

NEXT DYNAMICS, INC.

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New York, NY 10170

1-888-480-1632

www.nextdynamicscorp.com

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Annual Report

For the year ended December 31, 2025 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

23,574,283 as of December 31, 2024

187,900,000 as of December 31, 2025

187,900,000 as of April 30, 2026

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: No:

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

The name of the Issuer is Next Dynamics, Inc. Until September 2020, the issuer was named SW Innovative Holdings Inc. Until July 2014, the issuer was named Everybody's Phone Company.

Current State and Date of Incorporation or Registration: Texas; September 2, 2003

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

Asset Acquisition

- the Company acquired a group of intangible assets (primarily licensing and distribution agreements) from Black Creek Labs International Inc. (the "Transaction"). As consideration for the Transaction, the Company issued 150,000,000 new common shares.

Debt Settlement

- In a separate, unrelated arrangement, the Company also issued 13,925,717 common shares to Clarity Investments, LLC, a related party, to settle outstanding debt. Following these issuances, the Company had 187,500,000 common shares outstanding at closing.

Asset Acquisition - Integrated Launcher Solutions Inc.

- On August 12, 2025, the Company entered into an Asset Purchase Agreement with Integrated Launcher Solutions Inc. for the acquisition of certain intellectual property, prototypes, and related assets, including patents. The transaction has not yet closed, and no shares have been issued in connection with the agreement as of the date of this report. Upon closing, consideration is contemplated to consist of up to 12,500,000 common shares to be issued by a wholly-owned subsidiary of the Company, which will amalgamate with Integrated Launcher Solutions Inc. under the Ontario Business Corporations Act. The agreement contemplates milestone-based share issuances tied to technology readiness levels, with the subsequent amalgamation step to follow.

Address of the issuer's principal executive office:

14 Finlay Mill Rd
Midhurst, ON L9X 0N7

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address.

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Olde Monmouth Stock Transfer Co., Inc.
Phone: (732) 872-2727
Email: matt@oldemonmouth.com
Address: 20 Memorial Parkway, Atlantic Highlands, NJ 07716

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol: NEXD
Exact title and class of securities outstanding: Class A Common Stock
CUSIP: 65343X106
Par or stated value: \$0.001
Total shares authorized: 1,000,000,000 as of date: April 30, 2026
Total shares outstanding: 187,900,000 as of date: April 30, 2026
Total number of shareholders of record: 134 as of date: April 30, 2026

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security: Class A Preferred Stock
Par or stated value: \$0.01
Total shares authorized: 10,000,000 as of date: April 30, 2026
Total shares outstanding: 0 (all 60,000 outstanding preferred shares were redeemed January 27, 2026)
as of date: April 30, 2026
Total number of shareholders of record: 0 (following January 27, 2026 redemption) as of date: April 30, 2026

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1.) For common equity, describe any dividend, voting and preemption rights.

Voting rights of one vote per share; no fixed dividend but shall receive dividends any time dividends are declared by the Company's Board of Directors.

2.) For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

Voting rights of 550,000 votes per share; no fixed dividend but shall receive dividends any time dividends are declared by the Company's Board of Directors in the same manner as Class A Common Stock; liquidation preference of \$0.05 per share payable before any distribution is made to Class A Common Stock.

3.) Describe any other material rights of common or preferred stockholders.

N/A

4.) Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

N/A

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u>			*Right-click the rows below and select "Insert"			
Date 12/31/2024 Common: 23,574,283 Preferred: 60,000						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.
3/27/2025	New Issuance	150,000,000	Common	\$0.001	N	Black Creek Labs International Inc. (Rob Macintyre)
3/27/2025	New Issuance	13,925,717	Common	\$0.001	N	Clarity Investments, LLC (Andre Beauchesne)
10/09/2025	New Issuance	50,000	Common	\$0.001	N	Greg Slavonic
10/14/2025	New Issuance	200,000	Common	\$0.001	N	Greg Slavonic
11/10/2025	New Issuance	50,000	Common	\$0.001	N	Lindsay Kough
11/17/2025	New Issuance	100,000	Common	\$0.001	N	John Wharton
1/27/2026	Cancellation (returned to treasury)	(60,000)	Preferred	\$0.05 (liquidation preference)	N/A	Beauchesne Capital (Andre Beauchesne)
Shares Outstanding on Date of This Report: <u>Ending Balance</u>						
Date 04/30/2026 Common: 187,900,000 Preferred: 0 (60,000 redeemed 01/27/2026)						

Any additional material details, including footnotes to the table are below:

N/A

B. Convertible Notes

The following is a complete list of the Company's Convertible Debt, which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. <small>*You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)

Any additional material details, including footnotes to the table, are below:

N/A

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Next Dynamics is a global defense technology innovator committed to developing, manufacturing, and licensing advanced military systems for NATO nations and allied partners. Its core capabilities span armament (small arms, ammunition, remote weapon systems), mobility platforms (light manned and unmanned tactical vehicles), and mission support (training, human performance, logistics). The Company leverages in-house R&D, automated production, and proprietary patented technologies-such as the A.S.A.P.® advanced small arms projectile-to deliver next-generation solutions that enhance battlefield effectiveness, operational readiness, and allied industrial resilience.

B. List any subsidiaries, parents, or affiliated companies.

The issuer, Next Dynamics, Inc., is the holding and parent company of Next Dynamics Corp., a wholly owned Canadian subsidiary corporation. Next Dynamics is also the owner of various assets for the manufacturing and sale of firearms previously owned by Black Creek Labs International Inc.

C. Describe the issuers' principal products or services.

Next Dynamics, Inc., specializes in the research, development and licensing of patented and proprietary military defense technologies. The company has developed a small arms ammunition technology called A.S.A.P. (Advanced Small Arms Projectile) and a firing platform with a secondary recoil technology named the R2.

Mission Statement: Bringing Back the Unfair Advantage.

Next Dynamics, Inc. seeks to develop and license patented and proprietary military technologies that provide an unfair advantage to America's military forces and allies.

Technologies, Manufacturing & Distribution

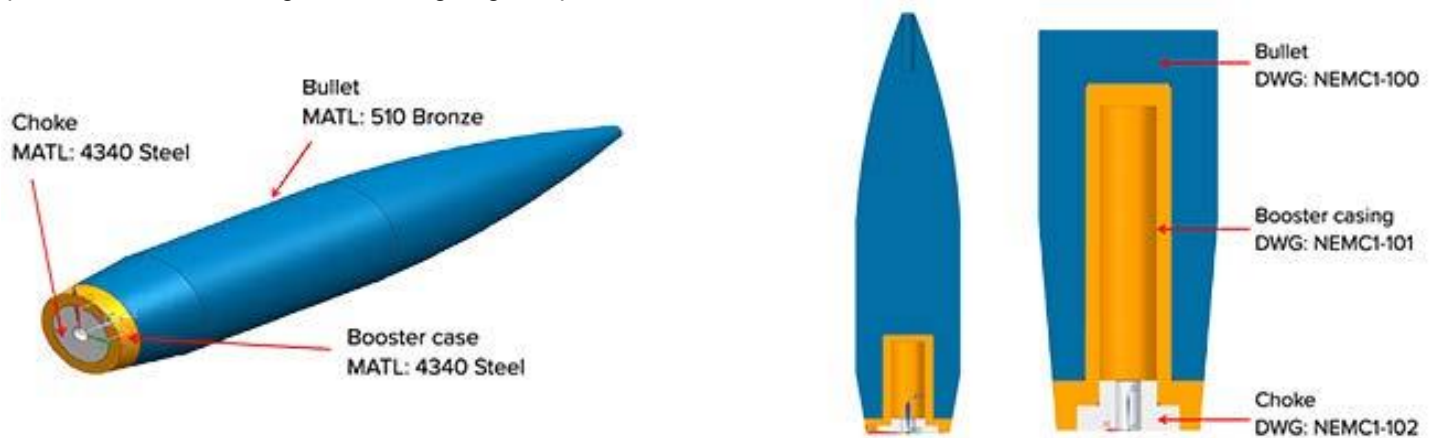
By way of the Black Creek Labs assets acquisition, Next Dynamics owns the following state-of-the-art military technologies and assets:

- Firearms: Manufacturing rights for pistols, the SRV2 Badger semi-automatic rifle, and the Bolt Action Rifle.

- Vehicles: High Light Reconnaissance Vehicle, a tactical vehicle designed for high mobility and operational efficiency.
- Advanced Weaponry: Rotary and belt-fed Torakka guns tailored for versatile deployment.
- Military Apparel and Optics:
 - Exclusive manufacturing rights for Torakka Military Clothing, known for extreme durability and functionality.
 - Distribution rights for Night Force Optics, offering high-precision scopes and optical equipment for tactical operations.
- Proprietary Manufacturing Technologies: Access to innovative high manufacturing and assembly technologies, increasing production efficiency and scalability.

Next Dynamics has also developed patented ammunition technology called the Advanced Small Arms Projectile (“A.S.A.P.”) and the related production and use of this ammunition. In the last 150 years, there has not been relevant progress on the design basis of small arms bullets or rounds, especially among the incumbent companies focused on combat. Next Dynamics seeks to address operational requirements of domestic security and counter-terrorism agencies, and to reduce the carrying load of the individual combatant. Its A.S.A.P. ammunition utilizes the same firearms used with traditional bullets, while harnessing otherwise-wasted gas to increase compression, range and lethality. Compared to traditional bullets, A.S.A.P. rounds offer improved ballistic performance, including better accuracy at extended ranges.

The advantages of the Company’s ammunition technology include: (a) reduced drag; (b) improved gyroscopic stability and accuracy; (c) extended maximum effective range; and (d) improved terminal ballistics and lethality, resulting in better precision, and extending and defining target capabilities.



5) Issuer’s Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

The Company’s primary office space is located at 14 Finlay Mill Rd Midhurst, ON L9X 0N7 where the Company has a private, secure, single-desk office. The lease is month-to-month and can be terminated with 30 days’ notice.

The Company’s legal offices are located at 420 Lexington Ave. Suite 2320, New York, NY 10170. The Company uses its attorney’s office for this purpose. There is no lease in-place and no lease is intended to be signed.

The Company’s Canadian subsidiary has an office which is provided to it free of charge by Clarity Investments, LLC. The space is approximately 1,000 square feet in addition to common areas.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Individual Name (First, Last) Or Entity Name (Include names of control person(s) if a corporate entity)	Position/Company Affiliation (ex: CEO, 5% Control person)	City and State (Include Country if outside U.S.)	Number of shares owned (List common, preferred, warrants, and options separately)	Class of Shares Owned	Percentage of Class of Shares Owned (Undiluted)
Robert Macintyre	CEO, President, and Acting CFO (current)	Midhurst, Ontario, Canada	0 (beneficial ownership of 150,000,000 common shares held through Black Creek Labs International Inc.)	Common	79.83% (indirect)
Black Creek Labs International Inc. (Rob Macintyre)	5%+ Control Person (acquired March 27, 2025 in BCL Asset Acquisition)	Midhurst, Ontario, Canada	150,000,000	Common	79.83%
Beauchesne Capital (Andre Beauchesne)	Former CEO, former director, founding investor	Montreal, Quebec, Canada	60,000 (redeemed 01/27/2026, subsequent to period end)	Preferred	100% (class redeemed 01/27/2026)
Antoni Binek	Former director and co-founder	Glastonbury, CT	2,733,333	Common	1.45%
Lawrence Binek	Former director and co-founder	Glastonbury, CT	2,633,333	Common	1.40%
Beauchesne Capital (Andre Beauchesne)	Former CEO, former director, founding investor (common shares; see also preferred row above)	Montreal, Quebec, Canada	1,527,062	Common	0.81%
Jacob Salk	Former CEO and CFO	Wilmington, NC, USA	528,846	Common	0.28%
Hellen Lauzon & Michael Danchuk	Former 5%+ holder	Alexandria, Ontario, Canada	1,900,000	Common	1.01%

McKinsey Bain Trust (Hugues Benoit)	Former 5%+ holder	Montreal, Quebec, Canada	1,427,062	Common	0.76%
Jerome Cliché	Former Director	Montreal, Quebec, Canada	1,075,000	Common	0.57%
Samuel Mouallem	Former Director	Montreal, Quebec, Canada	100,000	Common	0.05%

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

- A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:
1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);
None.
 2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;
None.
 3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;
None.
 4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or
None.
 5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities
None.
 6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail
None.
- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.
- None.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed. Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters)

Name: Paul Goodman
Firm: Cyruli Shanks & Zizmore LLP
Address 1: 420 Lexington Ave, Suite 2320
Address 2: New York, NY 10170
Phone: (212) 661-6800
Email: pgoodman@cshzlaw.com

Accountant or Auditor

Name:
Firm: Davidson & Company LLP
Address 1: 1200-609 Granville Street, P.O. Box 10372, Pacific Center
Address 2: Vancouver, B.C., Canada V7Y 1G6
Phone: (604) 687-0947

Note: Davidson & Company LLP audited the Company's consolidated financial statements for the year ended December 31, 2024. The consolidated financial statements for the year ended December 31, 2025 were prepared by management and have not been audited.

All Other Means of Investor Communication

LinkedIn: <https://www.linkedin.com/company/nextdynamicsinc/>
Facebook: <https://www.facebook.com/nextdynamicsinc>

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Rob Macintyre**
Title: **Chief Executive Officer**
Relationship to Issuer: **Issuer**

B. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Rob Macintyre**
Title: **Chief Executive Officer**
Relationship to Issuer: **Issuer**

Describe the qualifications of the person or persons who prepared the financial statements:²

The unaudited consolidated financial statements for the year ended December 31, 2025 were prepared by the Company's internal accounting team based on the Company's maintained accounting records and reviewed by Robert Macintyre, Chief Executive Officer and Acting Chief Financial Officer. The financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Provide the following qualifying financial statements:

² The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

Please see the accompanying unaudited management-prepared consolidated financial statements for the year ended December 31, 2025 for the Company's financial statements (filed concurrently with this Disclosure Statement).

10) Issuer Certification

Principal Executive Officer:

I, Robert Macintyre certify that:

1. I have reviewed this Disclosure Statement for Next Dynamics, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 30, 2026

/s/ Robert Macintyre, CEO

Principal Financial Officer:

I, Robert Macintyre certify that:

1. I have reviewed this Disclosure Statement for Next Dynamics, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 30, 2026

/s/ Robert Macintyre, Acting CFO

NEXT DYNAMICS INC.

Consolidated Financial Statements

For the Year Ended December 31, 2025

(Unaudited – Expressed in United States Dollars)

Prepared by Management

Dated: April 29, 2026

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NEXT DYNAMICS INC.

The consolidated financial statements of Next Dynamics Inc. have been prepared by management and are unaudited. In the opinion of management, these consolidated financial statements reflect all adjustments of a normal recurring nature necessary for a fair presentation of the financial position, results of operations, and cash flows for the year ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

These financial statements have not been audited or reviewed by an independent registered public accounting firm.

NEXT DYNAMICS INC.

Consolidated Balance Sheets

As at December 31, 2025 and December 31, 2024

(Unaudited - Expressed in United States Dollars)

	December 31, 2025	December 31, 2024
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	170,781	534
Accounts receivable (note 9)	690,653	-
Prepaid expenses and other	2,590	2,467
Deferred contract costs (note 9)	283,134	-
	1,147,158	3,001
Intangible assets (note 10)	5,225,669	-
TOTAL ASSETS	6,372,827	3,001
LIABILITIES		
Current Liabilities		
Trade and other payables (note 7)	126,933	158,974
Contract liability - deferred revenue (note 9)	1,108,633	-
Lease liability - current (note 4)	2,140	13,470
CEBA loan (note 3)	-	-
Loans payable to related party (notes 4, 7)	4,791	374,047
	1,242,497	546,491
Long-Term Liabilities		
CEBA loan (note 3)	29,184	27,800
TOTAL LIABILITIES	1,271,681	574,291
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share Capital (note 5)		
Additional Paid-in Capital	8,097,360	2,434,043
Common Shares - 1,000,000,000 authorized; issued and outstanding 187,900,000 (2024 - 23,574,283)	187,900	23,575
Preferred Shares - 60,000 issued and outstanding (2024 - 60,000)	60	60
Shares to be issued	126,500	126,500
Accumulated other comprehensive income	39,545	45,006
Accumulated deficit	(3,350,219)	(3,200,474)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	5,101,146	(571,290)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	6,372,827	3,001

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEXT DYNAMICS INC.

Consolidated Statements of Net Loss and Comprehensive Loss For the Years Ended December 31, 2025 and December 31, 2024 (Unaudited - Expressed in United States Dollars)

	December 31, 2025	December 31, 2024
	\$	\$
Revenue (note 9)	430,738	-
Cost of goods sold	(350,545)	-
Gross profit	80,193	-
OPERATING EXPENSES		
Office expenses	19,374	3,559
Professional fees	76,518	58,008
Consulting fees	179,686	22,068
Interest and bank charges	5,510	2,305
Foreign exchange (gain) loss	(107,691)	22,127
Share-based compensation (note 5)	48,000	8,333
Depreciation	-	254
Rent	8,541	8,454
	229,938	125,108
Income (loss) from operations	(149,745)	(125,108)
Net loss	(149,745)	(125,108)
FX translation adjustment	(5,461)	46,081
Comprehensive loss	(155,206)	(79,027)
Net loss per share - basic and diluted	(0.01)	(0.01)
Weighted average number of outstanding common shares - basic and diluted	142,005,976	23,574,283

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEXT DYNAMICS INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2025 and December 31, 2024

(Unaudited - Expressed in United States Dollars)

	December 31, 2025	December 31, 2024
	\$	\$
Cash flows from operating activities:		
Net loss	(149,745)	(125,108)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	-	254
Share-based compensation (note 5)	48,000	8,333
Changes in operating assets and liabilities:		
Accounts receivable	(690,653)	-
Prepaid expenses and other	(123)	5,367
Deferred contract costs	(283,134)	-
Trade and other payables	124,959	24,231
Contract liability	1,108,633	-
Net cash used in operating activities	157,937	(86,923)
Cash flows from investing activities:		
Net cash provided by investing activities	-	-
Cash flows from financing activities:		
Proceeds from loans payable to related parties	27,718	37,891
Payments of lease liability	(11,773)	(20,878)
Net cash provided by financing activities	15,945	17,013
Effect of exchange rate changes on cash	(3,635)	21,173
Increase (decrease) in cash and cash equivalents	170,247	(48,737)
Cash and cash equivalents at beginning of year	534	49,271
Cash and cash equivalents at end of year	170,781	534
Supplemental non-cash investing and financing activities:		
Common shares issued for intangible asset acquisition (notes 5, 10)	5,225,669	-
Common shares issued in extinguishment of debt (notes 4, 5)	553,974	-

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEXT DYNAMICS INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Years Ended December 31, 2025 and December 31, 2024

(Unaudited - Expressed in United States Dollars)

	Number of Common Shares	Common Share Capital	Number of Preferred Shares	Preferred Shares	Additional paid-in capital	Shares to be issued	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shareholders' Equity (Deficiency)
	#	\$	#	\$	\$	\$	\$	\$	\$
BALANCE, December 31, 2023	23,574,283	23,575	60,000	60	2,434,043	118,167	(1,075)	(3,075,366)	(500,596)
FX translation adjustment	-	-	-	-	-	-	46,081	-	46,081
Advisor share vesting (note 5)	-	-	-	-	-	8,333	-	-	8,333
Net loss for the year	-	-	-	-	-	-	-	(125,108)	(125,108)
BALANCE, December 31, 2024	23,574,283	23,575	60,000	60	2,434,043	126,500	45,006	(3,200,474)	(571,290)
BCL acquisition (notes 5, 10)	150,000,000	150,000	-	-	5,075,669	-	-	-	5,225,669
Debt settlement (notes 4, 5)	13,925,717	13,925	-	-	540,049	-	-	-	553,974
Advisor share vesting (note 5)	400,000	400	-	-	47,600	-	-	-	48,000
FX translation adjustment	-	-	-	-	-	-	(5,461)	-	(5,461)
Net loss for the year	-	-	-	-	-	-	-	(149,745)	(149,745)
BALANCE, December 31, 2025	187,900,000	187,900	60,000	60	8,097,360	126,500	39,545	(3,350,219)	5,101,146

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

1. Organization and summary of significant accounting policies and going concern

(a) Background

The Company and its wholly-owned subsidiary, Next Dynamics Corp. (collectively, the "Company"), were incorporated under the laws of the State of Texas on September 3, 2003 and under the Canadian Business Corporations Act on September 18, 2019, respectively. The Company is engaged in research, development, manufacturing, and licensing of patented and proprietary military and defence technologies. During the year ended December 31, 2025, the Company commenced revenue-generating operations through commercial supply contracts (notes 9 and 10).

(b) Going Concern

These consolidated financial statements ("financial statements") are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. The Company has incurred losses from operations since inception. The Company recognized a net loss of \$149,745 for the year ended December 31, 2025 (year ended December 31, 2024 - net loss of \$125,108) and has a total accumulated deficit of \$3,350,219 as at December 31, 2025 (December 31, 2024 - \$3,200,474). The Company has historically funded its activities principally through the issuance of securities and loans from related parties. There is no certainty that recurring revenues, securities issuances, or further related-party financing will be available going forward at the levels required to fund the Company's operations and commercialization plans. These conditions continue to raise substantial doubt about the Company's ability to continue as a going concern and realize its assets and pay its liabilities as they become due.

The ability of the Company to continue as a going concern is dependent on the Company's ability to implement its business plan, raise capital, and generate recurring revenues. The financial statements do not include any adjustments that might result from the outcome of uncertainties described above.

(c) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(d) Basis of Consolidation

The accompanying financial statements include the results of the Company and its wholly-owned subsidiary (Next Dynamics Corp.) as at December 31, 2025 and 2024. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation, including unrealized gains and losses on transactions between the companies.

(e) Use of estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Significant estimates include the deemed fair value of equity instruments issued in stock-for-asset transactions and in extinguishment of debt; the recoverability and useful lives of intangible assets; the recoverability of deferred contract costs; the appropriateness of revenue recognition timing under ASC 606; the estimation of credit losses on accounts receivable; the discount rate in determining lease liabilities; the valuation of deferred tax assets; and assumptions used in determining the fair value of share-based compensation awards. Actual results could differ from those estimates.

(f) Cash and cash equivalents

Cash and cash equivalents include cash at banks.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

(g) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed using the straight-line method over the estimated lives of the assets. The equipment had an estimated life of 3 years. Maintenance and repairs are charged to expense as incurred; significant expenditures that increase productivity or extend the useful life of the asset are capitalized. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

(h) Foreign Currency Translation

The Company's functional and reporting currency is the U.S. dollar. The Company's Canadian subsidiary has a functional currency of Canadian dollars. All assets and liabilities of the Canadian subsidiary are translated into United States dollars at the year-end exchange rates. Revenues and expenses, as well as all cash flows, are translated into United States dollars at the average exchange rates for the year. Gains and losses arising from the translation of the Canadian subsidiary's financial statements into U.S. dollars are recorded as a component of accumulated other comprehensive income within shareholders' equity. Gains and losses from the remeasurement of foreign currency transactions into the functional currency are recorded in operating expenses in the consolidated statements of net loss and comprehensive loss.

Non-monetary assets recognized at the parent (USD-functional) level, including intangible assets acquired through stock-for-asset transactions denominated in U.S. dollars at the date of acquisition, are not subsequently remeasured for foreign currency movements; such assets remain at the U.S. dollar value recognized at the date of the transaction.

Exchange rates used: closing rate at December 31, 2025 of CAD 1 = USD 0.7296 (December 31, 2024 - USD 0.6950); average rate for the year ended December 31, 2025 of CAD 1 = USD 0.7157 (year ended December 31, 2024 - USD 0.7302). Source: Bank of Canada published rates.

(i) Leases

The Company accounts for leases in accordance with ASC Topic 842, Leases. The Company has elected the practical expedient not to recognize right-of-use assets and lease liabilities for leases with a term of 12 months or less; for such leases, lease payments are recognized as expense on a straight-line basis over the lease term. The Company's primary office lease is on a month-to-month basis and qualifies for this expedient. For finance leases, the Company recognizes amortization of the right-of-use asset within operating expenses and interest on the lease liability within interest expense in the consolidated statements of operations.

(j) Risks and uncertainties

Although the Company commenced revenue-generating activities during the year ended December 31, 2025, results to date have been derived from a small number of large contracts and the Company is exposed to customer concentration risk. The Company's activities are subject to significant risks and uncertainties, including the regulatory environment for firearms and defence products, the availability of export permits and end-use authorizations, and the availability of capital to support continued commercialization.

(k) Research and development

Research and development costs are expensed as incurred and are included in operating expenses in the consolidated statements of net loss and comprehensive loss. The Company does not capitalize internally developed intellectual property.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

(l) Fair value measurements and fair value of financial instruments

The Company adopted ASC 820, "Fair Value Measurements and Disclosures", which establishes a framework for measuring fair value and a three-level hierarchy of inputs: Level 1 - quoted prices in active markets for identical assets or liabilities; Level 2 - observable market-based inputs other than Level 1 or unobservable inputs corroborated by market data; Level 3 - unobservable inputs for which there is little or no market data. The carrying values of cash, accounts receivable, trade and other payables, the CEBA loan, and loans payable to related parties approximate fair value due to their short-term nature.

(m) Equity

Common shares and preferred shares represent the par value of the total number of shares issued by the Company. Additional paid-in capital includes amounts received in excess of par value, including amounts attributable to the fair value of equity instruments issued in stock-for-asset transactions and in extinguishment of debt. Accumulated other comprehensive income comprises the foreign currency translation difference arising from translating the financial statements of the Company's Canadian subsidiary in Canadian dollars to the U.S. dollar presentation currency of the Company. Accumulated deficit includes all current and prior losses.

(n) Income taxes

The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. A valuation allowance is established to reduce some or all net deferred tax assets to amounts that are more likely than not to be realized.

(o) Recent accounting pronouncements

Recent accounting standards are not expected to have a material impact on the Company's financial position or results of operations. In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), which is effective for annual reporting periods beginning after December 15, 2026. The Company is evaluating the impact of ASU 2024-03 on its disclosures.

(p) Revenue recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers, applying the five-step model: (i) identify the contract; (ii) identify the performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when (or as) each performance obligation is satisfied. For product sales, revenue is recognized at a point in time when control of the product transfers to the customer in accordance with the shipping or delivery terms specified in the contract. Where delivery is contingent on the receipt of regulatory approvals (including export permits), revenue is not recognized until those approvals are obtained and control of the goods has transferred to the customer. For training and engineering services, revenue is recognized over time as the services are performed. Sales taxes (HST/QST) collected on behalf of governmental authorities are excluded from revenue.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

(q) Accounts receivable and credit losses

Accounts receivable consist of trade receivables arising from product sales and service revenue, recorded at the invoiced amount and do not bear interest. Accounts receivable also include amounts due from customers under contracts where the Company has an unconditional right to consideration. The Company evaluates the collectibility of accounts receivable in accordance with ASC Topic 326 and recognizes an allowance for expected credit losses based on a forward-looking model that considers historical experience, customer creditworthiness, and current and forecasted economic conditions. As at December 31, 2025, no allowance for expected credit losses had been recognized (December 31, 2024 - \$nil).

(r) Intangible assets

Intangible assets acquired in stock-for-asset transactions accounted for as asset acquisitions under ASC 805-50 are recorded at the fair value of the consideration transferred at the date of acquisition. Intangible assets recognized at the parent level (which are denominated in U.S. dollars at the date of acquisition) remain at the U.S. dollar value originally recognized and are not subsequently remeasured for foreign currency movements. Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives once placed into commercial service. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(s) Contract balances and deferred contract costs

Contract liabilities (deferred revenue) represent amounts received from, or unconditionally receivable from, customers in advance of the satisfaction of the related performance obligations under ASC Topic 606. Contract liabilities are recognized as revenue when the related performance obligations are satisfied. Incremental costs incurred to fulfill a contract are capitalized as deferred contract costs in accordance with ASC Topic 340-40 when (i) such costs relate directly to the contract; (ii) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and (iii) the costs are expected to be recovered. Deferred contract costs are recognized as cost of goods sold in the period in which the related revenue is recognized.

2. Equipment, net

Depreciation charged on equipment, net amounted to \$nil during the year ended December 31, 2025 (December 31, 2024 - \$254).

3. CEBA Loan

During the year ended December 31, 2021, the Company's wholly-owned Canadian subsidiary received CAD \$40,000 as a loan under the Canada Emergency Business Account program (the "CEBA Loan"). The CEBA Loan was originally granted as an interest-free revolving line of credit.

Effective January 19, 2024, the CEBA Loan was automatically renewed for an additional three-year term and converted to an interest-bearing term loan. Under the revised terms, the loan bears interest at a fixed rate of 5% per annum, with interest payable monthly. The full outstanding principal amount becomes due at maturity on December 31, 2026.

The carrying value of the CEBA Loan amounted to \$29,184 (CAD \$40,000) as at December 31, 2025 (December 31, 2024 - \$27,800 (CAD \$40,000)). The CEBA Loan is classified as a long-term liability as at December 31, 2025 as the principal is not due within twelve months of the balance sheet date.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

4. Loans and Lease Payable

(a) September 25, 2025 Debt Transfer and Settlement

On September 25, 2025, the Company entered into a Debt Transfer and Settlement Agreement (the "Settlement") with Clarity Investments, LLC ("Clarity") and certain debt holders, including related parties. Under the terms of the Settlement, Clarity assumed liabilities related-party loans and of trade and other payables, in exchange for the issuance of 13,925,717 common shares of the Company to Clarity. Clarity has separately agreed with the underlying debt holders to settle the assumed obligations through onward issuance or transfer of the shares.

The Settlement was accounted for as an extinguishment of debt in accordance with ASC Topic 470-50. The Company derecognized the carrying value of the assumed liabilities and recognized the fair value of the common shares issued, which is presented within share capital and additional paid-in capital.

(b) Loans Payable to Related Parties

Counterparty	December 31, 2025	December 31, 2024
	\$	\$
Clarity Investments, LLC - settled September 25, 2025	-	104,022
Oncore, Inc. - settled September 25, 2025	-	75,755
Simex Defence, Inc. - settled September 25, 2025	-	33,781
Gestion Andre Beauchesne (GAB) Inc. - settled September 25, 2025	-	140,489
Wellington Peel, LLC - settled September 25, 2025	-	20,000
Loan to shareholder - outstanding	4,791	-
Total loans payable to related parties	4,791	374,047

The loans payable to Clarity Investments, LLC, Oncore, Inc., Simex Defence, Inc., Gestion Andre Beauchesne (GAB) Inc., and Wellington Peel, LLC were unsecured, non-interest bearing, and with no set terms of repayment. These loans constituted related-party loans by virtue of common officers, directors, principal shareholders, or entities controlled by such individuals. All five of these related-party loans were extinguished through the September 25, 2025 Settlement (note 4(a)).

(c) Lease Payable

The lease payable amount relates to equipment held under a finance lease that was disposed of during the year ended December 31, 2023. Payments towards the outstanding lease payable amount made during the year ended December 31, 2025 amounted to \$11,773 (December 31, 2024 - \$20,878). The remaining lease liability of \$2,140 as at December 31, 2025 (December 31, 2024 - \$13,470) is classified as current and matures within twelve months of the balance sheet date.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

5. Share Capital

Authorized, issued and outstanding:

The Company is authorized to issue 1,000,000,000 common shares with a par value of \$0.001 per share and 60,000 preferred shares with a par value of \$0.001 per share, redeemable at the option of the Company.

As at December 31, 2025, the Company had 187,900,000 (December 31, 2024 - 23,574,283) common shares issued and outstanding and 60,000 (December 31, 2024 - 60,000) preferred shares issued and outstanding.

Issuances during the year ended December 31, 2025:

	Number of shares	Par value (\$)
	#	\$
Balance, December 31, 2024	23,574,283	23,575
Issued in respect of the BCL stock-for-asset transaction (note 10)	150,000,000	150,000
Issued in extinguishment of debt - September 25, 2025 Settlement (note 4)	13,925,717	13,925
Issued for advisory services rendered	400,000	400
Balance, December 31, 2025	187,900,000	187,900

During the year ended December 31, 2025, the Company:

- Issued 150,000,000 common shares at a deemed value of \$5,225,669 in connection with the acquisition of patented and proprietary intangible assets from Black Creek Labs International Inc. ("BCL"), a related party (notes 7 and 10).
- Issued 13,925,717 common shares at a deemed value of \$553,974 in extinguishment of debt and other obligations through the September 25, 2025 Settlement (note 4).
- Issued 400,000 common advisors at a deemed value of \$48,000, recognized as share-based compensation expense.

Issuances during the year ended December 31, 2024:

During the year ended December 31, 2024, the Company did not issue any common or preferred shares. Vesting of restricted common shares previously granted to an advisor in 2023 resulted in \$8,333 of share-based compensation expense recognized during the year ended December 31, 2024 (year ended December 31, 2023 - \$462,938 in respect of 426,748 common shares issued for financial advisory services and 200,000 restricted shares granted to an advisor with monthly vesting over a twelve-month service period).

Rights and privileges:

Common Stock - Each share of common stock is entitled to one vote per share and does not carry a fixed dividend. Dividends may be paid when and if declared by the Company's Board of Directors. The common stock does not carry preemptive rights.

Preferred Stock - Each share of preferred stock is entitled to 550,000 votes per share and does not carry a fixed dividend. Dividends may be paid when and if declared by the Company's Board of Directors, on the same basis as common stock. In the event of liquidation, holders of preferred stock are entitled to a liquidation preference of \$0.05 per share, payable prior to any distribution to holders of common stock. The preferred stock does not have conversion or sinking fund provisions but is redeemable at the option of the Company. Subsequent to year-end, on January 27, 2026, the Company redeemed all 60,000 outstanding preferred shares for nominal aggregate consideration of \$1.00 (note 11).

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

Shares to be issued:

Shares to be issued of \$126,500 as at December 31, 2025 (December 31, 2024 - \$126,500) represents amounts received in prior periods for which corresponding common shares had not been issued at year-end.

6. Financial Instruments

The Company follows ASC Topic 820, Fair Value Measurement, which establishes a three-level fair value hierarchy as described in note 1(l). Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis are as follows:

	December 31, 2025 Carrying amount \$	December 31, 2025 Fair value \$	December 31, 2024 Carrying amount \$	December 31, 2024 Fair value \$
Financial Assets				
Cash	170,781	170,781	534	534
Accounts receivable	690,653	690,653	-	-
Financial Liabilities				
Trade and other payables	126,933	126,933	158,974	158,974
Contract liability	1,108,633	1,108,633	-	-
Lease payable	2,140	2,140	13,470	13,470
CEBA loan	29,184	29,184	27,800	27,800
Loans payable to related party	4,791	4,791	374,047	374,047

The carrying values of cash, accounts receivable, and trade and other payables approximate their fair values because of the short-term nature of these instruments.

Interest rate risk: The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates.

Credit risk: The Company is exposed to credit risk from its cash, which is held with major Canadian financial institutions, and accounts receivable, which is concentrated with a small number of customers (note 9).

Liquidity risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2025, the Company had positive working capital, however the Company's ability to continue to meet its obligations is dependent on the matters described in note 1(b).

Foreign currency risk: The Company's reporting currency is the U.S. dollar, while its Canadian subsidiary transacts in Canadian dollars. The Company is exposed to fluctuations in the value of the Canadian dollar against the U.S. dollar. The Company does not currently use derivative financial instruments to hedge foreign currency exposures.

7. Related Party Transactions

(a) The Company had outstanding loans payable to related parties, including entities controlled by directors and principal shareholders of the Company, as at December 31, 2025 and December 31, 2024. Details of the balances and terms of these loans are disclosed in note 4. The September 25, 2025 Settlement extinguished all such related-party loans except as noted in note 4(b).

(b) The Company's preferred shares were issued in entirety to the former Chief Executive Officer and director of the Company. Subsequent to year-end, all 60,000 preferred shares were redeemed (note 11).

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

(c) On March 27, 2025, the Company acquired patented and proprietary intangible assets from Black Creek Labs International Inc. ("BCL") in exchange for the issuance of 150,000,000 common shares of the Company at a deemed value of \$5,225,669 (note 10). BCL is a related party of the Company on the basis that it is controlled, directly or indirectly, by the Company's Chief Executive Officer.

(d) The Company's former Chief Financial Officer (Jacob Salk, who resigned December 2, 2025) incurred consulting fees of \$nil during the year ended December 31, 2025 (December 31, 2024 - \$22,068). Trade and other payables include \$69,175 owing to Mr. Salk as at December 31, 2025 (December 31, 2024 - \$69,175).

(e) The Company incurred consulting fees of \$nil related to services provided by a former director of the Company during the year ended December 31, 2025 (December 31, 2024 - \$nil). Trade and other payables include \$16,000 owing to the former director as at December 31, 2025 (December 31, 2024 - \$16,000).

(f) During the year ended December 31, 2025, the following changes in officers and directors of the Company occurred: on February 25, 2025, Robert Macintyre was appointed Chief Executive Officer and President of the Company; on November 6, 2025, Andre Beauchesne resigned as Chairman of the Board of Directors of the Company and its subsidiaries; and on December 2, 2025, Jacob Salk resigned as Chief Financial Officer and a director of the Company and its subsidiaries.

8. Income Taxes

The Company files Canadian and U.S. income tax returns. Separate income tax returns are filed as locally required.

The total provision for income taxes differs from the amount which would be computed by applying the Canadian statutory income tax rate to the loss before income taxes. The reasons for these differences are as follows:

	2025	2024
	\$	\$
Loss before income taxes	(149,745)	(125,108)
Expected income tax (recovery) at statutory rate (26.5%)	(40,000)	(33,000)
Permanent difference - loss on extinguishment of debt	-	-
Change in statutory, foreign tax, foreign exchange rates and other	-	62,000
Adjustment to prior years' provision and expiry of non-capital losses	-	(41,000)
Change in unrecognized deductible temporary differences	40,000	12,000
Total income tax expense (recovery)	-	-
Current income tax	-	-
Deferred income tax recovery	-	-

The significant components of the Company's deferred tax assets that have not been recognized in the consolidated balance sheets are as follows:

	2025	2024
	\$	\$
Deferred Tax Assets (liabilities)		
Property and equipment	4,000	5,000
Non-capital losses available for future periods	670,000	631,000
	674,000	636,000
Unrecognized deferred tax assets (valuation allowance)	(674,000)	(636,000)
	-	-

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

Net deferred tax assets

The Company has Canadian non-capital losses available for carryforward of approximately \$2,400,000 (USD equivalent) as at December 31, 2025 (December 31, 2024 - approximately \$2,300,000) which may be carried forward and applied against taxable income in future years. The non-capital losses for the year ended December 31, 2025 will not be available to reduce future taxable income until the tax returns are assessed by the appropriate taxation authorities. These losses, if not utilized, will expire as follows:

Expiry Year Range	2025	2024
	\$	\$
Canadian non-capital losses (2039 to 2045)	2,400,000	2,300,000

9. Revenue from Contracts with Customers and Contract Balances

(a) Disaggregation of revenue

	2025	2024
	\$	\$
Product sales - firearms and accessories (Canadian distributor)	280,876	-
Product sales - ammunition (Canadian Crown corporation customer)	28,558	-
Training and engineering services - domestic customers	15,481	-
Total revenue recognized	430,738	-

(b) International customer contract - deferred revenue

During the year ended December 31, 2025, the Company entered into a supply contract with an international defence customer (the "International Contract") with a total contract value of approximately CAD \$1,519,508. As at December 31, 2025, the Company has applied for the required Canadian export permits, which were in process; delivery of the goods is expected in 2026. As delivery has not occurred and the related performance obligations have not been satisfied, no revenue has been recognized on the International Contract during the year ended December 31, 2025. Amounts received and unconditionally receivable that have been allocated to the unsatisfied performance obligations are presented as a contract liability (deferred revenue) of \$1,108,633 (December 31, 2024 - \$nil). Costs incurred to fulfill the contract of approximately \$283,134 have been capitalized as deferred contract costs in accordance with ASC Topic 340-40 and will be recognized as cost of goods sold when the related revenue is recognized.

(c) Concentration of revenue and accounts receivable

During the year ended December 31, 2025, two external customers each individually accounted for more than 10% of recognized revenue. Customer A (a Canadian distributor of firearms and accessories) represented approximately 86% of recognized revenue, and Customer B (a Canadian Crown corporation) represented approximately 9% of recognized revenue. The Company has only one operating segment. The loss of either of these customers would have a material adverse effect on the Company's results of operations and cash flows. As at December 31, 2025, the International Customer described in (b) above represented approximately 95% of the outstanding accounts receivable balance, with the remainder principally attributable to the Department of National Defence and a Canadian distributor.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

10. Intangible Assets - BCL Acquisition

During the year ended December 31, 2025, the Company acquired a group of intangible assets (primarily licensing and distribution agreements) from BCL International Inc. (the "Transaction"). As consideration for the Transaction and settlement of certain liabilities related to the Transaction, the Company issued 150,000,000 new common shares; in a separate, unrelated arrangement, the Company also issued 13,925,717 common shares to settle outstanding debt. Following these issuances, the Company had 187,500,000 common shares outstanding at closing.

The Transaction does not meet the definition of a business under ASC 805; accordingly, it is accounted for as an asset acquisition under ASC 805-50. The cost of an asset acquisition equals the fair value of the consideration transferred (including directly attributable transaction costs). Pending completion of the fair-value analysis, the Company has recorded the total cost provisionally as intangible assets.

Provisional and unreliable estimates (consideration and assets).

- *Consideration measurement:* management has estimated the consideration at CAD \$7,500,000 by reference to the number of shares issued in the amount of 150,000,000 and an indicative price of CAD \$0.05 per share, translated to USD at the acquisition-date spot rate to USD \$5,225,669. As observable quotations for the Company's equity are limited and unreliable, this estimate is used in place of a market-based measurement. Management cautions that the measurement of consideration is inherently uncertain at this time and may change materially if more reliable market or valuation evidence is obtained.
- *Assets acquired:* Identification of the specific intangible asset categories, their relative fair values, and estimated useful lives remains incomplete. As a result, the composition and carrying amount of intangible assets recognized are provisional and may change materially once valuation procedures are finalized. The Company expects to complete the relative fair-value analysis for inclusion in its December 31, 2025 annual financial statements. Such changes may be material.

The intangible assets acquired through the BCL transaction are denominated in U.S. dollars at the date of acquisition and are not subsequently remeasured for foreign currency movements (notes 1(h) and 1(r)). The intangible assets are not yet placed into commercial service and accordingly amortization has not commenced as at December 31, 2025. Management will commence amortization on a straight-line basis over the estimated useful life when the intangibles are placed into commercial service.

Management has assessed the recoverability of the intangible assets as at December 31, 2025 and concluded that no impairment indicators exist. Management's assessment is based on the Company's commercialization plans, including expected future supply contracts and licensing arrangements with NATO and allied customers.

11. Commitments and Contingencies

Asset Purchase Agreement - Integrated Launcher Solutions Inc.

On August 12, 2025, the Company entered into an Asset Purchase Agreement (the "ILS APA") with Integrated Launcher Solutions Inc. ("ILS") for the acquisition of certain intellectual property, prototypes, and related assets, including patents. The ILS APA had not closed as at December 31, 2025 and remained unclosed as at the date of issuance of these financial statements; accordingly, no consideration has been transferred and no assets, liabilities, or equity related to the ILS APA have been recognized in these financial statements. Upon closing, consideration is contemplated to consist of up to 12,500,000 common shares to be issued by a wholly-owned subsidiary of the Company, which would subsequently amalgamate with ILS under the Ontario Business Corporations Act. The ILS APA contemplates milestone-based share issuances tied to technology readiness levels.

NEXT DYNAMICS INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Unaudited - Amounts Expressed in United States Dollars Unless Otherwise Stated)

12. Subsequent Events

Management has evaluated subsequent events through the date these financial statements were available to be issued. The following matters have occurred subsequent to December 31, 2025:

(a) On January 27, 2026, the Company redeemed all 60,000 outstanding preferred shares from a related party (the former Chief Executive Officer and director of the Company, see note 7(b)) for aggregate nominal consideration of \$1.00. The redemption was for consideration significantly less than the carrying value of the preferred shares; the difference (approximately \$59) is treated as a contribution to additional paid-in capital in 2026.

(b) Subsequent to year-end, management has continued to engage with the International Customer regarding the export permits required to deliver the products under the supply contract described in note 9. As at the date of issuance of these financial statements, the export permits had not yet been received.