

Condensed Consolidated Interim Financial Statements of

**THERMAL ENERGY
INTERNATIONAL INC.**

Quarters ended February 28, 2026 and 2025

(Unaudited)

THERMAL ENERGY INTERNATIONAL INC.

Condensed Consolidated Interim Statements of Financial Position

As at February 28, 2026 and May 31, 2025
(Expressed in Canadian dollars) (Unaudited)

	February 28, 2026	May 31, 2025
	\$	\$
Assets		
Current assets:		
Cash and cash equivalents (note 5)	3,956,688	2,798,695
Trade and other receivables (note 6)	5,115,829	4,498,562
Current tax receivable	31,910	19,037
Prepaid expenses (note 7)	456,345	765,266
Inventory	1,942,585	1,827,077
	11,503,357	9,908,637
Non-current assets:		
Property, plant and equipment (note 8)	578,419	388,837
Right-of-use assets (note 9)	725,850	939,653
Intangible assets	449,547	491,835
Deferred tax assets	216,304	217,271
	1,970,120	2,037,596
Total assets	13,473,477	11,946,233
Liabilities		
Current liabilities:		
Trade payables and other liabilities (note 11)	4,068,285	3,419,874
Current tax liabilities	68,848	84,023
Pensions and other employer obligations	204,033	226,149
Current portion of long-term debt (note 12)	6,486	327,757
Deferred revenue (note 13)	2,863,508	2,715,070
Provisions	343,944	345,000
Current portion of lease obligations (note 14)	293,955	394,510
	7,849,059	7,512,383
Non-current liabilities:		
Long-term debt (note 12)	-	1,640
Lease obligations (note 14)	749,249	864,393
Deferred tax liabilities	942	867
	750,191	866,900
Total liabilities	8,599,250	8,379,283
Equity		
Capital stock (note 15)	32,833,530	32,798,603
Contributed surplus	5,120,900	4,896,549
Accumulated other comprehensive income	525,802	536,000
Deficit	(33,612,967)	(34,660,733)
Equity attributable to owners of the parent	4,867,265	3,570,419
Non-controlling interest	6,962	(3,469)
Total equity	4,874,227	3,566,950
Commitment (note 23)		
Total liabilities and equity	13,473,477	11,946,233

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

On behalf of the Board:
(signed) William Crossland
Director

(signed) William Ollerhead
Director

THERMAL ENERGY INTERNATIONAL INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three and nine months ended February 28, 2026 and 2025
(Expressed in Canadian dollars) (Unaudited)

	Three months ended		Nine months ended	
	February 28		February 28	
	2026	2025	2026	2025
	\$	\$	\$	\$
Revenue (note 18)	9,423,521	5,815,078	26,461,283	22,955,379
Cost of sales	5,923,541	3,548,021	15,764,401	14,290,439
Gross profit	3,499,980	2,267,057	10,696,882	8,664,940
Expenses (note 19):				
Administration	1,787,464	1,293,849	5,311,770	4,444,284
Selling, marketing and business development	1,277,852	1,223,203	3,874,106	3,795,221
Research and development	58,843	75,952	244,204	257,719
	3,124,159	2,593,004	9,430,080	8,497,224
Operating income (loss)	375,821	(325,947)	1,266,802	167,716
Finance costs (note 20)	(30,382)	(70,211)	(91,339)	(235,657)
Finance revenue	6,088	7,962	16,845	51,900
Income (Loss) before income tax	351,527	(388,196)	1,192,308	(16,041)
Income tax expense	(13,951)	(14,440)	(71,088)	(49,451)
Net income (loss) for the period	337,576	(402,636)	1,121,220	(65,492)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of overseas operations	55,644	(28,444)	(11,785)	(8,427)
Total comprehensive income (loss) for the period	393,220	(431,080)	1,109,435	(73,919)
Net income (loss) for the period attributable to:				
Owners of the parent	322,627	(416,630)	1,047,766	(125,362)
Non-controlling interest	14,949	13,994	73,454	59,870
Net income (loss) for the period	337,576	(402,636)	1,121,220	(65,492)
Total comprehensive income (loss) for the period attributable to:				
Owners of the parent	379,626	(448,035)	1,037,568	(139,952)
Non-controlling interest	13,594	16,955	71,867	66,033
Total comprehensive income (loss) for the period	393,220	(431,080)	1,109,435	(73,919)
Net income (loss) per share - basic and diluted	0.002	(0.002)	0.006	(0.001)

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

THERMAL ENERGY INTERNATIONAL INC.

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars) (Unaudited)

	Capital stock \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total attributable to owners of the parent \$	Non- controlling interest \$	Total equity \$
Balance at June 1, 2024	33,247,637	4,659,779	(34,733,899)	288,798	3,462,315	(39,914)	3,422,401
Share-based compensation (note 17)	-	192,250	-	-	192,250	-	192,250
Share options exercised (note 15)	50,966	(17,116)	-	-	33,850	-	33,850
Dividends paid (note 16)	-	-	-	-	-	(58,040)	(58,040)
Transactions with owners	50,966	175,134	-	-	226,100	(58,040)	168,060
Net (loss) income for the period	-	-	(125,362)	-	(125,362)	59,870	(65,492)
Other comprehensive (loss) income: exchange differences arising on translation of overseas operations	-	-	-	(14,590)	(14,590)	6,163	(8,427)
Total comprehensive (loss) income for the period	-	-	(125,362)	(14,590)	(139,952)	66,033	(73,919)
Balance at February 28, 2025	33,298,603	4,834,913	(34,859,261)	274,208	3,548,463	(31,921)	3,516,542
Balance at June 1, 2025	32,798,603	4,896,549	(34,660,733)	536,000	3,570,419	(3,469)	3,566,950
Share-based compensation (note 17)	-	191,683	-	-	191,683	-	191,683
Share options exercised (note 15)	219,791	(152,291)	-	-	67,500	-	67,500
Shares repurchased (note 15)	(684,864)	184,959	-	-	(499,905)	-	(499,905)
Obligations related to share repurchases (note 15)	500,000	-	-	-	500,000	-	500,000
Dividends paid (note 16)	-	-	-	-	-	(61,436)	(61,436)
Transactions with owners	34,927	224,351	-	-	259,278	(61,436)	197,842
Net income for the period	-	-	1,047,766	-	1,047,766	73,454	1,121,220
Other comprehensive income (loss): exchange differences arising on translation of overseas operations	-	-	-	(10,198)	(10,198)	(1,587)	(11,785)
Total comprehensive income (loss) for the period	-	-	1,047,766	(10,198)	1,037,568	71,867	1,109,435
Balance at February 28, 2026	32,833,530	5,120,900	(33,612,967)	525,802	4,867,265	6,962	4,874,227

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

THERMAL ENERGY INTERNATIONAL INC.

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars) (Unaudited)

	Three months ended		Nine months ended	
	February 28		February 28	
	2026	2025	2026	2025
	\$	\$	\$	\$
Operating activities:				
Net income (loss) for the period	337,576	(402,636)	1,121,220	(65,492)
Add items not involving cash:				
Depreciation of property, plant and equipment (note 8)	64,218	59,345	185,588	177,467
Loss on disposal of assets (note 8)	187	77	187	255
Depreciation of right-of-use assets (note 9)	77,015	91,906	265,105	274,564
Amortization of intangible assets	10,122	37,470	39,104	117,460
Finance costs (note 20)	30,382	70,211	91,339	235,657
Finance revenue	(6,088)	(7,962)	(16,845)	(51,900)
Share-based compensation (note 17)	68,407	61,638	191,683	192,250
Income tax expense	10,951	14,440	68,088	49,451
Unrealized foreign exchange and translation adjustments	85,456	157,940	(22,967)	296,761
Changes in working capital:				
Trade and other receivables	2,187,784	1,710,233	(614,267)	(231,614)
Prepaid expenses	693,713	(18,597)	308,921	588,684
Inventory	(181,251)	(304,430)	(115,508)	(313,439)
Trade payables and other liabilities	(1,488,308)	(913,299)	1,128,584	(810,647)
Deferred revenue (note 13)	706,405	2,614,264	157,928	(655,233)
Income tax (paid) refunded	(82,634)	(57,096)	(98,828)	30,811
Interest paid	(30,512)	(71,008)	(93,628)	(237,530)
Interest received	6,088	7,962	16,845	51,900
Net cash provided by (used in) operating activities	2,489,511	3,050,458	2,612,549	(350,595)
Investing activities:				
Additions to property, plant and equipment (note 8)	(346,918)	(29,607)	(378,951)	(62,912)
Net cash used in investing activities	(346,918)	(29,607)	(378,951)	(62,912)
Financing activities:				
Repayment of long-term debt (note 12)	(63,233)	(526,478)	(322,875)	(990,589)
Repayment of lease obligations (note 14)	(92,156)	(79,874)	(265,011)	(234,209)
Stock options exercised (note 15)	-	-	67,500	33,850
Repurchase of shares (note 15)	-	-	(499,905)	-
Dividends paid (note 16)	-	-	(61,436)	(58,040)
Net cash used in financing activities	(155,389)	(606,352)	(1,081,727)	(1,248,988)
Increase (decrease) in cash and cash equivalents for the period	1,987,204	2,414,499	1,151,871	(1,662,495)
Cash and cash equivalents, beginning of period	2,005,661	2,823,168	2,798,695	6,965,145
Exchange differences on cash and cash equivalents	(36,177)	(94,693)	6,122	(159,676)
Cash and cash equivalents, end of period	3,956,688	5,142,974	3,956,688	5,142,974

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

THERMAL ENERGY INTERNATIONAL INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars except share amounts)

1. Nature of operations:

Thermal Energy International Inc. (the “parent”) was incorporated under the Ontario Business Corporations Act on May 22, 1991 and is primarily engaged in the development, engineering and supply of pollution control, heat recovery systems, and condensate return solutions. The parent company’s common shares are listed on the TSX Venture Exchange (“TSX.V”) and OTCQB under the symbol TMG and TMGEF, respectively. The primary office is located at Suite 850, 36 Antares Drive, Ottawa, Ontario, K2E 7W5.

The unaudited condensed consolidated interim financial statements comprise the financial results of the parent and its subsidiaries (collectively known as the “Company”) for the nine months ended February 28, 2026 and 2025.

2. Basis of presentation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended May 31, 2025. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements for the year ended May 31, 2025.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS Accounting Standards issued and effective as of April 27, 2026, the date the Board of Directors approved the unaudited condensed consolidated interim financial statements.

(b) Significant accounting judgments and estimates:

In preparing these unaudited condensed consolidated interim financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The accounting policies and the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended May 31, 2025.

THERMAL ENERGY INTERNATIONAL INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars except share amounts)

3. Material accounting policies:

New standards and amendments yet to be adopted:

IFRS 18, Presentation and Disclosures of Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosures of Financial Statements (“IFRS 18”) with the aim of improving companies’ reporting of financial performance and giving investors a better basis for analyzing and comparing companies.

IFRS 18 introduces three new sets of requirements:

- Improved comparability in the statements of income which introduces three defined categories for income and expenses: operating, investing and financing. These changes would require all companies to use the same structure of the statements of income and provide new defined subtotals, including operating profit.
- Enhanced transparency of management-defined performance measures which would require companies to disclose explanations of those company specific measures that are related to the income statement.
- More useful grouping of information in the financial statements which provides enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, which will be June 1, 2027 for the Company, with early adoption permitted.

The Company is currently evaluating the impact of this new standard.

4. Segment reporting:

Management reporting comprises analysis of revenue and gross profit within two distinct geographical areas. All other items of revenue and expenses are considered on a geographical and/or global basis in making strategic decisions regarding the Company’s future. The Company has two operational bases (“reporting units”). One in Ottawa, Canada covering North America, and the other in Bristol, United Kingdom, covering Europe and the rest of the world. These areas are determined by proximity of the region to the reporting unit, plus the location of the contracts in existence with agents and distributors in the respective areas and the historical relationships with those agents and distributors. Corporate costs that cannot easily be attributed to either of the two reporting units are included in reconciling items. The chief operating decision maker focuses on revenues and costs by geographical segments but manages assets and liabilities on a global basis.

THERMAL ENERGY INTERNATIONAL INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars except share amounts)

4. Segment reporting (continued):

Segment information for the three months ended February 28, 2026 and the comparative period are detailed in the table below.

	Thermal Energy Ottawa		Thermal Energy Bristol		Reconciling Items		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	6,973,332	3,296,225	2,450,189	2,518,853	-	-	9,423,521	5,815,078
Cost of sales	(4,684,184)	(1,785,180)	(1,239,357)	(1,762,841)	-	-	(5,923,541)	(3,548,021)
Gross profit	2,289,148	1,511,045	1,210,832	756,012	-	-	3,499,980	2,267,057
Other expenses	(1,127,790)	(949,609)	(1,435,077)	(1,439,034)	(561,292)	(204,361)	(3,124,159)	(2,593,004)
Finance costs	(19,373)	(21,413)	(7,483)	(7,297)	(3,526)	(41,501)	(30,382)	(70,211)
Finance revenue	6,088	7,962	-	-	-	-	6,088	7,962
Income (loss) before income tax	1,148,073	547,985	(231,728)	(690,319)	(564,818)	(245,862)	351,527	(388,196)
Income tax expense	-	-	(13,951)	(14,440)	-	-	(13,951)	(14,440)
Net income (loss) for the period	1,148,073	547,985	(245,679)	(704,759)	(564,818)	(245,862)	337,576	(402,636)
Attributable to:								
Owners of the parent	1,147,919	548,181	(260,474)	(718,949)	(564,818)	(245,862)	322,627	(416,630)
Non-controlling interest	154	(196)	14,795	14,190	-	-	14,949	13,994

Segment information for the nine months ended February 28, 2026 and the comparative period are detailed in the table below.

	Thermal Energy Ottawa		Thermal Energy Bristol		Reconciling Items		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	16,855,778	9,966,579	9,605,505	12,988,800	-	-	26,461,283	22,955,379
Cost of sales	(11,281,722)	(6,099,996)	(4,482,679)	(8,190,443)	-	-	(15,764,401)	(14,290,439)
Gross profit	5,574,056	3,866,583	5,122,826	4,798,357	-	-	10,696,882	8,664,940
Other expenses	(3,586,329)	(3,231,135)	(4,686,353)	(4,251,247)	(1,157,398)	(1,014,842)	(9,430,080)	(8,497,224)
Finance costs	(61,131)	(64,812)	(18,397)	(24,361)	(11,811)	(146,484)	(91,339)	(235,657)
Finance revenue	16,845	51,900	-	-	-	-	16,845	51,900
Income (loss) before income tax	1,943,441	622,536	418,076	522,749	(1,169,209)	(1,161,326)	1,192,308	(16,041)
Income tax expense	-	-	(71,088)	(49,451)	-	-	(71,088)	(49,451)
Net income (loss) for the period	1,943,441	622,536	346,988	473,298	(1,169,209)	(1,161,326)	1,121,220	(65,492)
Attributable to:								
Owners of the parent	1,943,388	618,149	273,587	417,815	(1,169,209)	(1,161,326)	1,047,766	(125,362)
Non-controlling interest	53	4,387	73,401	55,483	-	-	73,454	59,870

THERMAL ENERGY INTERNATIONAL INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars except share amounts)

4. Segment reporting (continued):

Other expenses in reconciling items comprise the following:

	Three months ended		Nine months ended	
	February 28		February 28	
	2026	2025	2026	2025
	\$	\$	\$	\$
Corporate administration costs	203,955	193,549	612,133	575,647
Share-based compensation	68,407	61,638	191,683	192,250
Professional fees	470	40,018	172,561	188,887
Depreciation of property, plant and equipment	64,218	59,345	185,588	177,467
Amortization of intangible assets	10,122	37,470	39,104	117,460
Foreign exchange loss (gain)	214,120	(187,659)	(43,671)	(236,869)
Total	561,292	204,361	1,157,398	1,014,842

Corporate administration costs include directors' fees, all costs relating to both the CEO and CFO, directors' and officers' insurance, corporate legal costs, public relations costs, professional fees relating to group tax planning and corporate filing costs as well as the Annual General Meeting.

Finance costs within the reconciling items include interest and deferred financing charge on the long-term debt.

5. Cash and cash equivalents:

	February 28, 2026	May 31, 2025
Cash	\$ 3,956,688	\$ 2,782,956
Cash equivalents	-	15,739
Balance, end of period	\$ 3,956,688	\$ 2,798,695

Cash equivalents consist of excess cash invested in guaranteed investment certificate.

6. Trade and other receivables:

	February 28, 2026	May 31, 2025
Trade receivables, gross	\$ 4,284,451	\$ 3,495,104
Allowance for expected credit losses	(4,381)	(5,208)
Trade receivables, net	4,280,070	3,489,896
Unbilled revenue	442,063	452,754
Contract assets	174,047	431,423
Sales tax and other miscellaneous receivables	219,649	124,489
Balance, end of period	\$ 5,115,829	\$ 4,498,562

THERMAL ENERGY INTERNATIONAL INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars except share amounts)

6. Trade and other receivables (continued):

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

At February 28, 2026, \$208,088 (4.9%) of the Company's trade receivables balance was over 90 days past due. \$4,381 of the past due balance was impaired at February 28, 2026.

At May 31, 2025, \$65,783 (1.9%) of the Company's trade receivables balance was over 90 days past due. \$787 of the past due balance was impaired at May 31, 2025.

The Company's trade and other receivables have been reviewed for indicators of impairment. For the nine months ended February 28, 2026, provisions of \$4,381 were made as expected credit losses and recorded under administrative expense on the condensed consolidated interim statements of comprehensive income (\$5,248 – February 28, 2025). For the nine months ended February 28, 2026, \$nil (\$6,047 – February 28, 2025) of previously provided credit losses was released due to the collection on the expected credit losses. The Company wrote off allowance for expected credit losses in the amount of \$788 for the nine months ended February 28, 2026 by removing the amount from trade receivables (\$11,450 – February 28, 2025). Translation gain of \$39 (loss of \$618 – February 28, 2025) was recognized under exchange differences arising on translation of overseas operations.

7. Prepaid expenses:

	February 28, 2026	May 31, 2025
Prepayments for goods, equipment and projects	\$ 71,692	\$ 268,452
Foreign government regulatory fees	146,336	140,553
Insurance	44,696	133,301
Rent	56,162	58,293
Other prepaid expenses	137,459	164,667
Balance, end of period	\$ 456,345	\$ 765,266

8. Property, plant and equipment:

During the nine months ended February 28, 2026, the Company acquired property, plant and equipment of \$378,951 (\$62,912 – February 28, 2025) and the Company disposed of depreciated assets with a net book value of \$187 for \$nil proceeds (net book value of \$255 for \$nil proceeds – February 28, 2025). Depreciation expense of \$185,588 (\$177,467 – February 28, 2025) was recognized under administration expense. Translation loss of \$3,594 (gain of \$17,892 – February 28, 2025) was recognized under exchange differences arising on translation of overseas operations.

Included in the nine months ended February 28, 2026, additions included the acquisition of a plasma table for the US production team, for which the Company paid a capital advance of \$283,838. The acquisition is designated to be funded through a convertible equipment line of credit, see note 10(c).

THERMAL ENERGY INTERNATIONAL INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Nine months ended February 28, 2026 and 2025

(Expressed in Canadian dollars except share amounts)

9. Right-of-use assets:

	Offices	Vehicles	Equipment	Total right-of-use assets
	\$	\$	\$	\$
Balance, June 1, 2025	876,397	61,870	1,386	939,653
Additions	11,105	29,767	15,296	56,168
Depreciation	(230,544)	(32,248)	(2,313)	(265,105)
Translation adjustments	(4,126)	(740)	-	(4,866)
Balance, February 28, 2026	652,832	58,649	14,369	725,850

	Offices	Vehicles	Equipment	Total right-of-use assets
	\$	\$	\$	\$
Balance, June 1, 2024	1,180,389	95,079	4,158	1,279,626
Depreciation	(243,451)	(29,034)	(2,079)	(274,564)
Translation adjustments	50,095	3,779	-	53,874
Balance, February 28, 2025	987,033	69,824	2,079	1,058,936

10. Short-term borrowings:

- (a) During the year ended May 31, 2025, the Company entered into a line of credit agreement with a lending institution for a total amount of \$2,000,000. \$Nil was utilized as at February 28, 2026 (\$nil - May 31, 2025). The line of credit bears interest at the institution's floating base rate plus a premium of 3.51%. The line of credit is expected to support internal working capital needs related to operations.
- (b) At January 16, 2026, the Company's US subsidiary entered into a line of credit agreement with a lending institution for a total amount of \$687,350 (equivalent to USD\$500,000). \$Nil was utilized as at February 28, 2026. The line of credit bears interest at daily SOFR plus a premium of 2.5%. The line of credit is expected to support internal working capital needs related to the subsidiary company's operations.
- (c) At January 16, 2026, the US subsidiary also entered into a convertible equipment line of credit agreement with the same lending institution for a total amount of \$687,350 (equivalent to USD\$500,000). \$Nil was utilized as at February 28, 2026. The convertible equipment line of credit bears interest at daily SOFR plus a premium of 2.5%. The convertible equipment line of credit is expected to support fixed asset acquisitions. The Company may elect to convert any advance or multiple advances to one or more separate equipment term loan with a maximum term of five years, bearing interest at a floating or fixed rate as offered by the lending institution. The Company is designating a property, plant and equipment acquisition to be funded under this agreement, see note 8.

THERMAL ENERGY INTERNATIONAL INC.

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11. Trade payables and other liabilities:

Trade payables and other liabilities recognized in the statements of financial position can be summarized as follows:

	February 28, 2026	May 31, 2025
Trade payables	\$ 1,603,694	\$ 1,510,899
Accruals	2,204,872	1,074,716
Obligations related to share purchases (note 15)	-	500,000
Other government remittances payable	259,719	334,259
	\$ 4,068,285	\$ 3,419,874

Included in accruals is \$20,725 due to directors (\$26,107 at May 31, 2025).

All amounts are short-term. The carrying values of trade payables and other liabilities are considered to be a reasonable approximation of fair value.

12. Long-term debt:

	February 28, 2026	May 31, 2025
(a) Term loan, bearing interest at 5.45%, was fully paid at January 15, 2026 (5.95% on May 31, 2025), repayable in monthly principal installments of \$41,667, with a final payment of \$16,656 payable on the maturity date, January 15, 2026.	-	308,325
(b) Term loan (equivalent to GBP£3,531), bearing interest at 2.50%, repayable in monthly principal installments of \$1,613 (equivalent to GBP£878) up to the maturity date, June 10, 2026.	6,486	21,072
Total long-term debt	6,486	329,397
Less: current portion	(6,486)	(327,757)
Long term portion	-	\$ 1,640

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12. Long-term debt (continued):

(a) On June 9, 2020, the Company entered into a Working Capital – COVID-19 loan with a lending institution for a total amount of \$2,300,000. This loan bears interest at the institution's floating base rate less a variance of 1.10%. The institution's floating base rate was 6.55% on January 15, 2026 (7.05% on May 31, 2025). Interest is payable monthly in arrears on the 15th day of the month. A financing cost of \$3,000 was charged by the lending institution. The amount advanced under the financing was expected to support internal working capital needs related to operations.

On May 28, 2025, the Company repaid a portion of its outstanding debt in the amount of \$150,000, reducing the maturity date to January 15, 2026, and amending the final loan payment to \$16,656.

(b) On June 10, 2020, the Company entered into a COVID-19 bounce back fixed rate loan with a UK lending institution for a total amount of GBP£50,000 (equivalent to \$85,760 on June 10, 2020). This loan bears zero interest for the first 12 months and 2.50% thereafter and is repayable over 6 years.

13. Deferred revenue:

The change in deferred revenue was as follows:

	Deferred revenue relating to contracts for heat recovery projects	Deferred revenue relating to sales of goods, equipment and services	Total deferred revenue
Balance, June 1, 2025	\$ 2,002,697	\$ 712,373	\$ 2,715,070
Increase from payments received	13,814,012	3,391,870	17,205,882
Decrease from revenue recognized	(13,731,318)	(3,316,636)	(17,047,954)
Translation adjustments	(2,260)	(7,230)	(9,490)
Balance, February 28, 2026	\$ 2,083,131	\$ 780,377	\$ 2,863,508

	Deferred revenue relating to contracts for heat recovery projects	Deferred revenue relating to sales of goods, equipment and services	Total deferred revenue
Balance, June 1, 2024	\$ 3,318,084	\$ 1,026,709	\$ 4,344,793
Increase from payments received	11,301,630	1,884,258	13,185,888
Decrease from revenue recognized	(11,816,214)	(2,024,907)	(13,841,121)
Translation adjustments	34,477	77,302	111,779
Balance, February 28, 2025	\$ 2,837,977	\$ 963,362	\$ 3,801,339

All amounts are short-term and is expected to be settled within the next reporting year.

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13. Deferred revenue (continued):

The Company changed the description and categorization of revenue during the year ended May 31, 2025. Heat recovery related services that were delivered at a point in time, that were previously reported under revenue from contracts for heat recovery projects, were reclassified to revenue from sales of goods, equipment and services (see note 18).

As a result of the change:

- Deferred revenue relating to point-in-time services in the amount of \$254,882 that was previously reported under deferred revenue relating to contracts for heat recovery projects as at June 1, 2024, was reclassified to deferred revenue relating to sales of goods, equipment, and services.
- For the nine months ended February 28, 2025, increase from payments received in the amount of \$439,700 and decrease from revenue recognized in the amount of \$584,142 relating to point-in-time services, that were previously reported under deferred revenue relating to contracts for heat recovery projects, were reclassified to deferred revenue related to sales of goods, equipment, and services.
- For the nine months ended February 28, 2025, \$4,044 translation adjustments relating to point-in-time services, that were previously reported under deferred revenue relating to contracts for heat recovery projects, were reclassified to deferred revenue relating to sales of goods, equipment, and services.
- At February 28, 2025, \$114,484 of deferred revenue relating to point-in-time services, that was previously reported as deferred revenue relating to contracts for heat recovery projects, was reclassified to deferred revenue relating to sales of goods, equipment, and services.

14. Lease obligations:

The following table presents the contractual undiscounted cash flows for lease obligations as of February 28, 2026 and May 31, 2025:

	February 28, 2026	May 31, 2025
Less than one year	\$ 364,607	\$482,158
One to five years	866,172	912,783
Six to ten years	-	115,300
Total undiscounted lease obligations	1,230,779	1,510,241
Less: impact of present value	(187,575)	(251,338)
Less: current portion	(293,955)	(394,510)
Long term portion	\$ 749,249	\$864,393

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14. Lease obligations (continued):

During the nine months ended February 28, 2026, the interest expense on lease obligations (see note 20) was \$75,087 (\$89,174 – February 28, 2025) and total cash outflow for leases was \$377,291(\$361,715 – February 28, 2025), including \$37,193 (\$38,332 – February 28, 2025) for short-term leases.

For the nine months ended February 28, 2026 and 2025, expenses for leases of low-dollar value items are not material. Extension options are included in the measurement of lease obligations when the Company is reasonably certain to exercise that option.

15. Capital stock:

Authorized:

Unlimited number of Class A common shares, no par value.

Unlimited number of Series 1 preferred shares, voting only in the case of dissolution of the Company, redeemable at the option of the Company, at \$0.01 per share and convertible to common shares on a 1 to 1 basis at the rate of 20% of the number originally issued per year.

Outstanding:

	Nine months ended February 28, 2026		Year ended May 31, 2025	
	# Shares	\$	# Shares	\$
Class A Common shares issued				
Balance, beginning of period	173,114,305	32,798,603	172,734,305	33,247,637
Stock options exercised (note 17) ⁽¹⁾	1,409,185	219,791	380,000	50,966
Shares repurchased ⁽²⁾	(3,560,500)	(684,864)	-	-
Reduction (increase) of obligations related to share repurchases ⁽²⁾	-	500,000	-	(500,000)
Balance, end of period	170,962,990	32,833,530	173,114,305	32,798,603

(1) For the nine months ended February 28, 2026, the Company issued 1,409,185 shares following the exercise of 3,155,000 stock options. Out of 1,409,185 shares issued 750,000 shares were issued upon the exercise of 750,000 options for cash proceeds of \$67,500, resulting in an increase to capital stock of \$101,550 and a reduction in contributed surplus of \$34,050. In addition, 659,185 shares were issued upon the exercise of 2,405,000 options using the net exercise method with no cash proceeds, resulting in an increase of capital stock of \$118,241 and a reduction in contributed surplus of the same amount.

For the nine months ended February 28, 2025, the Company issued total 380,000 shares following the exercise of 380,000 stock options for cash proceeds of \$33,850, resulting in an increase to capital stock of \$50,966 and a reduction in contributed surplus of \$17,116.

(2) For the nine months ended February 28, 2026, 3,560,500 shares were purchased for cancellation by the company under NCIB for a total purchase price of \$499,905, resulting in a reduction to capital stock of \$684,864 and an increase in contributed surplus of \$184,959.

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15. Capital stock (continued):

Normal Course Issuer Bid:

On May 16, 2025, the Company announced its intent to re-launch the Normal Course Issuer Bid (“NCIB”) for a further period of twelve months. The NCIB was approved by the TSX Venture Exchange on May 22, 2025. During the 12-month period commencing May 22, 2025 and ending May 21, 2026, the Company could purchase on the TSX up to 8,655,715 common shares, representing approximately 5% of the then issued and outstanding common shares.

Prior to the year end of May 31, 2025, the Company entered into an automatic share purchase plan (“ASPP”) to provide the option to instruct its broker to make purchases under the NCIB during the blackout period between June 1, 2025 and October 30, 2025. As of February 28, 2026, an obligation for the repurchase of shares of \$nil (\$500,000 – May 31, 2025) was captured under trade payables and other liabilities (see note 11), as instructions were provided to the Company’s broker to make purchases during the blackout period in accordance with ASPP.

16. Non-controlling interest in subsidiaries:

During the nine months ended February 28, 2026, a subsidiary of the Company, which has a non-controlling interest of 33%, distributed dividends to its shareholders. The portion of the dividends attributable to the non-controlling interests (33%) amounted to \$61,436 (\$58,040 - February 28, 2025). This amount has been recorded as a reduction in the non-controlling interest’s equity.

17. Share-based compensation:

Activity in stock options was as follows:

	Three months ended February 28, 2026		Three months ended February 28, 2025	
	# Options	Weighted Average Exercise Price \$	# Options	Weighted Average Exercise Price \$
Outstanding, beginning of period	18,392,702	0.15	15,495,302	0.15
Forfeited	(89,000)	0.17	(35,000)	0.20
Exercised	(1,090,000)	0.14	-	-
Outstanding, end of period	17,213,702	0.15	15,460,302	0.15
Options exercisable, end of period	9,197,400	0.15	8,939,707	0.13

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17. Share-based compensation (continued):

	Nine months ended February 28, 2026		Nine months ended February 28, 2025	
	# Options	Weighted Average Exercise Price \$	# Options	Weighted Average Exercise Price \$
Outstanding, beginning of period	15,442,802	0.15	12,985,902	0.14
Granted	5,014,900	0.13	2,930,400	0.20
Forfeited	(89,000)	0.17	(76,000)	0.18
Exercised	(3,155,000)	0.11	(380,000)	0.09
Outstanding, end of period	17,213,702	0.15	15,460,302	0.15
Options exercisable, end of period	9,197,400	0.15	8,939,707	0.13

The following tables summarize information about stock options outstanding at February 28, 2026:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding February 28, 2026	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at February 28, 2026	Weighted average exercise price
0.11 - 0.15	10,891,402	3.09	0.13	5,915,502	0.13
0.16 - 0.20	6,322,300	3.21	0.20	3,281,898	0.20
	17,213,702	3.13	0.15	9,197,400	0.15

The following tables summarize information about stock options outstanding at February 28, 2025:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding February 28, 2025	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at February 28, 2025	Weighted average exercise price
0.08 - 0.10	2,065,000	0.74	0.09	2,065,000	0.09
0.11 - 0.15	7,005,502	2.26	0.13	5,709,908	0.13
0.16 - 0.20	6,389,800	4.21	0.20	1,164,799	0.20
	15,460,302	2.86	0.15	8,939,707	0.13

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model.

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17. Share-based compensation (continued):

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	30-Nov-25	30-Nov-24
Grant date share price (\$) ⁽¹⁾	0.125	0.20
Exercise price (\$)	0.125	0.20
Expected volatility (%) ⁽²⁾	79.54	64.42
Expected life (years)	4.00	4.00
Expected dividend yield (%)	0.00	0.00
Risk-free interest rate (%)	2.72	2.93
Forfeiture rate (%)	18.00	22.00

(1) The closing market price of the shares on the TSX Venture Exchange on the day immediately preceding the date of grant or the last day of trading preceding the date of grant if no shares traded on the day immediately preceding the date of grant.

(2) The expected volatility was based on historical volatility of the Company over a period of time that is commensurate with the expected life of the options.

Stock-based compensation expense related to the issuance of stock options is included in administration, selling, marketing and business development expenses and is broken down as follows:

	Three months ended February 28, 2026	Three months ended February 28, 2025
Administration	\$ 60,981	\$ 51,699
Selling, marketing and business development	7,426	9,939
	\$ 68,407	\$ 61,638

	Nine months ended February 28, 2026	Nine months ended February 28, 2025
Administration	\$ 164,379	\$ 154,672
Selling, marketing and business development	27,304	37,578
	\$ 191,683	\$ 192,250

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18. Revenue:

	Three months ended February 28, 2026	Three months ended February 28, 2025
Sale of goods, equipment and services	\$ 2,967,924	\$ 3,120,126
Services over time	500,920	459,396
Contracts for heat recovery projects	5,954,677	2,235,556
	\$ 9,423,521	\$ 5,815,078

	Nine months ended February 28, 2026	Nine months ended February 28, 2025
Sale of goods, equipment and services	\$ 11,109,907	\$ 9,662,104
Services over time	1,628,539	1,463,081
Contracts for heat recovery projects	13,722,837	11,830,194
	\$ 26,461,283	\$ 22,955,379

The Company now describes the categories of disaggregation of revenue as sale of goods, equipment and services where previously it was described as sale of goods and equipment. Services delivered at a point in time that were previously classified as contracts for heat recovery projects, were reclassified to sale of goods, equipment and services (see note 13). As a result of the change, for the three months ended February 28, 2025, \$125,764 of services delivered at a point in time, that were previously reported as contracts for heat recovery projects, and \$93,660 of services delivered at a point in time that were previously reported as services, were reclassified to sale of goods, equipment and services, for the six months ended February 28, 2025, \$590,876 of services delivered at a point in time, that were previously reported as contracts for heat recovery projects, and \$132,406 of services delivered at a point in time that were previously reported as services, were reclassified to sale of goods, equipment and services.

19. Other significant expenses:

Other significant expenses included in administration expense are as follows:

	Three months ended February 28, 2026	Three months ended February 28, 2025
Depreciation of property, plant and equipment (note 8)	\$ 64,218	\$ 59,345
Depreciation of right-of-use assets (note 9)	77,015	91,906
Amortization of intangible assets	10,122	37,470
Foreign exchange loss (gain)	214,120	(187,659)

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19. Other significant expenses (continued):

	Nine months ended February 28, 2026	Nine months ended February 28, 2025
Depreciation of property, plant and equipment (note 8)	\$ 185,588	\$ 177,467
Depreciation of right-of-use assets (note 9)	265,105	274,564
Amortization of intangible assets	39,104	117,460
Foreign exchange gain	(43,671)	(236,869)

20. Finance costs:

	Three months ended February 28, 2026	Three months ended February 28, 2025
Interest on indebtedness	\$ 3,526	\$ 41,499
Interest on leases (note 14)	25,664	28,712
Other	1,192	-
	\$ 30,382	\$ 70,211

	Nine months ended February 28, 2026	Nine months ended February 28, 2025
Interest on indebtedness	\$ 11,811	\$ 146,483
Interest on leases (note 14)	75,087	89,174
Other	4,441	-
	\$ 91,339	\$ 235,657

21. Financial instruments:

The fair values of the following financial instrument assets and liabilities are not measured at fair value, but fair value disclosures are required: cash and cash equivalents, trade and other receivables, trade payables and other liabilities, and long-term debt.

The carrying values of cash and cash equivalents, trade and other receivables, trade payables and other liabilities approximate their fair values due to their short-term to maturity.

The carrying values of long-term debt is different from its fair value. The fair values of long-term debt, except the COVID-19 bounce back fixed rate loan, are subject to market interest rate. Fair value increases with lower market interest rates, incremental borrowing rates and decreases with higher market interest rates and incremental borrowing rates.

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22. Related party transactions:

Related parties include the members of the Board of Directors and key management personnel, as well as close family members and enterprises that are controlled by these individuals and shareholders.

Transactions with key management personnel

Key management personnel of the Company include members of the Company's Board of Directors as well as members of the Company's senior management team. Key management personnel remuneration includes the following expenses:

	Three months ended February 28, 2026	Three months ended February 28, 2025
Salaries and other short-term employee benefits	\$ 260,339	\$ 251,820
Share-based payments	32,248	22,203
	\$ 292,587	\$ 274,023

	Nine months ended February 28, 2026	Nine months ended February 28, 2025
Salaries and other short-term employee benefits	\$ 785,639	\$ 757,504
Share-based payments	76,654	72,045
	\$ 862,293	\$ 829,549

Salaries and other short-term employee benefits include cash payments for base salaries and related social security costs and employee benefits, as well as payments made into defined contribution pension plans of the Company's UK based subsidiary, amounts expensed in the period as due to key management personnel under the Company's employee incentive plan, and Directors' fees including meeting fees, committee chairman fees and retainers. Share-based payments include the fair value of equity settled share-based payment arrangements expensed during the period.

23. Commitment:

On January 26, 2026, an advanced performance guarantee of \$19,981 (equivalent to USD\$14,647) with no collateral was issued by a financial institution in favour of a customer of the Company. The bank guarantee has an expiry date of September 6, 2026.