorporated under the *Canadian Business Corporations Act*. The address of the Corporation's registered office and its principal place of business is 5005, Boulevard Lapinière, Suite 1080, Brossard, (Québec) J4Z 0N5.

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standard ("IFRS") on a going concern basis, which contemplates the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations.

<u>Going Concern</u>

During the three-month period ended March 31, 2025, the Corporation generated a net loss of $1,187,786 (March 31, 2024 $547,914) and negative cash flows from operating activities of $620,097 (March 31, 2024 - $663,843). As March 31, 2025, the Corporation has an accumulated deficit of $19,245,869 (December 31, 2024 - $18,058,083) and a working capital deficiency (current liabilities in excess of current assets) of $5,481,485 (December 31, 2024 - $4,815,638). The Corporation's current liabilities and expected level of expenses for the next 12 months exceed cash on hand as at March 31, 2025. The Corporation will require additional financing in the near future in order to complete its business plan and meet its obligations in the normal course of operations. The Corporation is pursuing other various financing options. Until such time that the Corporation can generate significant revenue, the Corporation expects to finance its operations through public or private equity, debt or other sources. While the Corporation has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Corporation's control, and as such there is no assurance that it will be able to do so in the future. The Corporation's continuing operations are dependent upon the continued financial support of shareholders and lenders, its ability to attain profitable operations and generate funds therefrom and/or to raise equity capital or obtain the necessary financing sufficient to meet current and future obligations.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Corporation be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND COMPLIANCE TO IFRS

2.1 Statement of compliance

These consolidated financial statements have been prepared under IFRS as issued by the International Accounting Standards Board ("IASB"). The Corporation has consistently applied the same accounting policies throughout the periods presented in these consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Corporation on May 29, 2025.

2.2 Basis of assessment

These consolidated financial statements have been prepared on the historical cost basis, except for the following items were evaluated as detail below:

- identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date;
- convertible debentures issued, which are measured at fair value at date of issuance;
- equity-based share-based payment arrangements, which have been recorded at fair value at grant date pursuant to IFRS 2, Share-based Payment; and
- lease liabilities, which are measured at the present value of future lease payments.

2.3 Functional and presentation currency

The Corporation's functional and presentation currency is the Canadian dollar. The functional currency of the Corporation's U.S. subsidiaries, Charbone Corporation USA, Stuwe & Davenport Partnership, LLC and Wolf River Hydro Limited Partnership, is determined by the currency of the primary economic environment in which they operate, being the United States dollar. Gains and losses arising from the conversion from US dollars to Canadian dollars for presentation purposes are recorded in accumulated other comprehensive income (loss).

(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES

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

3.1 Basis of consolidation

These consolidated financial statements of the Corporation include the accounts of the Corporation and of its subsidiaries.

i) Business combinations
Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred and any debt and equity interests issued by the Corporation on the date control of the acquired company is obtained. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Corporation measures goodwill as the fair value of the consideration transferred including the fair value of liabilities resulting from contingent consideration arrangements, less the net recognized amount of the identifiable assets acquired, and liabilities assumed, all measured at fair value as of acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

ii) Subsidiaries

The Corporation's subsidiaries as at March 31, 2025 are:

Name	Nature of services	March 31, 2025	December 31, 2024
Charbone Hydrogen Quebec (formely Charbone Hydrogen)	Green hydrogen producer	100 %	100 %
Charbone Systems Inc.	Sales and maintenance of hydrogen equipment	100 %	100 %
Charbone Hydrogen Manitoba Inc.	Green hydrogen producer	100 %	100 %
Charbone Hydrogen Nova Scotia	Green hydrogen producer	100 %	100 %
Charbone Corporation USA	Holding company	100 %	100 %
Stuwe & Davenport Partnership, LLC	Hydroelectric power plant	100 %	100 %
Wolf River Hydro Limited Partnership	Hydroelectric power plant	100 %	100 %
Charbone HoldCo, LLC	Holding company	100 %	100 %

3.2 Critical accounting estimates, judgments and assumptions

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. For the three-month periods ended March 31, 2025 and March 31, 2024, the following are critical judgments, estimates or assumptions made by management that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses:

(in Canadian dollars)

Critical judgments
Going concern (Note 1)

Key sources of estimation uncertainty
Debentures (Notes 12 and 17)

Impairment of non-financial assets
As part of assessing property, plant and equipment and intangible assets for impairment, the recoverable amount of a CGU is determined as the higher of the amount determined using the discounted future cash flow method (value-in-use) and the market-based method (estimated fair value less costs to sell). When the discounted future cash flow method is used, cash flow projections are established based on past experience, certain economic trends as well as industry and market trends, and represent management's best estimates of future results. The recoverable amount of a CGU is also influenced by the discount rate used in the model, by the growth rate used to make the extrapolation and by the weighted average cost of capital. When a market-based method is used, the Corporation estimates the fair value of the CGU by gathering market data, similar transactions and third-party evaluation. These methods rely on numerous assumptions and estimates that may have a significant impact on the recoverable amount of a CGU, and thereby, on the amount of impairment, if any. The impact of significant changes in assumptions and the revision of estimates, if any, is recognized in net earnings in the period in which the changes occur or the estimates are revised.

Share based compensation
The Corporation uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating the fair value of options and warrants, management is required to make certain assumptions and estimates such as the fair value of the underlying share, the expected life of options, volatility of the Corporation's future share price, risk-free rate, future dividend yields and estimated forfeitures.

Leases
In determining the carrying amount of right-of-use assets and lease liabilities at lease inception and for lease modifications, the Corporation is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Corporation's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change.

Other areas involving estimation uncertainty include the determination of the estimated useful lives of property, plant and equipment.

4. ACCOUNTS RECEIVABLE

	March 31, 2025	December 31, 2024
Trade receivable	2,300	4,717
Sales taxes receivable	67,802	56,122
Other receivables	-	55,000
	$ 70,102	$ 115,839

Charbone Hydrogen Corporation

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(in Canadian dollars)

(Unaudited)

5. PROPERTY, PLANT AND EQUIPEMENT

As at March 31, 2025

		Office furniture	Computer equipment	Leasehold improvements	Equipment	Dams	Land	Hydrogen plant in construction	Building	Total
COST										
Balance as at January 1, 2025	$	13,957	26,251	251,340	834,264	245,206	94,967	3,767,490	63,924	5,297,669
Additions		-	-	-	-	-	-	243,411	-	243,411
Dispositions		-	-	-	-	-	-	-	-	-
Effect of movements in exchange rate		-	-	-	(756)	(221)	(86)	-	(58)	(1,121)
Balance as at March 31, 2025		13,957	26,251	251,340	833,508	244,985	94,881	4,010,901	63,866	5,539,959
ACCUMULATED DEPRECIATION										
Balance as at January 1, 2025		8,924	18,169	158,330	409,250	26,689	-	-	6,658	628,019
Depreciation		698	1,658	15,566	22,914	2,706	-	-	797	44,339
Impairment		-	-	-	-	-	-	-	-	-
Dispositions		-	-	-	-	-	-	-	-	-
Effect of movements in exchange rate		-	-	-	(335)	(45)	-	-	(5)	(385)
Balance as at March 31, 2025		9,622	19,827	173,896	431,829	29,350	-	-	7,450	671,974
CARRYING AMOUNT AS AT MARCH 31, 2025	$	4,335	6,694	77,444	401,679	215,635	94,881	4,010,901	56,416	4,867,985

Charbone Hydrogen Corporation

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(in Canadian dollars)

(Unaudited)

As at December 31, 2024

		Office furniture	Computer equipment	Leasehold improvements	Equipment	Dams	Land	Hydrogen plant in construction	Building	Total
COST										
Balance as at January 1, 2024	$	13,957	26,251	251,340	727,576	225,398	87,293	1,407,311	58,756	2,798,152
Additions		-	-	-	54,441	-	-	2,611,445	-	2,665,886
Dispositions		-	-	-	(10,735)	-	-	(251,266)	-	(262,001)
Effect of movements in exchange rate		-	-	-	62,982	19,808	7,674	-	5,168	95,632
Balance as at December 31, 2024		13,957	26,251	251,340	834,264	245,206	94,967	3,767,490	63,924	5,297,669
ACCUMULATED DEPRECIATION										
Balance as at January 1, 2024		6,132	11,539	96,066	227,128	14,571	-	-	3,182	358,618
Depreciation		2,792	6,630	62,264	86,117	10,332	-	-	3,043	171,177
Impairment		-	-	-	71,526	-	-	-	-	71,526
Dispositions		-	-	-	-	-	-	-	-	-
Effect of movements in exchange rate		-	-	-	24,479	1,786	-	-	433	26,698
Balance as at December 31, 2024		8,924	18,169	158,330	409,250	26,689	-	-	6,658	628,019
CARRYING AMOUNT AS AT DECEMBER 31, 2024	$	5,033	8,352	93,010	425,014	218,517	94,967	3,767,490	57,266	4,669,650

(in Canadian dollars)

6. INTANGIBLE ASSETS

		March 31, 2025		December 31, 2024
Costs				
Balance at the beginning	$	278,567	$	256,069
Effect of movements in exchange rate		(251)		22,498
Balance at the end		278,316		278,567
Accumulated amortization and impairment				
Balance at the beginning	$	105,821	$	54,238
Amortization		6,194		23,646
Impairment		-		22,002
Effect of movements in exchange rate		(84)		5,935
Balance at the end		111,931		105,821
Net book value at the end	$	166,385	$	172,746

Charbone Hydrogen Corporation
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(in Canadian dollars)

(Unaudited)

7. RIGHT-OF-USE-ASSETS

		Office	Premises	Automobile	Total
Book value of assets					
Balance as at January 1, 2025	$	136,427	920,716	412,948	1,470,091
Addition of right-of-use assets		-	-	-	-
Disposition of right-of-use assets		-	-	-	-
Revaluation of right-of-use assets (1)		-	-	-	-
Balance as at March 31, 2025		136,427	920,716	412,948	1,470,091
Accumulated depreciation					
Balance as at January 1, 2025	$	99,748	124,098	115,457	339,303
Depreciation (2)		6,388	7,858	24,010	38,256
Disposition		-	-	-	-
Balance as at March 31, 2025		106,136	131,956	139,467	377,559
Net book value as at March 31, 2025	$	30,291	788,760	273,481	1,092,532

(1) The land lease provides for an annual increase in lease payment corresponding to the lesser of 2% and the CPI index measured by the Bank of Canada for the Montreal area. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments arising from changes in the index. Any remeasurement of the lease liability is adjusted against the right-of-use asset.

(2) Depreciation of right-of-use assets for the premises of $7,858 ($29,245 in 2024) are capitalized under the Hydrogen plant in construction in property, plant and equipment.

Charbone Hydrogen Corporation

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(in Canadian dollars)

(Unaudited)

		Office	Premises	Automobile	Total
Book value of assets					
Balance as at January 1, 2024	$	136,427	903,983	269,696	1,310,106
Addition of right-of-use assets		-	-	176,826	176,826
Disposition of right-of-use assets		-	-	(33,574)	(33,574)
Revaluation of right-of-use assets [1]		-	16,733	-	16,733
Balance as at December 31, 2024		136,427	920,716	412,948	1,470,091
Accumulated depreciation					
Balance as at January 1, 2024	$	74,197	94,853	57,002	226,052
Depreciation [2]		25,551	29,245	77,827	132,622
Disposition		-	-	(19,371)	(19,371)
Balance as at December 31, 2024		99,748	124,098	115,458	339,303
Net book value as at December 31, 2024	$	36,679	796,618	297,490	1,130,788

[1] The land lease provides for an annual increase in lease payment corresponding to the lesser of 2% and the CPI index measured by the Bank of Canada for the Montreal area. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments arising from changes in the index. Any remeasurement of the lease liability is adjusted against the right-of-use asset.

[2] Depreciation of right-of-use assets for the premises of $29,245 ($33,741 in 2023) are capitalized under the Hydrogen plant in construction in property, plant and equipment.

(in Canadian dollars)

8. RESTRICTED CASH

The restricted cash has been acquired in a business acquisition to respect the obligation to reserve funds for future projects and maintenance services that must be jointly financed with the regional tribes. The Corporation is not expected to use the funds in the next 12 months.

9. SHORT TERM LOAN

a) Financing agreement with Finexcorp

The Corporation is in a financing agreement with Finexcorp of a maximum amount available to $2,500,000 for an initial period of 12 months and automatically renewable. The available financing is for a non-cumulative amount of up to $500,000 for advances on trade receivables, purchase orders and other receivables from the government (the short-term facility), and an amount of up to $2,500,000 to finance up to 85% of the purchase price of fixed assets accepted by the lender (the long-term facility). The short-term and long-term facilities used from time to time shall not exceed the total maximum amount of $2,500,000. The asset backed securities of $500,000 will be subject to a fee varying from 0.85% to 5.0% at the time of the advances and daily interest between 0.085% and 0.1% for a term of 12 months. The long-term facility will bear interest at an annual rate of 14% and will have a term of 60 months, with monthly repayments starting at the 6-month anniversary.

As at March 31, 2025, $28,104 ($0 as at December 31, 2024) is used in connection with this financing agreement.

10. TRADE AND OTHER PAYABLES

	March 31, 2025	December 31, 2024
Accounts payable and accrued liabilities	$ 3,256,972	$ 3,107,762
Accounts payable to a member of the management	276,346	350,177
Accrued Interest on debentures	185,187	111,178
Income tax payable	-	-
	$ 3,718,505	$ 3,569,117

11. LEASE OBLIGATIONS

The following table presents the lease obligations of the Corporation:

	March 31, 2025	December 31, 2024
Balance, beginning of period	$ 1,243,883	$ 1,187,934
New lease obligations	-	176,826
Disposition of lease obligations	-	(14,200)
Revaluation of lease obligation (Note 7)	-	16,733
Effective interest on lease obligations	6,147	24,069
Effective interest on lease obligations capitalized	17,409	69,886
Payments of lease liability, including related interest	(59,953)	(217,365)
Balance, end of period	$ 1,207,486	$ 1,243,883

(in Canadian dollars)

The following table summarizes the contractual undiscounted cash flows from lease obligations:

		March 31, 2025
Maturity analysis – contractual undiscounted cash flows		
Less than one year	$	248,276
One to five years		538,130
More than five years		1,399,858
Total undiscounted lease obligations		2,186,264
Lease obligation balance, end of period		1,207,486
Current portion		156,389
Non-current portion	$	1,051,097

12. DEBENTURES

		March 31, 2025		**December 31, 2024**
Debentures, nominal value of $1,346,366, measured at amortized cost, secured, repayable at maturity either in cash or in common shares at the holder's option as described below, bearing interest at 12%, payable in cash monthly, maturing in October 2025 [a)]		1,299,917		1,300,105
Debentures, nominal value of $400,000, measured at amortized cost, secured, repayable at maturity either in cash or in common shares at the holder's option as described below, bearing interest at 12%, payable in cash quarterly, maturing in September 2025 [b) c)]		294,015		291,385
Debentures, nominal value of $100,000, measured at amortized cost, secured, repayable at maturity either in cash or in common shares at the holder's option as described below, bearing interest at 12%, payable in cash quarterly, maturing in September 2025 [c)]		99,033		98,629
Total	$	1,692,965	$	1,690,119

(in Canadian dollars)

A rollforward of the debentures was as follows:

		March 31, 2025		**December 31, 2024**
Balance, beginning of period	$	1,690,119	$	1,417,937
Debenture issued for cash		-		100,000
Equity component of convertible debenture		-		(2,699)
Adjustment modification		(16,316)		(43,020)
Issuance expenses		-		(3,514)
Conversion of unpaid interests into nominal		-		145,046
Interest on debenture (1)		71,553		286,223
Interest paid		(31,055)		(184,390)
Interest included in accounts payable and accruals		(21,336)		(25,464)
Balance, end of the period	$	1,692,965	$	1,690,119

(1) Interest on debenture of $3,404 are capitalized under the Hydrogen plant in construction in property, plant and equipment.

a) These debentures are convertible at the option of the holder. The capital of the debenture is convertible at a conversion price of $0.10 (before amendment: $0.40) per the Class A Share of the Corporation. At the date of issuance, the holder also received, for each $1,000 principal amount of debentures, 2,500 warrants. The warrants will have a maturity of two years and be exercisable at an exercise price of $0.60. The maturity date for payment of these debentures is October 31, 2025 (before amendment: October 7, 2024). At maturity, the principal amount is payable in cash if no conversion has taken place.

   The convertible debenture is a compound financial instrument. The fair value of the instrument was allocated between a liability for the debenture and equity for the warrants and conversion option. The fair value of the liability component at inception was $1,145,918, determined using estimated future cash flows discounted using a market interest rate of 18 %, net of financing costs of $103,259. The residual of $54,082 has been prorated between the warrants issued with debentures and option of the convertible debenture according to their fair value estimated using the Black-Scholes option pricing model assumptions (Note 14).

   The fair value of the warrants included in the warrant reserve at inception was $17,200, net of financing costs of $1,551. The fair value of the equity conversion option of the convertible debentures at inception was $36,882, net of financing costs of $3,324. The debenture is secured by Charbone USA's investments in Stuwe and Wolf River, with a book value of $375,000 and $742,098, respectively.

   During June 2024, the Corporation settle unpaid interest into units of the debenture, issued new units of the debenture in exchange and amended and restated the debenture agreement ("Amended and restated debenture").

   The Corporation paid interest of $146,366 into units of the debenture with the same conditions as described above. This additional principal amount of $146,366 is a compound financial instrument. The fair value of the instrument was allocated between a liability for the debenture and equity for the warrants and conversion option. The fair value of the liability component at inception was $143,288, determined using estimated future cash flows discounted using a market interest rate of 14,5 %. The residual of $3,078 has been prorated between the warrants issued with debentures and option of the convertible debenture according to their fair value estimated using the Black-Scholes option pricing model assumptions (Note 14). The fair value of the warrants included in the warrant reserve at inception was $1,320. The fair value of the equity conversion option of the convertible debentures at inception was $1,757.

   The debenture agreement of principal amount of $1,346,366 was amended and restated. The terms of the amended

and restated debenture are as follow:
- Matures on October 31, 2025
- Bear interest a rate of 12% (14% before), payable in cash monthly
- Convertible into common shares of the Corporation at the option of the holder at a conversion price of $0.10 per share
- New Warrants will have a maturity of 12 months from the date of issuance and be exercisable at an exercise price of $0.10

On January 29, 2025, the Corporation obtained the final approval of the stock exchange to issue an additional 1,200,000 warrants on the initial principal amount of $1,200,000 with the same conditions and maturity date. The fair value of $16,316 was determined using a Black-Scholes model (refer to Note 14 for the assumptions used).

b) These debentures are convertible at the option of the holder. The capital of the debenture is convertible at a conversion price of $0.10 per the Class A Share of the Corporation. During March 2024, the Corporation has concluded an amendment to this agreement to extend the maturity date from March 30, 2025 to September 30, 2025. At maturity, the principal amount is payable in cash if no conversion has taken place.

The convertible debenture is a compound financial instrument. The fair value of the instrument was allocated between a liability for the debenture and equity for the conversion option. The fair value of the liability component at inception was $286,608, determined using estimated future cash flows discounted using a market interest rate of 16.7%. The residual of $13,392, net of deferred tax of $3,549 has been allocated to the option of the convertible debenture (Note 14). At modification date, the difference between the discounted modified remaining cash flows discounted at the original market interest rate and the discounted present value amount of the remaining cash flows of the original liability was accounted as an adjustment to the amortised cost of the liability in the net loss. The debenture is secured by same guarantees of the Finexcorp agreement (Note 9).

c) These debentures are convertible at the option of the holder. The capital of the debenture is convertible at a conversion price of $0.10 per the Class A Share of the Corporation. The maturity date for payment of these debentures is September 30, 2025. At maturity, the principal amount is payable in cash if no conversion has taken place.

The convertible debenture is a compound financial instrument. The fair value of the instrument was allocated between a liability for the debenture and equity for the conversion option. The fair value of the liability component at inception was $99,059, determined using estimated future cash flows discounted using a market interest rate of 13.5%. The residual of $941, has been allocated to the option of the convertible debenture (Note 14). The debenture is secured by same guarantees of the Finexcorp agreement (Note 9) and by a specific mortgage on a storage equipment with a book value of $118,612.

i) Notes

a) Host instrument

		March 31, 2025		December 31, 2024
Balance, beginning of period	$	1,544,599	$	-
Debenture issued in exchange for an asset		-		2,109,900
Issuance expenses payable		-		(487,576)
Embedded derivative		-		(123,781)
Interest on debenture [1]		100,948		32,885
Interest included in accounts payable and accruals		(64,575)		(21,360)
Foreign exchange		1,329		34,531
Balance, end of period	$	1,579,643	$	1,544,599

[1] Interest on debenture of $100,948 are capitalized under the Hydrogen plant in construction in property, plant and equipment.

b) Embedded derivative – Conversion option

		March 31, 2025		December 31, 2024
Balance, beginning of period	$	129,501	$	-
Addition		-		123,781
Fair value adjustment		(46,638)		2,848
Foreign exchange		(197)		2,872
Balance, end of period	$	82,666	$	129,501

On December 4, 2024, the Corporation announced the first closing of a US$ 6,000,000 in Convertible Notes. The first closing includes US$ 1,500,000 (CA$ 2,109,900) in gross proceeds through unsecured convertible notes with a 36-month term at a rate of 12% per annum, accrued until maturity or conversion and where the principal amount is convertible into common shares at a conversion price of the greater of A) $0.10 CAD (or USD equivalent) or B) a price per share representing a discount of 20% to i) the share price reserved for a capital raise conducted by the Issuer, ii) the Market Price at the time of Change of Control Notice or iii) the Market Price at the time of Maturity, per Common Share.

The Corporation paid a placement agent cash fee of $US 150,000 as well as 1,500,000 equity warrants for Common Shares, exercisable at an exercise price of CA$0.10 per Common Share or USD equivalent, expiring December 2029.

The convertible notes is a hybrid financial instrument. The conversion option was accounted for as an embedded derivative and classified as a liability as the conversion feature does not meet the criteria for equity classification. The fair value of the embedded derivative was US $88,000, determined using a variant of the basic Black-Scholes model considering the notes US dollar currency and the conversion scenarios probability. The residual value of US $1,412,000 was allocated to the host instrument and a 15.4% market interest rate was determined by the Corporation.

The fair value of the warrants issued to the placement agent as part of the financing was determined using a Black-Scholes model and were valued at US $65,564.

Transaction costs totalling US $346,670 (including the warrants issued to the placement agent) was allocated to the host instrument and are amortized until maturity using the effective interest method.

As the host instrument, accrued interests and embedded derivative are in US dollars, they will be adjusted at the closing US dollar rate at the end of each period, resulting in an unrealized gain or loss on foreign exchange.

(in Canadian dollars)

13. SHARE CAPITAL

Shares

	March 31, 2025	
	Number of shares	Carrying amount
Balance, beginning of period	135,837,929	$ 14,271,154
Share issue costs [1]	-	(1,725)
Issuance of units for payment to a supplier [1]	4,133,334	268,667
Warrants exercised (Note 14)	5,867,440	374,521
Balance, end of period	145,838,703	14,912,617

As at March 31, 2025 the Corporation's share capital consists of 145,838,703 fully paid Class A common shares, voting and participating. The Corporation has authorized an unlimited number of Class A common shares without par value.

(1) On February 12th 2025, the Corporation agreed with management to settle consulting fees payable totalling $310,000 through the issuance of 4,133,334 shares ($0,075/unit), of which $268,667 is recognized in share capital and $41,133 in a gain on settlement of accounts payable. Each unit represents one common share of the Corporation. The Corporation also incurred issue costs of $1,725 deducted from shareholders' equity, of which $1,725 is recognized against share capital.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the common shares are entitled to receive the remaining property of the Corporation upon its dissolution, liquidation or winding-up.

	December 31, 2024		
	Number of shares		Carrying amount
Balance, beginning of period	77,540,043	$	11,469,685
Private placement [3, 4, 7, 8]	37,202,540		1,273,014
Share issue costs [3, 4, 7, 8]	-		(101,305)
Warrants exercised (Note 14)	17,273,207		1,445,973
Issuance of units for payment to a supplier [5, 6, 9]	3,522,137		158,287
Exercise of stock options	300,002		25,500
Balance, end of period	135,837,929	$	14,271,154

As at December 31, 2024 the Corporation's share capital consists of 134,537,929 fully paid Class A common shares, voting and participating and 1,300,000 class A shares for which the consideration was to be received at year end, (for a total of $55,000 included in the other receivables as at December 31, 2024). The subscriptions receivable were received in January 2025. The Corporation has authorized an unlimited number of Class A common shares without par value.

(2) On February 1, 2024, the Corporation issued 16,992,440 units in a private placement for gross proceeds of $849,622 ($0.05/unit), of which $568,324 is recognized in share capital and $281,298 in the warrant reserve. Each unit represents one common share of the Corporation and one warrant. In relation with the private placement, the Corporation incurred share issue costs, deducted from shareholders' equity, of $64,901 of which $43,413 is recognized against share capital and $21,488 against warrant reserve. The warrants are exercisable at a price of $0.05 for a period of 12 months. In addition, the Corporation issued 586,000 Compensation warrants exercisable at a price of $0.05 per Unit for a period of 12 months.

(3) On March 8, 2024, the Corporation issued 500,000 units to settle $50,000 of suppliers' payables ($0,10/unit), of which $19,903 is recognized in share capital, $5,097 in the warrant reserve and $25,000 in a gain on settlement of accounts payable. Each unit represents one common share of the Corporation and one warrant. The Corporation also incurred issue costs of $1,313 deducted from shareholders' equity, of which $1,045 is recognized against share capital and $268 against warrant reserve. The warrants are exercisable at a price of $0.12 for a period of 12 months.

(4) On May 21, 2024, the Corporation issued 3,022,137 units to settle $302,214 of suppliers' payables ($0,10/unit), of which $138,384 is recognized in share capital, $12,723 in the warrant reserve and $151,107 in a gain on settlement of accounts payable. Each unit represents one common share of the Corporation and one warrant. The Corporation also incurred issue costs of $2,863 deducted from shareholders' equity, of which $2,622 is recognized against share capital and $243 against warrant reserve. The warrants are exercisable at a price of $0.20 for a period of 12 months.

(5) On November 25, 2024, the Corporation issued 13,100,100 units in a private placement for gross proceeds of $655,005 ($0.05/unit). Each unit represents one common share of the Corporation and one warrant. The warrants are exercisable at a price of $0.05 for a period of 12 months. In relation with the private placement, the Corporation paid transaction fees of $64,211 and issued 347,001 compensation warrants with a fair value of $7,218. Transaction costs and the fair value of compensation warrants are recognized against share capital and warrant reserve for $53,974 and $22,456 respectively.

(6) On December 3, 2024, the Corporation issued 3,260,000 units in a private placement for gross proceeds of $163,000 ($0.05/unit). Each unit represents one common share of the Corporation and one warrant. The warrants are exercisable at a price of $0.05 for a period of 12 months. In relation with the private placement, the Corporation paid transaction fees of $1,630 and issued 32,600 compensation warrants with a fair value of $916. Transaction costs and the fair value of compensation warrants are recognized against share capital and warrant reserve for $1,734 and $812 respectively.

(7) Still on December 3, 2024, the Corporation issued 3,850,000 units in a private placement for gross proceeds of $192,500 ($0.05/unit). Each unit represents one common share of the Corporation and one warrant. The warrants are exercisable at a price of $0.05 for a period of 12 months. In relation with the private placement, the Corporation paid transaction fees of $1,925 and issued 38,500 compensation warrants with a fair value of $1,082. Transaction costs and the fair value of compensation warrants are recognized against share capital and warrant reserve for $2,048 and $959 respectively.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the common shares are entitled to receive the remaining property of the Corporation upon its dissolution, liquidation or winding-up.

(in Canadian dollars)

14. SHARE BASED PAYMENT AND WARRANTS

Common share purchase options

The Corporation adopted Orletto's stock option plan (the "Plan") wherein the Board of Directors may from time to time grant options to its directors, administrators, employees and consultants to acquire common shares. The conditions and the exercise price of each option are determined by the Board of Directors.

The Plan states that the maximum number of common shares in the capital of the Corporation which may be reserved for issuance under the Plan is 10% of the common shares outstanding at the date of the grant. In a 12-month period, the maximum number of common shares reserved for the granting of options to a single owner may not exceed 5% of the common shares outstanding and common shares reserved for consultants or eligible person responsible of investors' relations may not exceed 2% of the common shares outstanding. Options must be exercised ten years after the grant date, unless a shorter period is otherwise determined by the Board of Directors. The maximum number of common shares reserved for issuance upon the exercise of options granted to insiders cannot exceed 10% of the number of common shares issued and the grant of options to insiders in a 12-month period.

The exercise price of each option is determined by the Board of Directors and cannot be lower than the market value of the common shares on the grant date.

A summary of changes in the Corporation's share purchase options is as follows:

	March 31, 2025		
	Number of options		Weighted average exercise price
Balance, beginning of period	5,900,000	$	0.3953
Granted	5,200,000		0.1500
Exercised	-		-
Expired	(800,000)		(0.0750)
Balance, end of period	10,300,000	$	0.2964

(in Canadian dollars)

On February 12, 2025, the Corporation granted 5,200,000 options to acquire up to 5,200,000 common shares, at an exercise price of $0.15 per share, for a period of one year. 100% of the options were exercisable on grant date. A value of $153,847 has been calculated for that grant.

The fair value of stock options is estimated using the Black-Scholes option pricing model assumptions at their respective grant dates:

Number of common share purchase options		5,200,000
Weighted average share price at grant date	$	0.065
Exercise price	$	0.15
Risk-free interest rate	%	2.78
Expected volatility	%	122.33
Expected life (in years)		2.00
Expected dividend	%	0.00

The following table summarizes certain information on outstanding stock options as at March 31, 2025:

	Options outstanding and exercisable	
Exercise price range $	Number of options	Weighted average remaining contractual life (in years)
0.6000	3,350,000	2.44
0.1500	6,950,000	1.86
	10,300,000	

(in Canadian dollars)

Warrants

Outstanding purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

	March 31, 2025				
	Number of warrants		Weighted average exercise price		Fair value allocated
Balance, beginning of period	53,597,798	$	-	$	1,769,786
Private placement (Note 13[1])	-		-		-
Share issue costs (Note 13[1,2])	-		-		-
Issued to brokers (Note 13[1])	-		-		-
Issued with debentures	1,200,000		0,10		16,316
Issued for payment to a supplier (Note 13[2])	-		-		-
Exercised	(5,867,440)		0,05		(97,131)
Expired	(15,069,012)		0,10		(293,663)
Balance, end of period	33,861,346			$	1,395,308

During the three-month period ended March 31, 2025, 5,867,440 warrants were exercised for a cash consideration of $293,270.

The fair value of warrants is estimated using the Black-Scholes option pricing model with the following weighted average assumptions at their respective grant dates:

		2025-01-29
Number of warrants		1,200,000
Weighted average share price at grant date	$	0.06
Exercise price	$	0.10
Risk-free interest rate	%	2.83
Expected volatility	%	111.00
Expected life (in years)		0.75
Expected dividend	%	0.00

The following table summarizes certain information on outstanding warrants as at March 31, 2025:

	Warrants outstanding and exercisable	
Exercise price range $	Number of warrants	Weighted average remaining contractual life (in years)
0.0500	20,128,200	0.66
0.1000	2,846,366	2.74
0.2000	3,022,130	0.14
0.4000	7,864,650	0.05
	33,861,346	

(in Canadian dollars)

15. GENERAL AND ADMINISTRATIVE EXPENSES

		March 31, 2025		**March 31, 2024**
Professional fees	$	523,810	$	181,304
Investors relationships and marketing		96,420		104,548
Salaries, fringe benefits and amounts paid to board members		186,401		94,685
Travel expenses		45,855		27,489
Meals, entertainment, and other business development expenses		6,761		4,668
Share based compensation		153,847		17,059
Other expenses		89,608		77,011
	$	1,102,702	$	506,764

16. FINANCIAL EXPENSES

		March 31, 2025		**March 31, 2024**
Interest on debentures	$	77,485	$	72,402
Interest and bank fees		4,786		5,390
Interest on lease obligations		6,148		5,738
Interest on short term debt		2,104		2,485
Realized loss on foreign exchange		2,746		722
Gain on debt modification		-		(5,133)
Fair value adjustment on embedded derivative		(46,638)		-
Unrealized loss/(gain) on foreign exchange		1,769		(7,894)
Gain on settlement of account payable (Notes 13)		(41,333)		(25,000)
	$	7,067	$	48,710

Charbone Hydrogen Corporation

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024
(in Canadian dollars)

(Unaudited)

17. FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks that result from both its operations and its investment activities. Financial risk management is carried out by the Corporation's management.

Credit risk
Credit risk is the risk that the Corporation could experience a loss as a result of a counter-party being unable to meet its financial commitments. The Corporation is exposed to credit risk primarily through its accounts receivable, excluding the sales taxes receivable and, advances to key management personnel, without interest and no specific repayment. As at March 31, 2025, the Corporation believes it was not exposed to any significant credit risk.

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due.

Refer to Note 1, for additional discussion related to the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

The following are the contractual cash flows of financial liabilities, as at March 31, 2025 and December 31, 2024:

March 31, 2025		Carrying amount	Contractual cash flow	Less than 1 year	More than 2 years
Trade and other payables	$	3,718,505	3,718,505	3,718,505	-
Short term loan		28,104	28,104	28,104	-
Due to unrelated individual		3,000	3,000	3,000	-
Due to key management personnel		29,261	29,261	29,261	-
Debentures		1,692,965	1,917,003	1,917,003	-
Convertible note		1,579,643	2,932,704	-	2,932,704
Lease obligation, including current portion		1,207,486	-	-	-
	$	8,258,964	8,628,577	5,695,873	2,932,704

December 31, 2024		Carrying amount	Contractual cash flow	Less than 1 year	More than 2 years
Trade and other payables	$	3,569,117	3,569,117	3,569,117	-
Short term loan		-	-	-	-
Due to unrelated individual		3,000	3,000	3,000	-
Due to key management personnel		29,261	29,261	29,261	-
Debentures		1,690,119	1,917,003	1,917,003	-
Convertible note		1,544,599	2,935,356	-	2,935,356
Lease obligation, including current portion		1,243,883	2,247,406	249,465	1,997,941
	$	8,079,979	10,701,143	5,767,846	4,933,297

Market risk

Market risk is the risk that the fair value or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. Some of the Corporation's financial instruments expose it to this risk, which comprises currency risk and interest rate risk.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of variations in market interest rates. The promissory notes and debentures issued by the Corporation bear fixed-rate interest and expose the Corporation to the risk of fair value variation resulting from interest rate fluctuations.

A 1% change in the interest rate of the debentures would have an impact of approximately $38,563 on the Corporation's statements of loss and comprehensive loss and cash flows on an annual basis.

ii) Currency risk

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

The Corporation realizes purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

As at March 31, 2025 and December 31, 2024, assets and liabilities denominated in foreign currency, as stated in Canadian dollars, are as follows:

March 31, 2025

		United States dollars		Swiss franc		Euro		Canadian dollars
Cash	$	2,009	₣	-	€	-	$	2,889
Accounts payables		173,786		132,316		6,944		475,839
Notes (nominal value)		1,500,000		-		-		2,156,400

December 31, 2024

		United States dollars		Swiss franc		Euro		Canadian dollars	
Cash	$	3,414	₣	-	€	-	$	4,911	
Accounts payables		272,019		10,326		224,127		762,983	
Notes (nominal value)		1,500,000				-		2,158,350	-

A hypothetical strengthening of 1% of the US dollar, Swiss franc and Euro against the Canadian dollar would have an impact of approximately $38,563 ($29,163 for the year ended December 31, 2024) on the Corporation's consolidated statement of loss and comprehensive loss on an annual basis.

Fair value

When measuring the fair value of an asset or a liability, the Corporation uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- First level includes quoted prices (unadjusted) in an active market of identical assets or liabilities;
- Second level includes inputs other than quoted prices included in the first level that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Third level includes data that are not based on observable market data.

The carrying value of cash, bank indebtedness, accounts receivable, advances to key management personnel, trade and other payables, short term loan and advance from an unrelated individual are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

The debentures were classified as Level 3 financial liabilities that were valued using unobservable inputs to the valuation methodology which are significant to the measurement of the fair value. Level 3 financial liabilities consist of the financial liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

The fair value of the debentures at inception is determined using a discounted cashflow valuation technique using a risk adjusted discount rate, and a Black-Scholes pricing model to determine the value of warrants to be issued in the case of a conversion.

At the date of issuance, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option.

Capital management

The Corporation's objective in managing capital is to ensure sufficient liquidity to develop its technologies and commercialize its services, finance its general and administrative expenses and those related to its debt reimbursement. The Corporation is not exposed to external requirements by regulatory agencies regarding its capital.

Since its inception, the Corporation has financed its liquidity needs primarily through issuance of debentures, promissory notes and share capital.

The capital management objectives are to raise sufficient funds through debt and equity in order to meet its business plan and the start-up of its operations. The Corporation defines capital to include shareholders' equity as well as certain financial liabilities, comprised of promissory notes and debentures.

Currently, the Corporation's general policy on dividends is to retain funds to finance the Corporation's growth.

(in Canadian dollars)

18. RELATED PARTIES

The related parties include key management personnel and their close family, and key management personnel's companies. Key management personnel include the directors and officers of the Corporation, who are also shareholders of the Corporation through their management companies.

At March 31, 2025, the net amounts with key management personnel directly or indirectly through their management companies are a due to them of $29,261 (as at December 31, 2024 – $29,261) are non-interest bearing.

At March 31, 2025, the amounts due to key management personnel directly or indirectly through their management companies and included in the accounts payable and accrued liabilities is $276,347 (as at December 31, 2024 - $350,177).

The key management compensation includes amounts incurred for the following:

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
Professional fees	$ 222,500	$ 72,500
Salaries and fringe benefits and board meetings	153,750	57,107
Share-based compensation	153,847	-
Total	$ 530,097	$ 129,607

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
Supplemental cash flow information		
Net changes in non-cash working capital items:		
Accounts receivable	$ 45,737	$ 31,095
Prepaid expenses	28,074	(106,149)
Accounts payable and accrued liabilities	164,166	(172,929)
	$ 237,977	$ (247,983)

20. SUBSEQUENT EVENTS

On May 1, 2025, the Corporation announced the signing of a non-binding term sheet for up to US $50 million construction capital facility with an international specialized renewable energy infrastructure fund manager for a 6-months term.