

Impact Development Group Inc.

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2026

(Expressed in US Dollars)

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

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

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of management.

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

Impact Development Group Inc.
Condensed Consolidated Interim Statements of Financial Position
As at
(Expressed in US Dollars)

<i>As at</i>	<i>Note</i>		June 30, 2026	December 31, 2025
Assets				
Current				
Cash and cash equivalents	14	\$	570,806	\$ 833,338
Other accounts receivable	12		483,885	244,328
Property and other inventories	10		4,571,960	4,855,537
Land held for development	8		3,289,688	3,497,938
Prepayments and other short-term assets	11		110,150	41,678
Current assets			9,026,489	9,472,819
Non-current				
Machinery and equipment	7		1,165	9,045
Intangible asset	9		-	-
Non-current assets			1,165	9,045
Total assets		\$	9,027,654	\$ 9,481,864
Liabilities and shareholder's equity				
Current				
Accounts payable and accrued liabilities	13, 20	\$	1,608,324	\$ 1,915,271
Borrowings - current	17		15,335,754	13,919,839
Advances received from customers			66,293	120,548
Current liabilities			17,010,371	15,955,658
Non-current				
Provisions for employee benefits			50,430	46,356
Borrowings - non-current	17		1,008,285	948,285
Non-current liabilities			1,058,715	994,641
Total liabilities			18,069,086	16,950,299
Share capital	15		53,525,110	53,525,110
Contributed surplus	15,16		2,244,450	2,221,864
Deficit			(64,654,297)	(63,033,915)
Accumulated other comprehensive income (loss)			(21,090)	(45,889)
Complementary tax			(135,605)	(135,605)
Total shareholder's deficit			(9,041,432)	(7,468,435)
Total liabilities and shareholder's deficit		\$	9,027,654	\$ 9,481,864
Nature of operations and continuance of business (Note 1)				
Going concern (Note 2)				
Contingencies (Note 23)				
Subsequent events (Note 24)				

Approved and authorized by the Board on September 25, 2026

<u>"Thomas Wenz"</u>	Director	<u>"Sophie Galper-Komet"</u>	Director
Thomas Wenz		Sophie Galper-Komet	

See accompanying notes to these condensed consolidated interim financial statements.

Impact Development Group Inc.
Condensed Consolidated Interim Statement of Earnings and Comprehensive Income (Loss)
For the six months ended
(Expressed in US Dollars)

		For the six months ended	
	Note	June 30, 2026	June 30, 2025
Sales			
House sales		\$ 804,390	\$ 978,360
Software license subscriptions		202,662	226,941
		1,007,052	1,205,301
Cost of sales			
House sales		616,529	876,320
Software license subscriptions		43,002	181,794
		659,531	1,058,114
Sales expenses		68,712	52,217
Employee benefits expense		46,588	77,626
Depreciation and amortization	7,9	7,880	87,230
Overhead and administrative expenses		1,021,165	768,251
Operating loss		(796,824)	(838,137)
Other income			-
Interest expense	17	(838,847)	(545,998)
Other income	8	43,875	-
Accretion expense on debt	17	-	(338,884)
Write-down of receivables	20	(6,000)	(201,245)
Share-based compensation	16	(22,586)	(118,589)
Loss for the period		(1,620,382)	(2,042,854)
Other comprehensive income (loss)		24,799	(46,857)
Net loss and comprehensive income (loss)		\$ (1,595,583)	\$ (2,089,711)
Weighted average number of shares outstanding	22	17,151,168	17,151,168
Loss per share, basic		\$ (0.09)	\$ (0.12)
Loss per share, diluted		\$ (0.09)	\$ (0.12)

See accompanying notes to these condensed consolidated interim financial statements.

Impact Development Group Inc.
Condensed Consolidated Interim Statement of Changes in Shareholder's Equity (Deficit)
For the six months ended June 30, 2026 and year ended December 31, 2025
(Expressed in US Dollars)

		Share capital		Contributed surplus	Accumulated deficit	Other comprehensive income (loss)	Complementary tax	Total
	Note	Shares #	Amount \$	\$	\$	\$	\$	\$
Balance, December 31, 2024		17,151,168	53,525,110	2,034,250	(57,779,387)	14,452	(135,605)	(2,341,180)
Share-based compensation	16	-	-	118,589	-	-	-	118,589
Net loss		-	-	-	(2,042,854)	-	-	(2,042,854)
Other comprehensive loss		-	-	-	-	(46,857)	-	(46,857)
Balance, June 30, 2025		17,151,168	53,525,110	2,152,839	(59,822,241)	(32,405)	(135,605)	(4,312,302)
Share-based compensation	16	-	-	69,025	-	-	-	69,025
Net loss		-	-	-	(3,211,674)	-	-	(3,211,674)
Other comprehensive loss		-	-	-	-	(13,484)	-	(13,484)
Balance, December 31, 2025		17,151,168	53,525,110	2,221,864	(63,033,915)	(45,889)	(135,605)	(7,468,435)
Share-based compensation	16	-	-	22,586	-	-	-	22,586
Net loss		-	-	-	(1,620,382)	-	-	(1,620,382)
Other comprehensive income		-	-	-	-	24,799	-	24,799
Balance, June 30, 2026		17,151,168	53,525,110	2,244,450	(64,654,297)	(21,090)	(135,605)	(9,041,432)

See accompanying notes to these condensed consolidated interim financial statements.

Impact Development Group Inc.
Condensed Consolidated Interim Statement of Cash Flows
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

	Note	2026	2025
Net loss	\$	(1,620,382)	\$ (2,042,854)
<i>Adjustments:</i>			
Depreciation and amortization	7,9	7,880	87,230
Interest accrued	17	-	545,998
Share-based compensation	16	22,586	118,589
Provision for warranties	13	8,044	199,400
Write-down of receivables	20	6,000	201,245
Debt financing costs	17	838,847	338,885
Gain on sale of land	8	(40,925)	-
Changes in non-cash working capital			
Other accounts receivables		(29,557)	50,000
Property and other inventories		283,577	(269,809)
Prepayments and other short-terms assets		(14,472)	(23,659)
Account payables and accrued liabilities		(311,017)	(1,003,964)
Advances received from customers		(54,255)	(22,309)
Provisions for employee benefits		4,074	7,823
Other		-	29,563
Net Cash used in operating activities		(899,600)	(1,783,862)
Investing Activities			
Development of intangible asset	9	-	(452,850)
Net Cash used in investing activities		-	(452,850)
Financing Activities			
Proceeds from borrowings	17	670,000	3,390,000
Interest paid on borrowings	17	(17,932)	(81,637)
Repayments of borrowings	17	(15,000)	(860,417)
Net Cash from financing activities	\$	637,068	\$ 2,447,946
Net change in cash & cash equivalents		(262,532)	211,234
Cash and cash equivalents, beginning of period		833,338	330,708
Cash and cash equivalents, end of period	\$	570,806	\$ 541,942
Income taxes paid		-	-

See accompanying notes to the condensed consolidated interim financial statements.

Impact Development Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

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 40 Temperance St Suite 2700, Toronto, Ontario M5H 0B4.

As described below, the Company completed the acquisition of Impact Housing Corporation ("IHC") through an acquisition agreement (the "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 the 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, 2024, 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".

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on September 25, 2026.

2. Going concern

These condensed consolidated interim 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 six months ended June 30, 2026, the Company generated a net loss of \$1,620,382 (2025 - 2,042,854). For the six months ended June 30, 2026, net cash flow used in operating activities of \$899,600 (2025 - \$1,783,862). As at June 30, 2026, the Company has an accumulated deficit of \$64,654,297 (December 31, 2025 - \$63,033,915) and working capital deficit of \$7,983,882 (December 31, 2025 - 6,482,839). The Company's cash flow from operations is insufficient to cover its current obligations in the next twelve months from the date of these consolidated 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.
- **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.

Impact Development Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

2. Going concern (continued)

These condensed consolidated interim 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 twelve months from the date of these financial statements.

3. Basis of preparation

a. Statement of compliance

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c. Basis of consolidation

These condensed consolidated interim 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. These condensed consolidated interim financial statements of the Company include the following wholly owned subsidiaries.

Name of Subsidiary	Principal activity	Domicile
Impact Housing 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
Impact Santiago, S. A.	Payroll manager	Republic of Panama
Impact Sona, S.A.	Project Developer	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

Impact Development Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

Basis of preparation (continued)

d. Functional and presentation currency

The condensed consolidated interim financial statements are presented in United States Dollar. The Canadian parent company has Canadian Dollar as its 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 the Republic of Panama. The functional currency of Fusion Software LLC operating in the United States is the 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.

4. Changes in Accounting Policies

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, 2026. The Company does not expect to adopt them in advance of their effective dates.

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. The adoption of IFRS 18 is expected to result in changes to the presentation of the company's consolidated financial statements, principally within the consolidated statement of earnings where income and expenses will be classified into specified categories (i.e. operating, investing, financing, income taxes and discontinued operations) and new defined subtotals will be required, including "operating earnings" and "earnings before interest expense and income taxes". The Company is currently evaluating the impact of IFRS 18 on its consolidated financial statements.

Impact Development Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

5. Summary of Material Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the presentation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2025, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2025.

6. Critical accounting judgments, assumptions and estimates

The preparation of condensed consolidated interim 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 expenses. 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.

There have been no changes to the critical accounting estimates and judgements. Refer to the Company’s annual consolidated financial statements and notes for the year ended December 31, 2025.

7. Machinery and equipment

Machinery and equipment consist of the following:

Cost	Heavy equipment	Rolling equipment	Machinery	Molds	Total
Balance at June 30, 2026 and December 31, 2025	\$ 826,849	\$ 83,148	\$ 100,901	\$ 395,436	\$ 1,406,334
Depreciation and impairment	Heavy equipment	Rolling equipment	Machinery	Molds	Total
Balance at December 31, 2024	\$ 810,958	\$ 83,148	\$ 94,659	\$ 373,304	\$ 1,362,069
Depreciation ⁽¹⁾	15,891	-	5,351	13,978	35,220
Balance at December 31, 2025	\$ 826,849	\$ 83,148	\$ 100,010	\$ 387,282	\$ 1,397,289
Depreciation ⁽¹⁾	-	-	891	6,989	7,880
Balance at June 30, 2026	\$ 826,849	\$ 83,148	\$ 100,901	\$ 394,271	\$ 1,405,169
Net book value at June 30, 2026	\$ -	\$ -	\$ -	\$ 1,165	\$ 1,165
Net book value at December 31, 2025	\$ -	\$ -	\$ 891	\$ 8,154	\$ 9,045

- (1) For the six months ended June 30, 2026, depreciation includes \$nil (2025 - \$1,873) capitalized to property and other inventories for houses under construction in progress and \$7,880 (2025 - \$15,737) recorded directly as expense in the consolidated statements of earnings and comprehensive income (loss).

Impact Development Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

8. Land held for development

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

		June 30, 2026		December 31, 2025
Opening balance - January 1	\$	3,497,938	\$	3,497,938
Disposal		(208,250)		-
Closing balance	\$	3,289,688	\$	3,497,938

During the six months ended June 30, 2026, the Company disposed of a parcel of land with a carrying value of \$208,250 for proceeds of \$270,000. The Company incurred selling costs of \$20,825 directly attributable to the sale and recognized a gain on the disposal of \$40,925, which is recorded in other income in the condensed consolidated interim statement of earnings and comprehensive income (loss).

9. Intangible asset

Intangible asset

The Company's 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. 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.

Balance at December 31, 2024	\$	354,767
Amortization		(55,050)
Impairment		(299,717)
Balance at June 30, 2026 and December 31, 2025	\$	-

During the year ended December 31, 2025, management impaired the Company's internally developed software driven by factors including recurring operating losses, revised product roadmap and changes in expected future cash flows. The Company recorded an impairment expense of \$299,717 recognized in the consolidated statement of earnings and comprehensive income (loss). The recoverable value of \$nil was determined 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:

- Sales and expenses estimated for a period of 5 years based on management's internal forecasts and projections.
- The long-term growth rate after 5 years used in determining the recoverable amount is 3%.
- 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 20%.

Impact Development Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

10. Property and other inventories

Property and other inventories consist of the following:

Under construction or development	June 30, 2026	December 31, 2025
Los Sueños de Santiago - Phase 4	\$ 2,771,596	\$ 3,024,000
Los Sueños de Santiago - Phase 5	569,462	546,000
Los Sueños de Santiago - Phase 8	702,796	702,795
La Reserva Social	328,447	336,000
	4,372,301	4,608,795
Materials	199,659	246,742
Total property and other inventories	\$ 4,571,960	\$ 4,855,537

Changes in the carrying value of property and other inventories as at June 30, 2026 and December 31, 2025 were as follows:

	June 30, 2026	December 31, 2025
Opening balance	\$ 4,855,537	\$ 5,921,319
Costs incurred in development	304,423	1,814,640
Capitalized interest	-	132,236
Write-down of cost to net realizable value ⁽¹⁾	-	(676,977)
Cost of goods sold	(588,000)	(2,335,681)
Closing balance	\$ 4,571,960	\$ 4,855,537

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

11. Prepayments and other short- term assets

Prepayment and other short-term assets were comprised as follows:

	June 30, 2026	December 31, 2025
Advances on expenses	\$ 50,587	\$ 14,693
Taxes	36,275	2,934
Others	23,288	24,051
Total	\$ 110,150	\$ 41,678

12. Other accounts receivables

Other accounts receivable were comprised as follows:

	June 30, 2026	December 31, 2025
Solidarity bonus subsidy	\$ 1,190,000	\$ 1,160,000
Electrical system reimbursement	139,412	139,412
Customers and employees ⁽¹⁾	251,885	36,328
Expected credit losses (Note 20)	(1,097,412)	(1,091,412)
Total	\$ 483,885	\$ 244,328

(1) Includes receivable of \$216,000 as at June 30, 2026 from the sale of land held for development, see Note 8.

Impact Development Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2026 and 2025
(Expressed in US Dollars)

13. 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 six months ended June 30, 2026 and year ended December 31, 2025 is as follows:

Balance - December 31, 2024	\$	112,971
Additions		44,828
Reversal		(102,991)
Balance - December 31, 2025	\$	54,808
Additions		8,044
Reversal		(53,019)
Balance, June 30, 2026		9,833

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), as at December 31, 2025 and 2024 is as follows:

Balance – December 31, 2024	\$	1,091,967
Costs spent in the period		(460,516)
Balance - December 31, 2025	\$	631,451
Costs spent in the period		(68,740)
Balance - June 30, 2026		562,710

14. Cash and cash equivalents

	June 30, 2026	December 31, 2025
Cash on hand	\$ 3	\$ 3
Deposits in bank	570,803	833,335
Total	\$ 570,806	\$ 833,338

As at June 30, 2026 and December 31, 2025, the Company had no restrictions on its cash placed in deposits in bank.

15. Share Capital

The Company has authorized an unlimited number of common shares, and 12,074,982 shares are held in escrow as at December 31, 2025 (2024 - 12,104,027). Outstanding common shares as at December 31, 2025 and 2024 are as follows:

	Common shares	Common shares in Escrow #	Total common shares	Amount
Balance, December 31, 2024	5,047,141	12,104,027	17,151,168	\$ 53,525,110
Escrow shares release on June 9, 2025	29,045	(29,045)	-	-
Balance, June 30, 2026 and December 31, 2025	5,076,186	12,074,982	17,151,168	\$ 53,525,110

Impact Development Group Inc.
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16. Share-based Compensation

Warrants

Outstanding warrants as at June 30, 2026 and December 31, 2025 are as follows:

	Warrants	Warrants in escrow #	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, December 31, 2024	2,189,672	1,663,914	\$ 3.14	2.22
Cancelled ⁽¹⁾	(2,182,865)	-	2.76	2.00
Balance, December 31, 2025	6,807	1,663,914	\$ 2.07	0.92
Balance, June 30, 2026	6,807	1,663,914	\$ 2.07	0.67
Number of warrants exercisable	6,807	1,663,914	\$ 2.07	0.67

- (1) Effective December 31, 2025, 1,394,014 warrants issued pursuant to the senior secured debenture agreement and 788,851 bonus warrants issued pursuant to the operating loan agreement during the year ended 2024 were cancelled.

Stock options

Outstanding stock options as at June 30, 2026 and December 31, 2025, are as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, December 31, 2024	11,498	\$2.61	1.74
Balance, December 31, 2025	11,498	\$2.61	0.74
Balance, June 30, 2026	11,498	\$2.61	0.49
Number of options exercisable	11,498	\$2.61	0.49

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. None of these RSUs are held in escrow as at June 30, 2026 and December 31, 2025. The RSUs 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. The fair value of the RSUs at grant date was \$855,442. These RSUs are expired and fully vested as at June 30, 2026.

On June 30, 2025, the Company issued 246,511 RSUs which vest one year from the grant date. The fair value of the RSUs at grant date was \$45,172. These RSUs are expired and fully vested as at June 30, 2026.

During the six months ended June 30, 2026, share-based compensation expense of \$22,586 was recorded (2025 - \$118,589).

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17. Borrowings

Borrowings as at June 30, 2026 and December 31, 2025 are comprised as follows:

	Current		Non-current	
	June 30, 2026	December 31, 2025	June 30, 2026	December 31, 2025
Banks' borrowings	\$ -	\$ -	\$ -	\$ -
Private Loans	1,907,177	1,795,224	-	-
Shareholder loans	13,182,577	11,863,615	1,008,285	948,285
Other loans	246,000	261,000	-	-
Total	\$ 15,335,754	\$ 13,919,839	\$ 1,008,285	\$ 948,285

Changes in the borrowings for the six months ended June 30, 2026 and year ended December 31, 2025 were as follows:

	June 30, 2026	December 31, 2025
Balance at January 1	\$ 14,868,124	\$ 9,794,806
Cash inflows from issuances	670,000	5,615,000
Cash outflows from repayments	(15,000)	(2,302,621)
Cash outflows from interest payments	(17,932)	(307,293)
Interest accrued	838,847	1,420,435
Accretion expense on debt (Note 17)	-	647,797
Closing balance	16,344,039	\$ 14,868,124

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 December 31, 2026. The credit facility was renewed on March 12, 2025 with an update to the expiry date from October 19, 2024 to December 31, 2026 with no other significant changes to the terms and conditions and resulted in no gain or loss on modification of the credit facility. These loans were settled during the year ended December 31, 2025.

Description	Starting date	Expiry date	Principal	Interest rate	Balance as at	
					June 30, 2026	December 31, 2025
Houses Credit Line	Aug 24, 2019	Dec 31, 2026	\$ 4,141,787	9.25%	\$ -	\$ -
Infrastructure Credit Line	Aug 24, 2019	Dec 31, 2026	\$ 2,459,291	9.25%	-	-
Interest Capitalization	Apr 9, 2021	Dec 31, 2026	\$ 446,741	9.25%	-	-
Total					\$ -	\$ -

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, which had 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, on July 11, 2024, 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.

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17. Borrowings (continued)

Shareholder loan

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 were be advanced to the Company each month with the final Tranche 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. As at December 31, 2024, the Company received \$4,610,000 and issued 1,394,014 warrants. The gross proceeds were 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 six months ended June 30, 2026 was nil (2025 - \$311,730). Effective December 31, 2025, these 1,394,014 warrants were cancelled.

On October 24, 2024, the Company entered into an unsecured draw down loan agreement, for a principal amount up 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 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 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 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 a 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. As at December 31, 2024, the Company received advances totalling to \$1,000,000 and issued 788,851 bonus warrants. The gross proceeds were 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 six months ended June 30, 2026 was nil (2025 - \$27,155). Effective December 31, 2025, these 788,851 bonus warrants were cancelled.

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.

During the year ended December 31, 2025, the Company signed an unsecured, on demand promissory note at interest rate of 12% per annum with a shareholder, and received proceeds of \$5,615,000 under this agreement.

During the six months ended June 30, 2026, the Company received \$670,000 from an existing shareholder at an interest rate of 12% per annum.

Other loans

The Company has a loan agreement with Panama Equities, Inc. bearing interest rate 4% per annum and repayable on demand. As at June 30, 2026, the outstanding balance was \$237,500 (December 31, 2025 - \$252,500). The Company also has an interest-free loan of \$8,500 as of June 30, 2026 (December 31, 2025 - \$8,500).

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17. Borrowings (continued)

Interest expense and accretion expenses

Interest expense for the six months ended June 30, 2026 was \$838,847 (2025 - \$545,998) comprised of interest on borrowings of \$838,847 (2025 – \$544,153) and other fees and charges of \$nil (2025 - \$1,845).

18. Related party disclosures

The Company entered 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:

For the six months ended	June 30, 2026	June 30, 2025
Remuneration for services		
Salaries and Wages	\$ 267,811	\$ 289,832
RSUs (Note 16)	22,586	118,589
	\$ 290,397	\$ 408,421

Amounts due to and from related parties as at June 30, 2026 and December 31, 2025 are as follows:

Related party assets (liabilities)	June 30, 2026	June 30, 2025
Key management personnel	\$ (35,523)	\$ (13,034)
Shareholder loan (Note 17)	\$ (14,370,089)	\$ (5,509,738)

The amount due to key management personnel, included in other accounts payable, relates to unpaid remuneration and reimbursement of business-related travel expenses.

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19. 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).

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 the Republic of Panama and the Fusion software in the United States. There is no customer that amounts to 10 percent or more of the total revenues earned during the six months ended June 30, 2026 and 2025.

The segmented information for the six months ended June 30, 2026 and 2025 is as follows:

	For the six months ended June 30, 2026			For the six months ended June 30, 2025		
	Panama	US	Consolidated (1)	Panama	US	Consolidated (1)
Sales	\$ 804,390	\$ 202,662	\$ 1,007,052	\$ 978,360	\$ 226,941	\$ 1,205,301
Cost of sales	(616,529)	(43,002)	(659,531)	(876,320)	(181,794)	(1,058,114)
Sales expenses	(68,712)	-	(68,712)	(52,217)	-	(52,217)
Employee benefits expense	(46,588)	-	(46,588)	(77,626)	-	(77,626)
Depreciation	(7,880)	-	(7,880)	(15,737)	(71,493)	(87,230)
Administrative expenses	(660,077)	(239,806)	(1,021,165)	(529,751)	(45,453)	(768,251)
Operating loss	\$ (595,396)	\$ (80,146)	\$ (796,824)	\$ (573,291)	\$ (71,799)	\$ (838,137)
Other income	43,875	-	43,875	-	-	-
Interest expense	(838,847)	-	(838,847)	(884,883)	-	(884,883)
Write-down of receivables	(6,000)	-	(6,000)	(201,245)	-	(201,245)
Share-based compensation	-	-	(22,586)	-	-	(118,589)
Loss before taxes	\$ (1,396,368)	\$ (80,146)	\$ (1,620,382)	\$ (1,320,534)	\$ (71,799)	\$ (2,042,854)

	As at June 30, 2026			As at December 31, 2025		
	Panama	US	Consolidated	Panama	US	Consolidated
Segmented assets	\$ 8,607,185	\$ 419,304	\$ 9,026,489	\$ 8,434,763	\$ 647,101	\$ 9,481,864
Segmented liabilities	16,386,294	1,682,792	18,069,086	88,604	1,792,873	16,950,299

(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.

20. 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 June 30, 2026 comprises of shareholder's deficit of \$9,041,432 (December 31, 2025 - \$7,468,435) and total borrowings of \$16,344,039 (December 31, 2025 - 14,868,124). The 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 consider 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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20. Capital and risk management (continued)

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 during the six months ended June 30, 2026 and 2025.

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.

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 June 30, 2026 and December 31, 2025 are as follows:

June 30, 2026	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	\$ 434,284	\$ 1,174,040	\$ -	\$ -	\$ 1,608,324
Advances received from customers	66,293	-	-	-	66,293
Private loans	1,907,177	-	-	-	1,907,177
Shareholder loan	13,182,577	-	1,187,512	-	14,370,089
Other loans	246,000	-	-	-	246,000
TOTAL	\$ 15,836,331	\$ 1,174,040	\$ 1,187,512	\$ -	\$ 18,197,883

December 31, 2025	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	\$ 673,423	\$ 1,241,848	\$ -	\$ -	\$ 1,915,271
Advances received from customers	120,548	-	-	-	120,548
Private loans	1,795,224	-	-	-	1,795,224
Shareholder loan	6,257,915	5,605,700	1,127,500	-	12,991,115
Other loans	261,000	-	-	-	261,000
TOTAL	\$ 9,108,110	\$ 6,847,548	\$ 1,127,500	\$ -	\$ 17,083,158

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20. Capital and risk management (continued)

Foreign Currency risk

The Company's functional and reporting 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 dollars. As of June 30, 2026, 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 of 10% in USD/CAD exchange rate as of June 30, 2026 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 June 30, 2026, 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 rate changes. 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 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. The Company has the backing of the bank letters of promise to pay the differential not covered directly by the customers. 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. 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. During the six months ended June 30, 2026, \$6,000 of receivables were written off (2025 - \$201,245).

The aging for other accounts receivable as at June 30, 2026 are:

		Current	60-180 days	Over 180 days	Total
Solidarity bonus receivable	\$	-	\$ 50,000	\$ 1,140,000	\$ 1,190,000
Electrical systems reimbursement		-	-	139,412	139,412
Other		1,500	-	-	1,500
Customers and employees ⁽¹⁾		250,385	-	-	250,385
Total	\$	251,885	\$ 50,000	\$ 1,279,412	\$ 1,581,297

(1) Includes receivable of \$216,000 from the sale of land held for development, see Note 8.

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20. Capital and risk management (continued)

Changes in the provision for expected credit losses at June 30, 2026 and December 31, 2025 result from the following:

Balance - December 31, 2024	\$	964,367
Allowance made during the year		441,120
Provision reversed		(314,075)
Balance, December 31, 2025	\$	1,091,412
Allowance made during the year		6,000
Provision reversed		-
Balance, June 30, 2026	\$	1,097,412

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

21. Fair value measurement of financial instruments

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

Financial assets and liabilities measured at fair value in the consolidated statement 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 six months ended June 30, 2026 and 2025, 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 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 June 30, 2026, the fair value of borrowings is \$16,344,039 (December 31, 2025 - \$14,868,124).

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22. Loss per share

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

	For the six months ended	
	June 30, 2026	June 30, 2025
Net loss	\$ (1,620,382)	\$ (2,042,854)
Weighted average number of common shares outstanding	17,151,168	17,151,168
Loss per share, basic	\$ (0.09)	\$ (0.12)
Loss per share, diluted	\$ (0.09)	\$ (0.12)

The effect of dilution from stock options, warrants and RSUs was excluded from the calculation of weighted-average number of shares outstanding for diluted loss per share for the six months ended June 30, 2026 and 2025, as they are anti-dilutive.

23. Contingencies

During 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. The court ruled in favor of the Company for damages of \$474,458 and lawyer fees. However, the Company has so far not been successful in collecting the damages from the contractor. The Company has not recorded a contingency gain for this amount.

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

24. Subsequent events

- a. On July 23, 2026, the Company settled in full other loans in the amount of \$240,271 due to Panama Equities (Note 17).
- b. On July 27, 2026, the Company entered into an amended and restated unsecured loan agreement (the "Restated Loan Agreement") with an existing shareholder, which is subject to final acceptance by the TSX Venture Exchange. The Restated Loan Agreement consolidates the Company's existing indebtedness to the Lender, comprising shareholder loans with aggregate principal of \$11,498,000. These shareholder loans included the senior secured debenture loan with principal of \$4,610,000, unsecured draw down loan with principal balance of \$1,000,000, promissory note dated December 31, 2024 with principal of \$273,000 and promissory note dated December 31, 2025 with principal of 5,615,000.

The Restated Loan Agreement also provides for up to \$1,750,000 of additional funding, which the Company is not obligated to draw, resulting in a maximum aggregate principal amount of \$13,248,000. Outstanding principal bears interest at 12% per annum, with all principal and accrued interest due on December 31, 2027. No bonus warrants, replacement warrants or other securities were issued in connection with the Restated Loan Agreement.