

Impact Development Group Inc.

Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in US Dollars)

Independent Auditor's Report

To the Shareholders of Impact Development Group Inc.:

Opinion

We have audited the consolidated financial statements of Impact Development Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of earnings and comprehensive Income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company had negative cashflows from operating activities and accumulated deficit as at December 31, 2024. These conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value of Intangible Assets Acquired in a Business Combination

Key Audit Matter Description

We draw attention to Note 8 in the consolidated financial statements. On October 24, 2024, the Company completed its acquisition of Fusion Software LLC ("Fusion") through a Securities Purchase Agreement. This transaction has been accounted for as a business combination under IFRS 3, with the total transaction price determined to be \$1,637,118.

As part of this transaction, the Company recorded intangible assets valued at \$124,000, measured at fair value as of the acquisition date. The Company made several key assumptions in determining the acquisition date fair values of the intangible assets, including total expected future net cash flows, projected revenue growth, and applicable discount rates.

We have identified the evaluation of the fair value of intangible assets acquired as a key audit matter. This is due to the significant degree of auditor judgment and subjectivity required in assessing management's estimates. The process involved substantial estimation uncertainty, particularly as the discounted cash flow model relied on forward-looking assumptions that could be impacted by future economic conditions. Given these factors, our audit required an increased level of effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to the evaluation of the acquisition date fair value of the intangibles. Our audit work in relation to this included, but was not restricted to, the following:

- Analyzed the signed purchase agreement to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations;
- Tested the mathematical accuracy of management's valuation models and supporting calculations;
- Evaluated the reasonableness of key assumptions in management's models, including testing of historical financial results that were used as a basis for future projections;
- Assessed the appropriateness of the disclosures relating to the assumptions used in the acquisition in the notes to the consolidated financial statements; and
- With the assistance of our internal valuation specialists, evaluated the reasonableness of management's model, through assessing the appropriateness of valuation models used and testing the significant assumptions and inputs by:
 - a) comparing to externally available industry and economic trends;
 - b) evaluating budgets and forecasts for future operations; and
 - c) comparing against guideline companies within the same industry.

Property and other inventories and Cost of Sales

Key Audit Matter Description

As described in Note 5 and Note 14 to the consolidated financial statements, as of December 31, 2024, the Company holds \$5,921,319 (December 31, 2023 \$11,181,591) of property and other inventories. The Company's valuation and cost allocation policy determines the total forecasted profit for each site/phase. This allows for the land, infrastructure and build costs of a development to be allocated to each individual unit, ensuring the forecast site margin per unit is equal for all current year completions and future plots across the development. This cost allocation policy drives the recognition of costs in the consolidated statement of earnings and comprehensive income (loss).

There is a risk that the forecast profit margin, and consequently the margin recognized on each unit sold, is not appropriate and reflective of the actual final margin that will be recognized on a site. As a result, excess profit margins would be recognized earlier, to the detriment of reduced margins on units sold at the end of the construction project, or vice versa. The risk is due to the high level of management estimation involved in ensuring the accuracy and completeness of an individual site forecast, and the monitoring of these estimates over time.

For each development there is estimation uncertainty in:

- Estimating the inputs included within a site budget, including costs to complete, in order to determine the level of profit that each unit of the development will deliver;
- Determining future build cost inflation;
- Appropriately allocating costs, such as shared infrastructure costs relating to a development, so that the gross profit margin (in percentage terms) is equal across each individual unit;

These estimates impact the carrying value of inventory in the balance sheet as well as the cost of sales and profit recognised on each unit sold which aggregate to form the overall reported margin on developments, which is a key internal metric for the Company. Accordingly, we considered this to be a key audit matter.

Audit Response

We responded to this matter by performing audit procedures over the property and other inventories and cost of sales. Our audit work in relation to this included, but was not restricted to, the following:

- On a sample of sites, made enquiries with management to support their cost to complete estimates and obtained external supporting evidence regarding costs to complete,
- Tested a sample of forecast costs to third party evidence, such as contracts, or other appropriate support,
- To ensure accuracy, we tested a sample of actual costs incurred to third party evidence, as well as testing the allocation of costs to the correct sites,
- Assessed the appropriateness of the disclosures relating to the assumptions used in the model in the notes to the consolidated financial statements.

Assessment of the recoverable amount of goodwill allocated to cash generating units

Key Audit Matter Description

Audit Response

We draw attention to notes 5 and 12 to the consolidated financial statements. Goodwill is tested for impairment at least annually or more frequently if there is an indication that a cash generating unit ("CGU") or group of CGUs to which the goodwill relate, may be impaired. When the carrying amount of a CGU or group of CGUs, to which the goodwill exceeds its recoverable amount the goodwill with respect thereto is considered impaired and its carrying amount is reduced to its recoverable amount.

The Corporation completed the annual impairment tests on the group of CGUs. Total goodwill at December 31, 2024 pertaining to the group of CGUs was \$1,540,437 and a full impairment was recognized

We identified the assessment of the recoverable amount of goodwill and indefinite life intangible assets as a key audit matter due to the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the group of CGUs. Significant assumptions included:

- Forecasted income before finance costs, taxes, depreciation and amortization,
- Growth rates; and,
- Discount rates.

We responded to this matter by performing audit procedures relating to the assessment of the recoverable amount of goodwill allocated to CGU's. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the appropriateness of the forecasted income and expenses used in the estimate of the recoverable amount for the group of CGUs by: Comparing the forecasted income and expenses for the group of CGUs to historical results,
- We involved internal valuation professionals with specialized skills and knowledge, who assisted in:
- Evaluating the appropriateness of the Corporation's discount rates by comparing the discount rates to market and other external data; and
- Assessing the reasonableness of the Corporation's estimates of the recoverable amounts for the group of CGUs by comparing the Corporation's estimates to market metrics and other external data.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board, , and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahlan Veerasamy.

Toronto, Ontario
April 7, 2025

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Impact Development Group Inc.

Consolidated Statements of Financial Position

(Expressed in US Dollars)

Year ended December 31, 2024 and 2023

As at	Note	December 31, 2024	December 31, 2023
Assets			
Current			
Cash and cash equivalents	18	\$ 330,708	\$ 71,523
Other accounts receivable	16	488,904	879,792
Property and other inventories	14	5,921,319	11,181,591
Land held for development	10	3,497,938	13,897,177
Prepayments and other short-term assets	15	86,184	458,355
Current assets		10,325,053	26,488,438
Non-current			
Machinery and equipment	9	44,265	106,279
Right of use assets	13	-	18,101
Intangible	11	354,767	-
Non-current assets		399,032	124,380
Total assets		\$ 10,724,085	\$ 26,612,818
Liabilities and shareholders' equity			
Current			
Accounts payable and accrued liabilities	26	\$ 3,104,024	\$ 3,239,877
Borrowings – Current	22	5,057,738	5,324,131
Lease Liabilities – Current	13	-	73,148
Advances received from customers		78,771	136,970
Current liabilities		8,240,533	8,774,126
Non-current			
Provisions for employee benefits		64,194	50,741
Borrowings – Non-Current	22	4,737,068	1,644,553
Deferred tax liabilities	24	23,470	-
Lease liabilities – Non-Current	13	-	10,850
Non-current liabilities		4,824,732	1,706,144
Share capital	20	53,525,110	50,269,701
Contributed surplus	20,21	2,034,250	1,440,926
Deficit		(57,779,387)	(35,442,474)
Accumulated other comprehensive income		14,452	-
Complementary tax	24	(135,605)	(135,605)
Total shareholders' equity		(2,341,180)	16,132,548
Total liabilities and shareholders' equity		\$ 10,724,085	\$ 26,612,818

Going concern (note 2)

Commitments and contingencies (note 29)

Subsequent events (note 30)

See accompanying notes to the consolidated financial statements

Impact Development Group Inc.

Consolidated Statements of Earnings and Comprehensive Income (loss)

(Expressed in US Dollars)

Year ended December 31, 2024 and 2023

Year ended December 31	Note	2024	2023
Sales		\$ 3,698,059	\$ 5,791,413
<i>House sales</i>		3,624,573	5,791,413
<i>Software license subscriptions</i>		73,486	-
Cost of sales		(9,598,660)	(9,674,562)
<i>House sales</i>		(9,549,046)	(9,674,562)
<i>Software license subscriptions</i>		(49,614)	-
Sales expenses		(575,798)	(545,481)
Employee benefits expense		(163,672)	(236,089)
Depreciation and amortization	9,11	(65,606)	(190,895)
Overhead and administrative expenses		(1,669,947)	(1,500,092)
Operating loss		(8,375,624)	(6,355,706)
Other income	9	170,997	354,169
Interest expense	22	(704,536)	(3,021,157)
Accretion expense on debt	22	(453,571)	-
Write-down of receivables	26	(156,755)	(1,027,011)
Gain on debt settlement	22	-	25,390,556
Impairment of land held for development	10	(10,348,525)	-
Impairment of goodwill	11,12	(1,540,437)	-
Share-based compensation	20	(650,715)	(1,377,673)
Debt financing costs	22	(280,317)	-
Listing expense	7	-	(837,741)
Earnings (loss) before taxes		(22,339,483)	13,125,437
Deferred tax recovery	24	2,570	-
		(22,336,913)	13,125,437
Other comprehensive income		14,452	-
Net earnings (loss) and comprehensive income (loss)		\$ (22,322,461)	\$ 13,125,437
Weighted average number of shares outstanding		15,503,035	3,234,571
Earnings (loss) per share, basic	21	\$ (1.44)	\$ 4.06
Earnings (loss) per share, diluted		\$ (1.44)	\$ 2.91

See accompanying notes to the consolidated financial statements

Impact Development Group Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in US Dollars)
Year ended December 31, 2024 and 2023

	Note	Shares	Share capital Amount	Contributed surplus	Accumulated Deficit	Comprehensive loss	Complementary tax	Total
Balance, December 31, 2022		33,333,433	\$ 33,333,433	\$ -	\$ (48,567,911)	\$ -	\$ (135,605)	\$ (15,370,083)
Elimination of IHC shares	19	(33,333,433)	-	-	-	-	-	-
Share consolidation of 1:15	19	2,222,212	-	-	-	-	-	-
Settlement of IHC borrowings	19	10,035,723	10,738,224	-	-	-	-	10,738,224
Shares acquired pursuant to RTO	7	200,072	214,077	-	-	-	-	214,077
Shares and warrants issued pursuant to RTO								
Warrants and options acquired in RTO	20	1,663,914	5,962,560	60,806	-	-	-	6,023,366
	7	-	-	2,447	-	-	-	2,447
Shares issued to advisors	19	20,007	21,407	-	-	-	-	21,407
Share-based compensation	20	-	-	1,377,673	-	-	-	1,377,673
Net Income		-	-	-	13,125,437	-	-	13,125,437
Balance, December 31, 2023		14,141,928	\$ 50,269,701	\$ 1,440,926	\$ (35,442,474)	\$ -	\$ (135,605)	\$ 16,132,548
Warrants issued	20	-	-	1,280,583	-	-	-	1,280,583
Common shares issued on acquisition	8	1,666,667	1,637,118	-	-	-	-	1,637,118
Common shares issued on exercise of warrants	19	1,250,548	1,337,974	(1,337,974)	-	-	-	-
Common shares issued on debt financing	19	92,025	280,317	-	-	-	-	280,317
Share-based compensation	20	-	-	650,715	-	-	-	650,715
Net loss		-	-	-	(22,336,913)	-	-	(22,336,913)
Other comprehensive income		-	-	-	14,452	-	-	14,452
Balance, December 31, 2024		17,151,168	\$ 53,525,110	\$ 2,034,250	\$ (57,779,387)	\$ 14,452	\$ (135,605)	\$ (2,341,180)

See accompanying notes to the consolidated financial statements

Impact Development Group Inc.
Consolidated Statements of Cash Flows
(Expressed in US Dollars)
Year ended December 31, 2024 and 2023

For the years ended	Note	December 31, 2024	December 31, 2023
Net Income (loss)		\$ (22,336,913)	\$ 13,125,437
<i>Adjustments:</i>			
Depreciation and amortization	9,11	65,606	317,766
Interest expense	22	700,760	3,021,157
Share-based compensation	20	650,715	1,377,673
Provision for warranties	17	189,616	174,540
Write-down of receivables	25	156,755	1,027,011
Write-down of inventory	14	-	1,794,782
Gain on settlement of debt	22	-	(25,390,556)
Debt financing costs	22	280,317	-
Accretion expense	22	453,571	-
Impairment of land held for development	10	10,348,525	-
Impairment of goodwill and intangibles	11,12	1,540,437	-
Non-cash listing expense	7	-	237,931
Changes in non-cash working capital		5,814,329	180,548
Other accounts receivables		234,133	(558,300)
Property and other inventories		5,540,060	(192,413)
Land		50,714	-
Prepayments and other short-terms assets		372,171	(97,632)
Other account payables		(338,003)	1,767,720
Advances received from customers		(58,199)	(727,929)
Provisions for employee benefits		13,453	(10,898)
Other		31,699	84,123
Net Cash used in operating activities		(2,104,583)	(4,049,587)
Investing Activities			
Purchase of land for development	10	-	(356,046)
Proceeds from disposal of machinery and equipment	9	7,906	183,448
Cash spent on development of intangible asset	11	(243,000)	-
Cash acquired through RTO		-	65,227
Net Cash from (used in) investing activities		(235,094)	(107,371)
Financing Activities			
Proceeds from borrowings	22	4,893,000	1,590,000
Interests paid on borrowings	22	(266,240)	(1,457,170)
Repayments of borrowings	22	(1,950,934)	(1,739,362)
Proceeds from private placement, net of issuance costs	22	-	6,023,366
Interests paid on lease liabilities	13	(4,057)	(15,464)
Repayment of lease liabilities	13	(72,907)	(187,799)
Net Cash from financing activities		2,598,862	4,213,571
Net change in cash & cash equivalents		259,185	56,613
Cash and cash equivalents, January 1		71,523	14,910
Cash and cash equivalents, December 31		\$ 330,708	\$ 71,523
Income taxes paid		\$ -	\$ -

Impact Development Group Inc.

Consolidated Statements of Cash Flows

(Expressed in US Dollars)

Year ended December 31, 2023 and December 31, 2022

See accompanying notes to the consolidated financial statements

Impact Development Group Inc.

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

Years ended December 31, 2024 and 2023

1. Nature of operations

Impact Development Group Inc. ("IDG" or the "Company") formerly Yubba Capital Corp. (Yubba), was incorporated under the Ontario Business Corporations Act on January 8, 2021 and was a Capital Pool Company ("CPC") as defined in the Policy 2.4 of the TSX Venture Exchange. Upon the closing of the Reverse Takeover (the "RTO Transaction"), Yubba changed its name to Impact Development Group Inc. The registered head office of the Company is located at 1 Adelaide Street East Suite 801, Toronto, ON, M5C 2V9.

As described below, the Company completed the acquisition of Impact Housing Corporation ("IHC") through an acquisition agreement ("RTO Transaction") whereby the Company acquired all of the issued and outstanding shares of IHC on November 30, 2023, with the former shareholders of IHC obtaining control over the Company. As a result of the completion of the RTO Transaction, the shareholders of IHC held 98.59% of the issued and outstanding common shares of the Company and the shareholders of Yubba held the remaining 1.41%.

IHC was incorporated under the laws of the Commonwealth of The Bahamas as a limited liability company on September 5th, 2017, under the International Business Companies Act 2000. IHC is a Panamanian real estate developer that provides affordable housing solutions to middle class market in Panama. IHC acquires land and develops high-quality residential and commercial buildings. IHC also provides services including financing, architectural, engineering, off-site manufacturing, general contracting, property management, and administration.

On October 24, 2025, the Company acquired 100% of the issued and outstanding shares of Fusion Software LLC. ("Fusion"), a software company located in Ohio, the United States. Fusion are the creators of an innovative software platform designed to streamline the administration of Low-Income Housing Tax Credits for tax credit investors, tax credit syndicators and affordable housing developers.

On December 12, 2023, the common shares of the Company commenced trading on the TSX Venture Exchange under the trading symbol "IMPT".

The consolidated financial statements were approved by the Company's Board of Directors on April 7, 2025.

2. Going concern assessment

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. However, as of the date of these financial statements, the Company's ability to continue as a going concern is subject to significant uncertainty due to the following factors:

- **Liquidity** - The Company has experienced a significant decline in revenue in the current year, primarily due to unfavourable economic conditions in the Republic of Panama. During the year ended December 31, 2024, the Company generated a net loss of \$22,336,913 (2023 – income of \$13,125,437), operating loss of \$8,375,625 (2023 - \$6,355,706) and net cash flows used in operating activities of \$2,104,583 (2023 – \$4,049,587). As of December 31, 2024, the Company has an accumulated deficit of \$2,341,180 (December 31, 2023 – equity of \$16,132,548) and working capital surplus of \$2,084,520 (2023 - \$17,714,313). The Company's cash flow from operations is insufficient to cover its current obligations in the next 12 months from the date of these financial statements.
- **Dependence on external financing** - The continuation of the Company is dependent on its ability to achieve positive cash flow from operations, to obtain the necessary equity or debt financing to expand construction and operations, including continued support from its lenders, but there is no guarantee that such financing will be secured on favorable terms or at all.

Impact Development Group Inc.

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

Years ended December 31, 2024 and 2023

- **Management's Plans** - In response to these conditions, management is undertaking a series of strategic initiatives to improve liquidity and financial performance. These initiatives include cost-cutting measures, the sale of non-core assets, and efforts to restructure existing debt. Management believes these actions will improve the Company's financial position and enable it to continue operations for the foreseeable future.

The financial statements do not include any adjustments that might result from the outcome of these uncertainties. If the Company is unable to secure additional financing or achieve its planned strategic initiatives, it may be unable to continue as a going concern, and significant adjustments may be required to the carrying values of assets and liabilities.

Management monitors recent developments in relation to global tariffs and does not anticipate any material impacts on the financial position of the Company.

These conditions raise substantial doubt about the Company's ability to continue as a going concern for the next 12 months from the date of these financial statements.

3. Basis of preparation

a. Statement of compliance

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

b. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions are eliminated upon consolidation in preparing the financial statements. The consolidated financial statements of the Company include the following wholly owned subsidiaries.

Impact Development Group Inc.

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

Years ended December 31, 2024 and 2023

Name of Subsidiary	Principal activity	Domicile
Impact Housing Corporation	Administrative services	Republic of Panama
Impact Housing Management Corporation	Administrative services	Republic of Panama
Promotora Santiago Development Corp.	Project Developer	Republic of Panama
Promotora Soná, S. A.	Project Developer	Republic of Panama
Promotora Capellania, S. A.	Project Developer	Republic of Panama
Impact Equipos, S. A.	Machinery and Equipment manager	Republic of Panama
Comercializadora Soná, S. A.	Payroll manager	Republic of Panama
Impact Santiago, S. A.	Payroll manager	Republic of Panama
Impact Construction, S. A.	Payroll manager	Republic of Panama
Promotora Los Faros de Santiago, S.A.	Project Developer	Republic of Panama
Impact Construction, S.A.	Construction manager	Republic of Panama
Promotora Villas de Vizcaya, S.A.	Project Developer	Republic of Panama
Promotora Villas de Valencia, S.A.	Project Developer	Republic of Panama
Promotora Villas de Alicante, S.A.	Project Developer	Republic of Panama
Promotora Santiago Comercial, S.A.	Project Developer	Republic of Panama
Fusion Software LLC	Software licensing	United States

d. Functional and presentation currency

The consolidated financial statements are presented in United States Dollar. The Canadian parent company has Canadian Dollar as the functional currency. The Company's subsidiaries in note 3 c), except Fusion Software LLC, operate in the Republic of Panama. The functional currency of these subsidiaries is the United States Dollar, which is the currency transacted in Republic of Panama. The functional currency of Fusion Software LLC operating in the United States is United States Dollar.

Transactions in currencies other than an entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange differences are recognized in profit or loss in the period in which they arise.

The assets and liabilities of parent company with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the consolidated statements of financial position date;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions) for the year or period presented;
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as a reserve for foreign currency translation.

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4. Changes in accounting policies

- a. New accounting pronouncements adopted in 2024.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the criteria for classifying a liability as non-current. The amendments were to be applied retrospectively to annual periods beginning on or after January 1, 2023, however on October 31, 2022, the IASB deferred the effective date by one year to January 1, 2024. This amendment did not have any significant impact of the amendments on its consolidated financial statements.

- b. New accounting pronouncements issued but not yet effective.

The following new amendments have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2024. The Company does not expect to adopt them in advance of their effective dates.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

On May 30, 2024 the IASB issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures which included clarifying the date of recognition and derecognition of some financial assets and liabilities, with an exception relating to the derecognition of financial liabilities that are settled using an electronic payment system, and additional required disclosures for financial assets and liabilities with contractual terms that reference a contingent event (including environmental, social and governance linked features). The amendments are applied retrospectively on or after January 1, 2026 with early application permitted. An entity is not required to restate comparative information when it first applies these amendments, however, is permitted to do so only if possible without the use of hindsight. If an entity does not restate prior periods, the cumulative effect of initially applying the amendments is recognized as an adjustment to opening equity.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024 the IASB issued IFRS 18 which replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of earnings and to provide disclosures on management-defined performance measures in the notes to the financial statements, and also makes certain amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share. The standard is to be applied retrospectively, with specific transition provisions, for annual reporting periods beginning on or after January 1, 2027 with earlier application permitted

5. Summary of material accounting policies

- a. Consolidation

The Company's consolidated financial statements include the assets, liabilities, equity, income, expenses and cash flows of the holding company and its subsidiaries.

Business combinations are accounted for using the acquisition method of accounting whereby at the date of acquisition the consideration transferred is measured at fair value and the company recognizes the identifiable assets acquired and the liabilities assumed at fair value.

- b. Property and other inventories

Properties acquired or being constructed for sale in the normal course of business, rather than being held for rental or capital appreciation, are recognized as property and other inventories, and are measured at the lower of cost

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and net realizable value (“NRV”). These are primarily residential properties that the Company develops and intends to sell prior to or upon completion of development.

The cost of property and other inventories (except materials), being an asset produced and segregated for specific projects, is determined through the specific identification of its individual costs.

The cost incurred to bring each property to its current location and condition includes:

- Freehold land rights.
- Disbursements paid to contractors for development.
- Planning and design costs, site preparation costs, construction, professional fees for legal services, property transfer taxes, development overhead and other related costs.

NRV is the estimated selling price in the normal course of business, based on market prices at the reporting date, less estimated costs of completion and costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of the inventory property recognized in the consolidated statements of earnings and comprehensive Income (loss) is determined by reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Finished homes

Finished homes for sales are stated at construction cost, which does not exceed the net realizable value of the homes. The net realizable value is the estimated selling price in the normal course of business, less the related costs of completion and sale.

Construction in progress

Construction in progress includes construction costs, including construction materials, in-house and subcontracted labor and related employee benefits, and interest on financing incurred during the construction period. Indirect costs, such as preparation of plans, construction of septic tanks, parks and others, are deferred and allocated proportionally to each project based on each project’s contribution to total direct construction spend in the reporting period.

Materials

Inventories of materials are valued at cost and cost is determined using the average cost method.

c. Provision for future development costs

Provision for future development costs represents the estimate of the costs to be incurred in the future years to complete the ongoing construction developments. Due to the scale of the construction projects, the Company allocates site-wide development costs between homes built in the current year and in future years. The allocation involves a valuation process which determines the forecast profit margin for each construction site. The valuation process acts as a method of allocating land costs and construction work in progress costs of a development to each individual house and drives the recognition of costs in the consolidated statements of earnings and comprehensive income (loss) as each plot is sold. Any changes in the forecast profit margin of a site from changes in sales prices or costs to complete are recognized across all homes sold in both the current period and future periods. This ensures that the forecast site margin achieved on each individual home is equal for all current year completions and future plots across the development.

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d. Land held for Development

Land for development used for development of real estate projects is measured at lower of cost and NRV. Periodic maintenance and upkeep expenses are recorded as provision for future development costs in the consolidated statement of earnings and comprehensive income (loss).

e. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an inventory property that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the asset.

The borrowing costs are capitalized when: (1) the Company incurs expenditures for the asset; (2) the Company incurs borrowing costs; and (3) the Company performs activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are expensed in the period in which they occur.

To the extent that the Company's funds are derived from general borrowings and used for a specific real estate development (qualifying asset), the Company determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the disbursements made on that asset. The capitalization rate will be the weighted average of the borrowing costs applicable to all loans received by the Company that are outstanding during the period. However, the Company excludes from this calculation the borrowing costs applicable to loans specifically taken out to finance a specific real estate development until substantially all the activities necessary to prepare that asset for its intended use or sale are completed.

The amount of borrowing costs capitalized by the Company during the period does not exceed the total borrowing costs incurred during the same period.

The capitalization of borrowing costs is suspended during the periods in which the development activities of the qualifying asset has been suspended. Borrowing costs incurred while land or property is being prepared for its intended use or sale are capitalized in the periods in which such preparation takes place. However, borrowing costs that are incurred while land acquired for construction purposes is held idle, without any preparation work being performed on it, are not capitalized.

f. Machinery and equipment

Machinery and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. An item of machinery and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of earnings and comprehensive income (loss) in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial reporting date and adjusted if appropriate. Machinery and equipment are depreciated through the consolidated statement of earnings and comprehensive income (loss) over their estimated useful lives using the straight-line method:

Type of assets	Estimated useful life (in months)
Heavy equipment	60
Rolling equipment	60
Machinery	60
Molds	60

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g. Goodwill and Intangible assets

Goodwill – Goodwill is recorded as the excess of consideration transferred over the fair value of the identifiable net assets acquired in a business combination, less accumulated impairment charges, and is allocated to the cash-generating units expected to benefit from the acquisition for impairment testing. Goodwill is assessed annually for impairment or more frequently if there are indicators of impairment by comparing the carrying value of a cash-generating unit (“CGU”), inclusive of allocated goodwill, to its recoverable amount.

Intangible assets – Intangible assets are initially recognized at cost, or at fair value when acquired through a business combination. Intangible assets with a finite life are subsequently measured at cost less accumulated amortization and impairment and carrying value is re-assessed when there are indicators of impairment. Indefinite-lived intangible assets are not subject to amortization and are assessed annually for impairment or more frequently if there are indicators of impairment.

The assets' residual values, useful lives and methods of amortization are reviewed at each financial reporting date and adjusted if appropriate. Intangible assets are amortized through the consolidated statement of earnings and comprehensive income (loss) over their estimated useful lives using the straight-line method and useful life of 60 months.

h. Impairment

Machinery and equipment and finite life intangibles

Machinery and equipment and intangibles are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable value is the greater of an asset's fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

Goodwill and indefinite-lived intangibles

Goodwill and indefinite-lived intangible assets are not amortized and are assessed annually for impairment, or more frequently if there are indicators of impairment, by comparing the carrying value of the CGU or group of CGUs to which these assets are allocated to their recoverable amounts. The company principally uses discounted cash flows to estimate the recoverable amount of a CGU or group of CGUs to which goodwill or indefinite-lived intangible assets have been allocated, and market approaches inclusive of a control premium are used when applicable. Significant judgments and assumptions are required to determine the discounted cash flows, including discount rates, long term growth rates, royalty rates and working capital requirements.

Impairment losses are recognized in the consolidated statements of earnings and comprehensive income (loss).

Impairment losses (except goodwill) may be reversed in a subsequent period where the impairment no longer exists or has decreased.

The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in the consolidated statements of earnings and comprehensive income (loss).

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i. Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument.

Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at FVTPL, transaction costs that are directly attributable to their acquisition.

Transaction costs attributable to the acquisition of financial assets subsequently measured at FVTPL are expensed in the consolidated statements of earnings and comprehensive income (loss) when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified at amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL. The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange, and derecognition are recognized in the consolidated statements of earnings and comprehensive income (loss). Financial assets measured at amortized cost are comprised of other accounts receivable.

FVOCI - Assets held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at FVOCI. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in the consolidated statements of earnings and comprehensive income (loss). All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the consolidated statements of earnings and comprehensive income (loss).

The Company does not hold any financial assets measured at FVOCI.

- Mandatorily at FVTPL - Assets that do not meet the criteria to be measured at amortized cost, or FVOCI, are measured at FVTPL. All interest income and changes in the financial assets' carrying amount are recognized in the consolidated statements of earnings and comprehensive income (loss). Financial assets mandatorily measured at FVTPL are comprised of cash and cash equivalents.
- Designated at FVTPL - On initial recognition, the Company may irrevocably designate a financial asset to be measured at FVTPL to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

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Business model assessment

The Company assesses the objective of its business model for holding each group of financial assets at the level of aggregation that best reflects the way the group of financial assets is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest based on their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at FVTPL. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire or are settled.

Financial Liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument.

At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at FVTPL which transaction costs are immediately recorded in the consolidated statements of earnings and comprehensive income (loss).

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

After initial recognition, all financial liabilities which are classified at amortized cost are measured at amortized cost using the effective interest rate method. Interest, gains or losses relating to a financial liability are recognized in the consolidated statements of earnings and comprehensive income (loss).

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, are cancelled, or expire.

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The following table indicates the accounting method used for measurement and classification of financial assets and liabilities:

Financial asset/liability	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value
Other accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Borrowings	Amortized cost	Amortized cost

j. Provisions, contingent liabilities, and contingent assets

Provisions for product warranties, legal matters, onerous contracts, and other claims are recognized when (i) the Company has a present or constructive obligation because of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount of the obligation can be made.

Provisions are measured based on the estimated expenditure required to settle the present obligation, considering the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. In cases where a similar number of obligations exist, the likelihood that an outflow will be required for settlement is determined by considering that class of obligations. Provisions are discounted to their present values where the time value of money is material.

Any reimbursement that the Company believes will be collected from a third party in respect of an obligation is recognized as a separate asset. However, this asset cannot exceed the amount of the related provision.

No liability is recognized in those cases in which a possible outflow of resources because of a present obligation is considered unlikely, these situations are disclosed as contingent liabilities unless the outflow of resources is remote.

k. Revenue recognition

The Company accounts for revenue from contracts with customers using the following process: (1) identify the contract with customers (2) identify the performance obligations in the contract (3) determine the transaction price (4) allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract (5) recognize revenue when the relevant criteria are met for each performance obligation.

Revenue from sale of houses in Republic of Panama

Revenues from ordinary activities from contracts with customers originate primarily from the sale of inventory of finished properties. The sale of completed properties constitutes a single performance obligation and the Company has determined that it satisfies the performance obligation at the point in time at which control is transferred. This generally occurs when legal title to the property is transferred to the customer.

The Company is not required to adjust the amount that has been committed as consideration to account for the effects of a significant financing component, because it is expected, at the inception of the contract, that the period between the time the Company transfers legal title to the property and the time the customer pays for that property is a period of less than 12 months.

The transaction price of the sale of the finished property is comprised of the sales price of the home. The sale price is financed by the bank except for \$10,000 which is either paid by the buyer or through the Solidarity Housing Fund of Ministerio de Vivienda y Ordenamiento Territorial (“MIVOT”) program, a housing affordability

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and subsidy program funded and administrated by the Government of the Republic of Panama. Effective July 1, 2024, this program was suspended and the subsidy is no longer available for applications after June 30, 2024 however, MIVOT will honor payments of all approvals prior to and on June 30, 2024.

For certain contracts involving the sale of properties, the Company is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than providing financing to the Company. Initial deposits are used to protect the Company against the other party's failure to properly perform some or all of its obligations under the contract.

Revenue from software subscription licenses and services in United States

Revenue originates from the provision of subscription license to certain applications within the Fusion Software Platform, custom work or services (such as hosting or support services).

The sale of subscription licenses and hosting and support services constitutes multiple performance obligations, and the Company has determined that it satisfies the performance obligation evenly over the term of the contract. The subscription licenses and services are priced for the contract term, typically multiple years, and paid monthly as per the contract schedule. For custom work, the sale may constitute as a single or multiple performance obligation depending on the milestones and delivery obligations defined in the statement of work signed at inception.

The Company is not required to adjust the amount that has been paid as consideration to account for the effects of a significant financing component as the period between the transfer of licensing and services and the time the customer pays is a period of less than 12 months.

l. Share-based payments

The Company operates equity settled share-based compensation plans for its eligible employees, consultants, directors, and others providing similar services.

The fair value of these equity instruments is measured at the grant date using an option-pricing model. Subsequently, the fair value expected to vest is charged to the consolidated statements of earnings and comprehensive income (loss) over the vesting period. Equity instruments granted to third parties in exchange for goods or services are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, and charged to the consolidated statements of earnings and comprehensive income (loss) over the vesting period. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

m. Current income, deferred and complementary tax.

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in the consolidated statements of earnings and comprehensive income (loss) or directly in equity.

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

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- **Deferred tax** - Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

n. Earnings (Loss) per Share

Net earnings (loss) per share – Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) with the weighted average number of shares issued and outstanding during the period.

Net earnings (loss) per diluted share – Diluted net earnings (loss) per share is calculated in the same manner as basic net earnings (loss) per share except that the weighted average number of shares outstanding during the period is adjusted for the dilutive effect, if any, of share-based payments. In a period of losses, the options, warrants and restricted share units are excluded for the determination of dilutive net loss per share because their effect is antidilutive.

o. Operating Segments

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources. The Company has determined that there are two operating and reporting segments. As at December 31, 2023, the Company had one operating and reporting segment. After the acquisition of Fusion on October 24, 2024, the Company has two operating and reporting segments. Although the Company prepares financial results at each subsidiary level, the overall financial and operational performance of the Company is analyzed, and forecasts are prepared for the two segments based on the two product lines - the construction and sale of houses in Republic of Panama and the Fusion software in United States.

p. Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

q. Extinguishment of Financial Liabilities with Equity Instruments

IFRIC 19, Extinguishing Financial Liabilities with equity Instruments, provides guidance on how to account the partial or full extinguishment of a financial liability by issuing equity instruments. The Company measures the equity instruments issued to creditors to settle or extinguish financial liabilities at fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments are included in the consolidated statement of earnings and comprehensive income (loss).

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6. Critical accounting judgments, assumptions and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements relate to, but are not limited to the following:

Judgments

Going concern

The determination as to the Company's ability to continue as a going concern is dependent on its ability to secure debt and equity financing, and to achieve profitable operations. Certain judgements were made when determining if and when the Company will secure debt and equity financing and achieve profitable operations and that there are material uncertainties regarding the Company's ability to continue as a going concern (see Note 2 – Going Concern).

Revenue recognition

Revenue from contracts with customers: the Group has applied judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers. These judgments relate to (1) the determination of the performance obligation on the sale of finished property inventories; (2) the determination of the timing of revenue recognition for finished properties; and (3) the consideration of the significant financing component in contracts and guarantees.

Estimates

Expected credit losses

The Company recognizes an amount equal to the lifetime expected credit loss ("ECL") on other accounts receivables. Loss allowances are measured by establishing a provisioning matrix that is based on its historical credit loss experience, adjusted for prospective factors specific to the debtors and the economic environment. The Company assesses other accounts receivables for impairment on a collective basis, as they have shared credit risk characteristics that have been grouped based on days past due. In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that it is unlikely that the Company will receive the outstanding contractual amounts in full before considering the credit enhancements maintained by the Company. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions and political environments.

Impairment of long-lived assets, intangibles and goodwill

The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Share-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating the fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in different outcomes.

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Estimated net realizable value of property inventory

The net realizable value of finished property inventory is assessed by reference to market conditions and prices existing at the end of the reporting period and is determined by the Company, based on comparable transactions identified by the Company for properties in the same geographic sector and serving the same real estate market segment. In relation to the inventory properties under construction or development, the net realizable value is assessed by reference to market prices at the reporting date of similar completed properties, less the estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

Provision for future development costs

The provision for future development costs is based on estimate of the remaining construction costs the Company has to spend to complete the ongoing projects and outstanding construction obligations related to projects that have been sold in current and prior years and these estimates are determined using historical costs, forecasted budgets, quotes from suppliers, future cost price of goods, materials and services and the expected period of completion of the ongoing projects.

Provisions

The Company bases its provisions on up-to-date developments, historical warranty claims, estimates of the outcomes of pending matters, and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

7. Reverse acquisition

On April 14, 2023, Yubba and Impact Housing Corporation, incorporated in Bahamas and Impact Housing Corporation, incorporated in Panama (IHC) entered into a acquisition agreement pursuant to which Yubba indirectly acquired all the issued and outstanding common shares of IHC through a reverse take-over transaction. The transaction was closed on November 30, 2023.

The transaction was considered a reverse takeover as the legal acquiree's (IHC) former shareholders control the consolidated entity after completion of the RTO. Consequently, the legal acquiree is the accounting acquirer.

At the time of the RTO Transaction, Yubba's assets consisted primarily of cash, and did not have any processes capable of generating outputs; therefore, Yubba did not meet the definition of a business. Accordingly, as Yubba did not qualify as a business in accordance with IFRS 3 *Business Combination*, the transaction did not constitute a business combination; however, by analogy it has been treated as a reverse takeover. Therefore, IHC, the legal subsidiary, has been treated as the accounting acquirer and Yubba, the legal parent, has been treated as the accounting acquiree.

Upon completion of the RTO transaction, 5,220,000 Yubba's common shares were consolidated into 200,072 common shares of the Company on the basis on one post-consolidated share for every 26.091 pre-consolidation shares. The fair value of these shares of \$214,077, was based on a fair value of \$1.07 per share as at the RTO date.

In addition, 177,600 Yubba's common share purchase warrants and 300,000 Yubba's stock options were exchanged on RTO Transaction to 6,807 Company's common share purchase warrants and 11,498 stock options and were valued at \$910 and \$1,537 and included in the consideration paid by the Company. The Company used Black-Scholes option pricing model to determine the fair value of the common share purchase warrant and stock options with the following assumptions: expected life in years – 2.74, volatility – 41.92%, risk-free rate – 4.03%, share price – \$1.07, dividend yield – 0%. In connection with the RTO Transaction, the Company issued 20,007

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common shares to advisors. The fair value of these common shares amounting to \$21,407 was determined based on estimated fair value of \$1.07 per share at the RTO date.

As the acquisition was not considered a business combination, the excess of consideration paid over the net assets acquired together with any transaction costs incurred for the RTO is expensed as a listing expense in accordance with IFRS 2 *Share-Based Payments*.

Consideration paid:

Common shares deemed issued	\$	214,077
Fair value of warrants		910
Fair value of stock options		1,537
Total consideration paid		216,524
Net identifiable assets acquired:		
Cash		65,227
Accounts payable and accrued liabilities		(67,162)
Total net identifiable assets acquired		(1,936)
Excess attributed to the cost of listing		218,459
Transaction costs related to RTO		
Advisor shares		21,407
Professional fees and other expenses		597,875
Listing expense	\$	837,741

8. Acquisitions

On October 24, 2024, the Company acquired 100% of the issued and outstanding shares of Fusion Software LLC., a software company located in Ohio, the United States. Fusion are the creators of an innovative software platform designed to streamline the administration of Low-Income Housing Tax Credits for tax credit investors, tax credit syndicators and affordable housing developers. The acquisition is completed to further the Company's commitment to affordable housing solutions.

The consideration paid consisted of:

- 1,666,667 common shares, each issued at a price of \$0.98 ("Consideration shares"); and
- 1,166,668 common shares ("Earn-Out shares"), conditional upon the satisfaction of revenue milestones on the first, second, and third year anniversaries of the closing of this transaction. These shares were fair valued using a Monte Carlo simulation and fair valued at nil on acquisition date.

Under the terms of the Securities Purchase Agreement, for 38 months after the closing date of the transaction (the "Closing Date"), the Company will contribute a total of USD\$3,000,000 to Fusion to help it meet the Revenue Milestones, as follows:

- USD\$1,000,000 in the first 14 months following the Closing Date;
- An additional USD\$1,000,000 in the first 26 months following the Closing Date; and
- An additional USD\$1,000,000 in the first 38 months following the Closing Date.

Acquisitions are accounted for using the acquisition method whereby the assets acquired and the liabilities assumed are recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The results of operations are included in the Corporation's consolidated financial statements from the respective date of acquisition.

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The intangible assets recognized relates to the proprietary technology and software platform developed specifically for the administration of Low-Income Housing Tax Credits and fair valued at \$124,000 on acquisition date.

The receivables and payables acquired at acquisition date had fair values which approximated its carrying values and have been settled within 90 days from acquisition date.

The following summarizes the assets acquired and liabilities assumed related to the acquisition:

Consideration:

Consideration shares	\$	1,637,118
Earn-out shares		-
Total consideration		1,637,118
Assets and liabilities acquired:		
Intangible acquired		124,000
Accounts receivable		88,831
Accounts payable and accrued liabilities		(90,110)
Deferred tax liabilities on intangibles acquired		(26,040)
		96,681
Goodwill		1,540,437
Total identifiable net assets	\$	1,637,118

The Company incurred certain legal and advisory fees of \$117,998 related to the acquisition which were included in overhead and administrative expenses in the consolidated statement of earnings and comprehensive income (loss) for the year ended December 31, 2024.

The proforma revenues earned for the year ended December 31, 2024, as if the acquisition of Fusion had occurred on January 1, 2024, are \$489,040. For the period between acquisition date and December 31, 2024, the Company earned revenues of \$73,486 and net loss of \$6,422 from Fusion.

As at December 31, 2024, the Company impaired the goodwill of \$1,540,437 to nil, refer to note 12 for details.

9. Machinery and equipment

Machinery and equipment consists of the following:

Cost	Heavy equipment	Rolling equipment	Machinery	Molds	Total
Balance at January 1, 2024	\$ 1,074,911	\$ 257,098	\$ 100,901	\$ 395,436	\$ 1,828,346
Transfer from ROU assets (Note 13)	187,250	-	-	-	187,250
Disposals ⁽¹⁾	(435,312)	(173,950)	-	-	(609,262)
Balance at December 31, 2024	\$ 826,849	\$ 83,148	\$ 100,901	\$ 395,436	\$ 1,406,334

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Depreciation and impairment	Heavy equipment	Rolling equipment	Machinery	Molds	Total
Balance at January 1, 2024	\$ 1,016,950	256,484	89,309	359,323	1,722,066
Transfer from ROU assets (Note 13)	187,250	-	-	-	187,250
Disposals ⁽¹⁾	(427,406)	(173,950)	-	-	(601,356)
Depreciation ⁽²⁾	34,164	614	5,350	13,981	54,109
Balance at December 31, 2024	810,958	83,148	94,659	373,304	1,362,069
Net book value at December 31, 2024	\$ 15,891	\$ -	\$ 6,242	\$ 22,132	\$ 44,265

Cost	Heavy equipment	Rolling equipment	Machinery	Molds	Total
Balance at January 1, 2023	\$ 882,532	\$ 271,795	\$ 44,405	\$ 406,029	\$ 1,604,761
Transfer from ROU assets (Note 13) ⁽³⁾	1,331,615	36,850	56,496	-	1,424,961
Disposals ⁽¹⁾	(1,149,829)	(51,547)	-	-	(1,201,376)
Reclassifications	10,593	-	-	(10,593)	-
Balance at December 31, 2023	\$ 1,074,911	\$ 257,098	\$ 100,901	\$ 395,436	\$ 1,828,346

Depreciation and impairment	Heavy equipment	Rolling equipment	Machinery	Molds	Total
Balance at January 1, 2023	\$ 660,394	\$ 233,465	\$ 23,932	\$ 329,900	\$ 1,247,691
Disposals ⁽¹⁾	(972,161)	(45,767)	-	-	(1,017,928)
Transfer from ROU asset (Note 13) ⁽³⁾	1,233,066	30,708	49,905	-	1,313,679
Reclassifications	10,593	-	-	(10,593)	-
Depreciation ⁽²⁾	85,058	38,078	15,472	40,016	178,624
Balance at December 31, 2023	1,016,950	256,484	89,309	359,323	1,722,066
Net book value at December 31, 2023	\$ 57,961	\$ 614	\$ 11,592	\$ 36,112	\$ 106,279

- ⁽¹⁾ During the year ended December 31, 2024, the Company disposed of heavy and rolling equipment resulting in gain on disposal of \$93,294 recorded as other income in the consolidated statements of earnings and comprehensive income (loss) (December 31, 2023 – 158,667).
- ⁽²⁾ For the year ended December 31, 2024, the depreciation includes \$14,377 (December 31, 2023 - \$62,106) capitalized to property and other inventories for houses under construction in progress and \$39,731 (December 31, 2023 – \$116,518) recorded directly as expense in the consolidated statements of earnings and comprehensive income (loss).
- ⁽³⁾ The assets were purchased by the Company from the lessor of the leased assets at the end of the lease period resulting in classification of assets from Right of Use assets to Machinery and Equipment.

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10. Land held for development

Land held for development, held at the Sona, Santiago and Capellania project sites, consists of the following:

	2024	2023
Balance at January 1	\$ 13,897,177	\$ 13,541,131
Additions	-	356,046
Transfer to Property and other inventories (Note 9)	(50,714)	-
Impairment	(10,348,525)	-
Balance at December 31	\$ 3,497,938	\$ 13,897,177

The impairment is calculated as lower of cost and net realizable value of the land held for development. The net realizable value is measured based on the appraised valuation of \$9,933,198 from a third party accredited real estate valuator in Republic of Panama and the associated costs to sell of \$415,327. The impairment is triggered by unfavourable economic activity and forecast in construction of social interest subsidized housing following the suspension of the MIVOT Solidarity Housing Fund program effective July 1, 2024. Solidarity Housing Fund. Refer to note 5 (k) for details.

11. Intangible

Intangible asset consists of the proprietary technology and software platform developed specifically for the administration of Low-Income Housing Tax Credits acquired from Fusion on October 24, 2024 (refer to Note 8 for details). Subsequent to the acquisition date, the Company capitalized the development work related to the enhancement of the software platform. The asset was amortized over an economic life of five years.

	2024
Fair value of technology acquired (Note 8)	\$ 124,000
Additions	243,000
Amortization	(12,233)
Balance at December 31	\$ 354,767

12. Goodwill

Goodwill of \$1,540,437 recognized from the Fusion acquisition was allocated the US operating segment. The Company assessed the indicators of impairment at the end of December 31, 2024 and impaired the goodwill to nil.

The recoverable amount as at December 31, 2024 was calculated based on discounted cash flows. The cash flows are derived from the Company's forecast and strategy for next five years which is built based on the current and anticipated contracts, market conditions and detailed operational strategy. The calculation of the discounted cash flow model was based on the following key assumptions:

- The discount rate was estimated based on the Company's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile. The after-tax discount rates used in determining the recoverable amount was 17.8%.
- The long-term growth rate after 5 years used in determining the recoverable amount is 3%.
- The growth rates are based on management's internal forecast and projections.

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13. Leases

The Company entered into long-term lease agreements for heavy rolling equipment and machinery with lease terms ranging from 3-5 years. The present value of future lease payments was measured using an incremental borrowing rate of 7.5% per annum. Generally, the Company's lease agreements also include restrictions on the assignment and subleasing of the leased assets.

Right of Use Assets

Cost	Heavy equipment	Rolling equipment	Machinery	Total
Balance at January 1, 2024	\$ 288,900	\$ 112,150	\$ 78,741	\$ 479,791
Additions	-	-	-	-
Transfer to Machinery and Equipment (Note 9)	(187,250)	-	-	(187,250)
Balance at December 31, 2024	\$ 101,650	\$ 112,150	\$ 78,741	\$ 292,541

Depreciation and impairment

Balance at January 1, 2024	\$ 270,799	\$ 112,150	\$ 78,741	\$ 461,690
Transfer to Machinery and Equipment (Note 9)	(187,250)	-	-	(187,250)
Depreciation ⁽¹⁾	18,101	-	-	18,101
Balance at December 31, 2024	\$ 101,650	\$ 112,150	\$ 78,741	\$ 292,541
Carrying amount at December 31, 2024	\$ -	\$ -	\$ -	\$ -

Cost	Heavy equipment	Rolling equipment	Machinery	Total
Balance at January 1, 2023	\$ 1,620,515	\$ 149,000	\$ 135,237	\$ 1,904,752
Transfer to Machinery and equipment (Note 9)	(1,331,615)	(36,850)	(56,496)	(1,424,961)
Balance at December 31, 2023	\$ 288,900	\$ 112,150	\$ 78,741	\$ 479,791

Depreciation and impairment

Balance at January 1, 2023	\$ 1,410,121	\$ 116,604	\$ 109,502	\$ 1,636,227
Transfer to machinery and equipment (Note 9)	(1,233,066)	(30,708)	(49,905)	(1,313,679)
Depreciation ⁽¹⁾	93,744	26,254	19,144	139,142
Balance at December 31, 2023	\$ 270,799	\$ 112,150	\$ 78,741	\$ 461,690
Carrying amount at December 31, 2023	\$ 18,101	\$ -	\$ -	\$ 18,101

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- (1) For the year ended December 31, 2024, the depreciation includes \$4,458 (December 31, 2023 - \$65,765) capitalized to property and other inventories for houses under construction in progress and \$13,643 (December 31, 2023 - \$74,377) recorded directly as expense in the consolidated statements of earnings and comprehensive income (loss).

Lease Obligations

	Total
Balance at December 31, 2022	\$ 272,488
Interest expense	14,773
Lease payments	(203,263)
Balance at December 31, 2023	83,998
Interest expense	4,057
Adjustment	(15,148)
Lease payments	(72,907)
Balance at December 31, 2024	\$ -

14. Property and other inventories

Property and other inventories consist of the following:

	December 31, 2024	December 31, 2023
Finished		
Los Sueños de Santiago – Phase 4	\$ -	\$ 874,602
La Reserva de Santiago – Phase 1	-	411,698
Los Sueños de Santiago – Phase 5	-	822,369
La Reserva Social	-	-
	-	2,108,669
Under construction or development		
Los Sueños de Santiago – Phase 4	4,041,616	4,781,356
Los Sueños de Santiago – Phase 5	549,332	562,067
La Reserva de Santiago – Phase 1	-	-
Los Sueños de Santiago – Phase 8	635,062	2,700,873
La Reserva Social	372,990	178,858
All other projects	-	123,153
	5,599,000	8,346,307
Materials	322,319	726,615
Total property and other inventories	\$ 5,921,319	\$ 11,181,591

Changes in the carrying value of property and other inventories for the years ended December 31 were as follows:

	2024	2023
Balance at January 1	\$ 11,181,591	\$ 12,400,980
Costs incurred in development	3,466,766	6,223,321
Capitalized interest	279,787	382,980
Write-down of cost to net realizable value ⁽¹⁾	(4,654,820)	(1,794,782)
Cost of goods sold ⁽¹⁾	(4,352,005)	(6,030,908)
Balance at December 31	\$ 5,921,319	\$ 11,181,591

- (1) Recognized as cost of sales in the consolidated statements of earnings and comprehensive income (loss).

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15. Prepayments and other short-term assets

Prepayment and other short-term assets for the years ended December 31 were comprised as follows:

	December 31, 2024	December 31, 2023
Advances on expenses	\$ 33,721	\$ 446,243
Taxes	41,297	-
Others	11,166	12,112
Total	\$ 86,184	\$ 458,355

16. Other accounts receivables

Other accounts receivable were comprised as follows:

	December 31, 2024	December 31, 2023
Solidarity bonus subsidy ⁽¹⁾	\$ 1,220,000	\$ 1,410,000
Electrical system receivable ⁽²⁾	159,786	182,904
Receivable from customer and employee	73,485	94,500
Expected credit losses (Note 26)	(964,367)	(807,612)
Total	\$ 488,904	\$ 879,792

⁽¹⁾ The Solidarity Housing Fund Program was suspended by the Government of Republic of Panama on July 1, 2024 but has committed to honor the payments for all sales approved before and on June 30, 2024.

⁽²⁾ In the year ended December 31, 2023, the electrical system reimbursement was reclassified from prepayments and other short-term assets (note 15) to other account receivables.

17. Provisions

Warranty provision

Warranty provision, estimated for general warranties provided by the Company on the houses sold for a period of five years after the possession date, is included in accounts payable and accrued liabilities in the consolidated statements of financial position and cost of sales in the consolidated statements of earnings and comprehensive income (loss). The provision for the year ended December 31, 2024 is as follows:

Balance at January 1, 2023	\$ -
Additions	174,540
Balance at December 31, 2023	\$ 174,540
Additions	189,616
Reversal	(251,185)
Balance at December 31, 2024	\$ 112,971

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Provision for future development costs

Provision for future development costs, presented as accounts payable and accrued liabilities in the consolidated statements of financial position and Cost of Sales in the consolidated statements of earnings and comprehensive income (loss), for the year ended December 31, 2024 is as follows:

Balance at January 1, 2023	\$	-
Additions		1,630,597
Balance at December 31, 2023	\$	1,630,597
Additions		224,381
Cost spent in the year		(763,011)
Balance at December 31, 2024	\$	1,091,967

18. Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand	\$ 3	\$ 500
Deposits in bank	330,705	71,023
Total	\$ 330,708	\$ 71,523

As of December 31, 2024, and December 31, 2023, the Company had no restrictions on its cash placed in deposits in bank.

19. Share Capital

The Company has authorized an unlimited number of common shares and 12,104,027 shares are held in escrow as at December 31, 2024 (December 31, 2023 – 10,882,225). Outstanding common shares as at December 31, 2024 and December 31, 2023, are as follows:

	Common shares	Common shares in Escrow	Amount
			\$
Balance, December 31, 2022	33,333,433	-	33,333,433
Conversion of IHC shares ⁽¹⁾	(33,333,433)	-	-
Issuance of Company common shares ⁽¹⁾	1,585,611	636,601	-
Settlement of IHC borrowings ⁽²⁾	1,531,511	8,504,212	10,738,224
Shares issued pursuant to RTO financing ⁽³⁾	-	1,663,914	5,962,560
Advisor shares issued pursuant to RTO ⁽⁴⁾	-	20,007	21,407
Shares acquired in RTO (Note 7)	142,581	57,491	214,077
			\$
Balance, December 31, 2023	3,259,703	10,882,225	50,269,701
Shares issued on exercise of warrants ⁽⁵⁾	-	1,250,548	1,337,974
Shares issued on debt financing ⁽⁶⁾	92,025	-	280,317
Shares issued on acquisition ⁽⁷⁾	1,666,667	-	1,637,118
Escrow shares release on December 8, 2024	28,746	(28,746)	-
			\$
Balance, December 31, 2024	5,047,141	12,104,027	53,525,110

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On November 30, 2023, the Company reorganized its share capital in conjunction with the RTO Transaction with the following steps:

- (1) 100 issued and outstanding management shares were cancelled. All remaining existing 33,333,333 shares of IHC were exchanged for 2,222,212 Company common shares on the basis of 15 Company common shares for each IHC share.
- (2) Prior to completion of RTO Transaction, \$36,128,780 of borrowings with certain creditors were settled with issuance of 10,035,723 IHC common shares with fair value of \$10,738,224). Upon completion of the RTO transaction, the IHC shares were exchanged for Company common shares on the basis of 1:1 exchange ratio.
- (3) On November 30, 2023, the Company issued convertible debentures to its existing shareholders for gross proceeds of \$6,023,367. On the same day, the convertible debentures were converted to Units of the Company for issuance of 1,663,914 subscription units. Each Unit was comprised of 1 Company common share and 1 Company warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of \$3.62 for a period of three years from the RTO Transaction date. Upon completion of RTO Transaction, each Unit was automatically converted for one Company common share and one Company warrant for a total of 1,663,914 Company common shares and 1,663,914 Company warrants. These common shares and warrants are in escrow as at December 31, 2023. These warrants were valued at \$0.04 using the Black Scholes pricing model with the following assumptions: expected life in years - 3, volatility – 41.92%, risk free rate – 4.03%, share price - \$1.07, exercise price - \$3.62, dividend yield - 0%. The Company allocated the gross proceeds between the Company common shares and Company warrants using a relative fair value approach of \$5,962,560 and \$60,806 respectively.
- (4) In connection with the RTO, the Company paid an advisor through issuance of 20,007 shares at a price of US\$1.07 per share. These are accounted for as transaction fees. The shares are valued at \$21,407 and are in escrow as at December 31, 2024.
- (5) The 1,250,548 warrants issued to management pursuant to the RTO Transaction on November 30, 2023, were exercised on March 12, 2024.
- (6) On July 11, 2024, the Company issued 92,025 shares to DC Investment Fund pursuant to the terms of a private loan; refer to note 22 for details.
- (7) On October 24, 2024, the Company issued 1,666,667 Consideration shares fair valued at \$0.98 per share to Fusion; refer to note 8 for details. The fair value per share of \$0.98 is based on the trading share price on acquisition date of \$1.12 with a discount of 12.3%.

20. Share-based compensation

Warrants

Outstanding warrants as at December 31, 2024 are as follows:

	Warrants	Warrants in escrow	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, December 31, 2022	-	-	-	-
Warrants acquired pursuant to RTO ⁽¹⁾	6,807	-	\$ 2.61	2.75
Warrants issued pursuant to RTO ⁽²⁾	-	1,663,914	\$ 3.62	3.00
Warrants issued to management pursuant to RTO ⁽³⁾	-	1,250,548	\$ 0.0001	3.00
Balance, December 31, 2023	6,807	2,914,462	\$ 2.07	2.92
Warrants exercised – March 12, 2024 ⁽³⁾	-	(1,250,548)	-	-
Warrants issued on debt financing ⁽⁴⁾	1,394,014	-	\$ 3.63	3.00
Bonus warrants issued on debt financing ⁽⁵⁾	788,851	-	\$ 1.25	3.00
Balance, December 31, 2024	2,189,672	1,663,914	\$ 3.14	2.22
Number of warrants exercisable	1,593,027	-		

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- (1) In connection with the RTO Transaction, the Company replaced all the outstanding warrants previously issued by Yubba on August 26, 2021, and expiry date of August 26, 2026. These warrants were fair valued at RTO Transaction date using the Black-Scholes pricing model and the following assumptions:

	Year ended December 31, 2024
Risk free interest rate	4.03%
Expected life (years)	2.74
Expected dividend yield	0%
Expected volatility	41.92%
Share price	\$ 1.07
Exercise price	\$ 1.92
Fair value	\$ 0.13

- (2) See Note 19 – Shares issued pursuant to RTO financing.
- (3) Pursuant to the Company issued 1,250,548 warrants to the Chief Executive Officer with an expiry date of November 30, 2026, and vested immediately on issuance. A stock compensation expense of \$1,337,974, was recognized in the year ended December 31, 2023, based on fair value at RTO transaction date using the Black Scholes pricing model and the following assumptions. The warrants were exercised on March 12, 2024

	Year ended December 31, 2024
Risk free interest rate	3.67%
Expected life (years)	3.00
Expected dividend yield	0%
Expected volatility	41.92%
Share price	\$ 1.07
Exercise price	\$ 0.0001
Fair value	\$ 1.07

- (4) Pursuant to the senior secured debenture agreement entered into on January 25, 2024, the Company issued 1,394,014 warrants on various dates in the six months ended June 30, 2024. The warrants were fair valued at \$1,343,117 using Black-Scholes pricing model and the following assumptions:

Risk free interest rate	3.79% - 4.23%
Expected life (years)	3
Expected dividend yield	0%
Expected volatility	41.92%
Share price	\$ 2.76 - \$ 3.69
Exercise price	\$ 3.04 - \$ 4.06
Fair value	\$ 0.80 - \$ 1.07

- (5) Pursuant to the operating loan agreement entered into on October 24, 2024, the Company issued 788,581 bonus warrants during the fourth quarter of 2024. The warrants were fair valued at \$316,659 using Black-Scholes pricing model and the following assumptions:

Risk free interest rate	2.90% - 3.13%
Expected life (years)	3
Expected dividend yield	0%
Expected volatility	41.92%
Share price	\$1.22- \$ 1.30
Exercise price	\$1.22 - \$ 1.30
Fair value	\$ 0.38- \$ 0.41

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Stock options

Outstanding stock options as at December 31, 2024, are as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, December 31, 2022	-	-	-
Stock options replaced pursuant to RTO ⁽¹⁾	11,498	\$2.61	2.74
Balance, December 31, 2023	11,498	\$2.61	2.74
Balance, December 30, 2024	11,498	\$2.61	1.74
Number of options exercisable	11,498		

- ⁽¹⁾ In connection with the RTO, the Company acquired all the outstanding options previously issued by Yubba on August 26, 2021. These options were fair valued at RTO Transaction date using the Black-Scholes option pricing model and the following assumptions:

	Year ended December 31, 2024
Risk free interest rate	3.67%
Expected life (years)	2.75
Expected dividend yield	0%
Expected volatility	41.92%
Share price	\$ 1.07
Exercise price	\$ 1.92
Fair value	\$ 0.13

Restricted share units

Pursuant to the RTO Transaction, certain directors, management and employee personnel were granted 427,414 restricted share units ("RSUs") on November 30, 2023 and 116,568 RSUs on February 7, 2024 which are held in escrow as at December 31, 2024. The RSU's will vest 25% every six months over two years, with the first portion vesting after the first six months from grant date of November 30, 2023, and subsequent portions vesting every six months after that.

The fair value of the RSUs at grant date was \$855,442. During the year ended December 31, 2024, an expense of \$650,715 (December 31, 2023 - \$39,699) was recorded as share-based compensation.

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21. Earnings (loss) per share

Basic loss per share is calculated by dividing the net comprehensive income (loss) by the weighted-average number of common shares outstanding during the period.

	For the years ended	
	December 31, 2024	December 31, 2023
Net Income (loss)	\$ (22,336,913)	\$ 13,125,437
Weighted average number of common shares outstanding – basic	15,503,035	3,234,571
Share-based payment awards	-	1,268,853
Weighted average number of common shares outstanding – diluted	15,503,035	5,484,689
Income (loss) per share, basic	\$ (1.44)	\$ 4.06
Income (loss) per share, diluted	\$ (1.44)	\$ 2.91

As at December 31, 2023, the earnings per share is diluted is due to impact of 1,250,548 warrants issued to management at an exercise price of \$0.001 and 6,807 replacement warrants and 11,498 replacement options issued as part of the RTO Transaction.

22. Borrowings

Borrowings for the years ended December 31 is comprised as follows:

	Current		Non-current	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Banks' borrowings	\$ -	\$ 4,008,131	\$ 2,373,419	\$ -
Private loans	-	-	1,590,649	1,644,553
Shareholder loans	4,736,738	990,000	773,000	-
Other loans	321,000	326,000	-	-
TOTAL	\$ 5,057,738	\$ 5,324,131	\$ 4,737,068	\$ 1,644,553

Changes in the borrowings for the years ended December 31 were as follows:

	2024	2023
Balance at January 1	\$ 6,968,684	\$ 41,360,116
Cash inflows from issuances	4,893,000	1,590,000
Cash outflows from repayments	(1,950,934)	(1,739,362)
Cash outflows from interest payments	(266,240)	(1,457,170)
Interest accrued	977,307	3,343,878
Debt financing costs ⁽¹⁾	(1,280,582)	-
Accretion expense on debt ⁽¹⁾	453,571	-
Debt settlement as part of RTO Transaction ⁽²⁾	-	(36,128,778)
Balance at December 31	\$ 9,794,806	\$ 6,968,684

⁽¹⁾ Refer to shareholder loans below and note 20 on the fair value of warrants issued pursuant to the secured debenture agreement and operating loan agreement which is offset against the debt fair value. The allocated debt value is accreted to the gross cash proceeds over the maturity term of the agreement.

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⁽²⁾ As part of the RTO Transaction, IHC debt with certain creditors was settled for a fair value of \$10,738,224 through the issuance of 10,035,723 shares, resulting in a gain on settlement of debt of \$25,390,556 for the year ended December 31, 2023.

Bank borrowings

Bank borrowing comprises of a credit loan facility with Multibank Inc. to finance the Project Sueños de Santiago – Phase 4, which is secured by a mortgage on the land earmarked as Phase 4. The interest is paid monthly and the principal is repaid as the sale of houses build under Phase 4 project is completed with the maturity date of October 19, 2024.

Description	Starting date	Expiry date	Amount	Interest rate	December 31, 2024	December 31, 2023
Houses Credit Line	Aug 24, 2019	Oct 19, 2024	\$ 4,141,787	9.25%	\$ 1,290,469	\$ 2,703,272
Infrastructure Credit Line	Aug 24, 2019	Oct 19, 2024	\$ 2,459,291	9.25%	689,700	898,015
Interests						
Capitalization	Apr 9, 2021	Oct 19, 2024	\$ 446,741	9.25%	393,249	406,844
Total					\$ 2,373,418	\$ 4,008,131

Subsequent to December 31, 2024, the loan was extended to maturity date of December 31, 2026 with same interest rate of 9.25% and terms and conditions largely unchanged.

Private Loans

On July 11, 2024, the Company signed a loan agreement with DC Investment Fund (DCIF) which replaced the previous promissory note with DCIF executed on September 6, 2017, with a maturity of 80 months and an interest rate of 15% per annum. The new loan has an interest rate of 12% per annum, payable every quarter, with the maturity date of March 31, 2026. As per terms of the new loan agreement, the Company made a cash payment of \$181,230 and issued 92,025 common shares of the Company. The Company derecognized the outstanding principal on previous promissory note and recognized the liability of the new loan at amortized cost of \$1,480,265. The 92,025 common shares issued were recognized at fair value \$3.08 per share as debt financing costs of \$280,317 in the consolidated statement of earnings and comprehensive income (loss).

Shareholder loans

On December 31, 2023, the Company signed an unsecured, non-interest bearing, on demand promissory note with a shareholder for \$990,000. On January 25, 2024, the promissory note was cancelled and the Company replaced the promissory note with a senior secured debenture loan for proceeds of up to \$4,500,000. Pursuant to the terms of the financing, the debenture bears an interest at rate of 12% per annum, payable quarterly, with a scheduled maturity date of November 30, 2025. Interest payments are deferred and accrued with the first interest payment occurring on January 31, 2025. Funds will be advanced to the Company each month with the final Tranche to be advanced on or before July 31, 2024. In connection with the financing, the Company issued warrants exercisable for the purchase of common shares of the Company (refer to note 20 for details and fair valuation of the warrants). As at December 31, 2024 the Company received \$4,610,000 (December 31, 2023 - \$990,000) and issued 1,394,014 warrants. The gross proceeds are allocated between the shareholder loan and warrants using a relative fair value approach of \$3,569,919 and \$1,040,081 respectively. The allocated debt value of \$3,569,919 is accreted to its gross proceeds over the maturity term of the agreement. The accretion expense for the year ended December 31, 2024 is \$447,569.

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On October 24, 2024, the Company entered into an unsecured draw down loan agreement dated October 24, 2024 for principal amount to a maximum of \$1,000,000, advanced in four tranches as follows:

- The initial advance of \$250,000 paid on the effective date of the loan agreement;
- The second advance of \$333,333.33 payable on the date that is on or prior to 1 month following the effective date of the loan agreement,
- The third advance of \$333,333.34 payable on the date that is on or prior to 2 months following the effective date of the loan agreement; and
- One or more final advance of \$133,333.33 payable on the date that is on or prior to 3 months following the effective date of the loan agreement.

Interest is accrued at a rate of 12% per annum and the loan has maturity date of October 31, 2028. In connection with the financing, the Company issued bonus warrants exercisable for the purchase of common shares of the Company (refer to note 20 for details and fair valuation of the warrants). As at December 31, 2024, the Company received advances totalling to \$1,000,000 and issued 788,581 bonus warrants. The gross proceeds are allocated between the shareholder loan and bonus warrants using a relative fair value approach of \$759,498 and \$240,502 respectively. The allocated debt value of \$759,498 is accreted to its gross proceeds over the maturity of the agreement. The accretion expense for the year ended December 31, 2024 is \$6,002.

On December 31, 2024, the Company signed an unsecured, on demand promissory note at interest rate of 12% per annum with a shareholder for \$273,000.

Other loans

On July 20, 2022, the Company amended its loan agreement with Panama Equities, Inc. originally entered into on July 27, 2020 to extend the maturity term to February 20, 2023 with an interest rate of 14% per annum. Post the maturity date of February 20, 2023, the loan became payable on demand.

Interest expense

Interest expense for the year ended December 31, 2024, of \$704,536 (December 31, 2023 - \$3,021,157) comprised of interest on borrowings of \$697,322 (2023 - \$2,960,899), accretion of lease liabilities of \$4,058 (2023 - \$14,773) (see note 13) and other fees and charges of \$3,156 (2023 - \$45,485).

23. Related party disclosures

The Company entered into several transactions with key management personnel and entities wholly owned by those personnel. The Company considers the executive officers and directors as the key management of the Company. The remuneration of key management personnel includes those persons having the authority and responsibility for the planning, directing, and controlling of the activities of the Company are as follows:

	December 31, 2024	December 31, 2023
Remuneration for services		
Salaries and Wages	\$ 606,266	\$ 473,875
Warrants (Note 20)	-	1,337,974
RSUs (Note 20)	650,715	19,056

Amounts due to and from related parties as at December 31, 2023 and December 31, 2022 are as follows:

Related party assets (liabilities)	December 31, 2024	December 31, 2023
Key management personnel	\$ (13,034)	\$ (2,500)
Shareholder loans (Note 22)	(6,336,750)	(990,000)

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The amount due to key management personnel, included in other accounts payable, relates to unpaid remuneration as of December 31, 2024 and December 31, 2023.

24. Tax expense

The combined tax rate is determined using the substantively enacted tax rates as at December 31, 2024 and December 31, 2023. A reconciliation the provision for income tax reported in the consolidated statements of earnings and comprehensive income (loss) is summarized as follows:

	December 31, 2024	December 31, 2023
Income (loss) before tax	\$ (22,339,483)	\$ 13,125,437
Statutory income tax rate	26.5%	26.5%
Income tax recovery computed at Canadian statutory rate	(5,919,963)	3,478,241
Share based payment and other non-deductible item	803,012	(5,673)
Non-taxable income	(2,048,478)	
Non-deductible expenses	6,507,790	
Loss expiration	1,243,189	896,067
Difference in tax rate	360,639	(5,217,984)
Other	23,316	(29,489)
Reverse take-over	-	(18,849)
Change in valuation allowance	(972,075)	897,688
Deferred income tax recovery	\$ (2,570)	\$ -

The following table summarizes the components of deferred tax as at December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Deferred tax liabilities		
Intangibles	\$ (23,470)	\$ -
Net deferred tax liability	(23,470)	-

The following table summarizes the movement of deferred tax as at December 31, 2024 and 2023:

	December 31, 2024	December 21, 2023
Opening deferred tax liability	\$ -	\$ -
Recognized through goodwill	(26,040)	-
Realized through profit and loss	2,570	-
Ending deferred tax liability	\$ (23,470)	\$ -

Unrecognized deferred tax assets	December 31, 2024	December 21, 2023
Non-capital losses carry forward – Canada	\$ 505,677	\$ 128,850
Non-capital losses carry forward – Panama	14,090,500	18,539,433
Share issuance costs	224,254	90,533
Total unrecognized temporary differences	\$ 14,820,431	\$ 18,758,835

The share issuance costs will be fully amortized in 2028.

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As at December 31, 2024, the Company has non-capital losses that are to expire as follows:

Year of expiry	Canada	Panama
2025		5,029,576
2026		4,117,249
2027		3,345,263
2028		1,493,591
2029		104,821
2043	110,739	-
2044	394,938	-
Total	505,677	14,090,500

Complementary tax is the tax paid in advance, related to withholding tax on dividends to shareholders. In the Fiscal Code of the Republic of Panama, in the fiscal periods that the companies obtain profits and do not distribute and liquidate the dividend tax, it is to pay 40% of the tax in advance on behalf of the shareholders. At the time of distributing the profits (if any), the total dividend tax is withheld from the shareholders and the outstanding 60% is paid to the tax authority.

For the years December 31, 2024, and 2023, the Company had net losses resulting in nil complementary tax. The Company did not distribute any profits or remit any dividend tax to the tax authorities in the Republic of Panama.

25. Segment reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For the purpose of segment reporting, the Company's Chief Executive Officer (CEO) is the Chief Operating Decision Maker (CODM).

As at December 31, 2023, the Company had one operating and reporting segment. After the acquisition of Fusion on October 24, 2024, the Company had two operating and reporting segments. Although the Company prepares financial results at each subsidiary level, the overall financial and operational performance of the Company is analyzed, and forecasts are prepared for the two segments based on the two product lines - the construction and sale of houses in Republic of Panama and the Fusion software in United States. There is no customer that amounts to 10 percent or more of the total revenues earned in the years ended December 31, 2024, and 2023.

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The segmented information for the year ended December 31, 2024 is as follows:

	Panama	US	Consolidated ¹
Year ended December 31	2024		
Sales	\$ 3,624,573	\$ 73,486	\$ 3,698,059
Cost of sales	(9,549,046)	(49,614)	(9,598,660)
Sales expenses	(575,798)	-	(575,798)
Employee benefits expense	(163,672)	-	(163,672)
Depreciation	(53,373)	(12,233)	(65,606)
Administrative expenses	(1,058,773)	(20,631)	(1,079,404)
Corporate overhead	-	-	(590,543)
Operating loss	(7,776,089)	(8,992)	(8,375,624)
Other income	170,997	-	170,997
Interest expense	(250,786)	-	(704,536)
Accretion expense on debt	-	-	(453,571)
Write-down of receivables	(156,755)	-	(156,755)
Impairment of land held for development	(10,348,525)	-	(10,348,525)
Impairment of goodwill and intangibles	-	-	(1,540,437)
Share-based compensation	-	-	(650,715)
Debt financing costs	-	-	(280,317)
Income (loss) before taxes	(18,361,158)	(8,992)	(22,339,483)

	Panama	US	Consolidated ¹
As at December 31	2024		
Segmented assets	\$ 9,978,807	\$ 769,135	\$ 10,724,085
Segmented liabilities	12,084,601	655,406	13,065,265

¹ Consolidated includes costs not allocated to Panama and US such as corporate overhead, interest and accretion expense and debt financing costs related to borrowings, share-based compensation and intercompany eliminations.

26. Capital and risk management

The objectives of capital management are to ensure the Company's ability to continue as a going concern and provide an adequate return to shareholders, as well as to maintain an optimal capital structure that reduces the costs of raising capital. The Company's capital as at December 31, 2024 comprises of shareholders' deficit of \$2,341,180 and total borrowings of \$9,794,806. Company manages its capital structure and makes changes based on economic conditions, risks that impact the consolidated operations and future significant capital investment opportunities. To maintain or adjust its capital structure, the Company may issue new equity instruments or considers other financing opportunities.

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. Many of the risk factors are beyond the Company's direct control. The Company's management and Board of Directors plan an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

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The Company does not actively participate in the business of financial assets for speculative purposes.

The Company's strategy with respect to capital risk management has not changed since the year ended December 31, 2023.

Liquidity risk

Liquidity risk refers to the possibility that the Company will not meet its contractual obligations, mainly in respect of its accounts payable and repayment of principal and interest on borrowings.

The Company manages its liquidity needs by monitoring scheduled payments defined in the terms and conditions of each financing contract, as well as forecasts of cash inflows and outflows on a day-to-day basis. Long-term liquidity needs for a 180-day and 360-day monitoring period are identified monthly. The Company's objective is to maintain cash to meet its liquidity requirements for periods of at least 30 days.

The Company is compliant with all financial covenants during the year ended December 31, 2024 and 2023.

In the event of requiring additional contribution to its real estate development projects, the Company may choose to seek access to bank financing or equity funding. Additionally, it may be able to sell long-term non-financial assets.

Contractual obligations as at December 31, 2024 and 2023 are as follows:

December 31, 2024	Contractual cash flows				
	In 6 months	7 to 12 months	More than 1 year up to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 1,154,914	\$ 1,949,212	\$ -	\$ -	\$ 3,104,126
Advances received from customers	78,771	-	-	-	78,771
Bank loans	-	-	2,373,418	-	2,373,418
Private loans	-	-	1,590,649	-	1,590,649
Shareholder loans	276,750	5,052,500	1,007,500	-	6,336,750
Other loans	321,000	-	-	-	321,000
TOTAL	\$ 1,831,435	\$ 7,001,712	\$ 4,971,567	\$ -	\$ 13,804,714

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December 31, 2023	Contractual cash flows				
	In 6 months	7 to 12 months	More than 1 year up to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 1,969,126	\$ 1,270,751	\$ -	\$ -	\$ 3,239,877
Advances received from customers	136,970	-	-	-	136,970
Lease liabilities	47,834	29,092	11,026	-	87,952
Bank loans	4,008,131	-	-	-	4,008,131
Private loans	-	-	1,644,553	-	1,644,553
Shareholder loan	990,000	-	-	-	990,000
Other loans	326,000	-	-	-	326,000
		\$			
TOTAL	\$ 7,478,061	1,299,843	\$ 1,655,579	\$ -	\$ 10,433,483

Foreign Currency risk

The Company's functional and presentation currency is the United States dollar but it is exposed to foreign currency risk with respect to the expenditures incurred by its Canadian parent entity which are denominated in Canadian dollar. As of December 31, 2024, the Company has not entered into any hedging agreements to mitigate foreign currency as the foreign currency risk was deemed to be low. A change in 10% in USD/CAD exchange rate as of December 31, 2024, would not have a material impact.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities.

As at December 31, 2024 and 2023, the Company is not exposed to interest rate cash flow risk as none of the agreements have a floating interest rate, which will fluctuate with interest rates change. Fixed-interest instruments are subject to fair value risk but not interest rate cash flow risk.

Credit Risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable resulting from sale of finished properties in the normal course of its operations and cash deposited in the banks.

The credit risk of other accounts receivable arising from the sale of property inventory is managed by mandating advance payments from customers or account credits prior to the transfer of the property, thus substantially eliminating the Company's credit risk in this regard. For sale of houses until June 30, 2024, the Company has the backing of the bank letters of promise to pay the differential not covered directly by the customers.. This was suspended on July 1, 2024 following the decision by MIVOT to discontinue the Solidarity Housing Fund Program (see note 5 (k) for details). A provision for expected credit loss is established based upon historic trends and forward-looking information and revised when there are changes in circumstances that would create doubt over the receipt of funds. Such reviews are conducted on a continued basis through the monitoring of outstanding balances as well as the frequency of payments received. Other accounts receivables are completely written off once management determines the probability of collection to be remote. Such reviews are conducted on a forward-looking basis and reviewed when changes in client or economic circumstances exist that would create doubt over the receipt of funds within the next twelve months. For the year ended December 31, 2024, \$156,755 of other accounts receivables were written off (2023 – \$1,027,011).

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The aging for other accounts receivable as at December 31, 2024 are:

	Aging of receivables			
	Current	60-180 days	Over 180 days	Total
Solidarity bonus receivable	\$ -	\$ 160,000	\$ 1,060,000	\$ 1,220,000
Electrical systems reimbursement	20,374	-	139,412	159,786
Customers and employees	73,485	-	-	73,485
TOTAL	\$ 93,859	\$ 160,000	\$ 1,199,412	\$ 1,453,271

Changes in the provision for expected credit losses at December 31, 2024 result from the following:

Balance – December 31, 2022	\$ -
Allowance made during the year	807,612
Balance – December 31, 2023	\$ 807,612
Allowance made	846,755
Provision reversed	(690,000)
Balance, December 31, 2024	\$ 964,367

The Company maintains current bank accounts of less than one year, with local banks with a minimum credit rating of "A" and therefore, immaterial risk of loss on cash and cash equivalents.

27. Fair value measurement of financial instruments

The Company's financial instruments consist of cash and cash equivalents, other accounts receivable, account payables and accrued liabilities, and borrowings.

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are characterized into three levels of a fair value hierarchy depending on the degree to which the inputs are observable. During the year December 31, 2024, no transfers between fair value hierarchy occurred. The fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: items other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable items for assets or liabilities.

A financial instrument is classified to the lowest level hierarchy for which a significant input has been used in measuring fair value.

The carrying amounts for cash and cash equivalents, other accounts receivable and accounts payable and accrued liabilities approximate their respective fair values based on level 1 due to the short-term maturities of those instruments.

The estimated fair value of current and long-term borrowings and loans, categorized as Level 2, has been estimated using discounted cash flow techniques, applying interest rates in effect for debts with similar remaining maturities and credit risk. As at December 31, 2024 and December 31, 2023, the fair value of borrowings is \$12,380,868 and \$7,460,410 respectively.

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28. Commitments and Contingencies

Commitments

As of December 31, 2024, the Company had planned expenditures of \$2,700 associated with completion of property inventory under construction and development (December 31, 2023 - \$568,066).

Contingencies

In the year ended December 31, 2022, the Company filed a lawsuit against a contractor for damages for non-compliance of contractual commitments and quality standards. In the year ended December 31, 2023, the court ruled the decision in favor of the Company for damages of \$474,458 and lawyer fees. However, the Company has so far not been successful in collecting damage from the contractor. The Company has not recorded a contingency gain for this amount.

The Company reasonably believes the risk of further damages from any future appeals and legal proceedings remains low and there is no additional exposure for this litigation.

29. Subsequent events

On March 12, 2025, the Company renewed its credit loan facility with Multibank Inc. with new maturity date of December 31, 2026 and interest rate of 9.25% per annum.