

Impact Development Group Inc.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months ended September 30, 2024 and 2023

(Unaudited)

(Expressed in US Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED 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 interim consolidated 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 interim consolidated financial statements by an entity's auditor.

Impact Development Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in US Dollars)

As at September 30, 2024

<i>As at</i>	Note		September 30, 2024		December 31, 2023
Assets					
Current					
Cash and cash equivalents	14	\$	10,234	\$	71,523
Other accounts receivable	12		627,563		879,792
Property and other inventories	10		8,410,981		11,181,591
Land held for development	8		13,846,463		13,897,177
Prepayments and other short-term assets	11		138,368		458,355
Current assets			23,033,609		26,488,438
Non-current					
Machinery and equipment	7		53,070		106,279
Right of use assets	9		8,001		18,101
Non-current assets			61,071		124,380
Total assets		\$	23,094,680	\$	26,612,818
Liabilities and shareholder's equity					
Current					
Accounts payable and accrued liabilities	13	\$	3,155,090	\$	3,239,877
Borrowings – Current	18		2,792,800		5,324,131
Lease Liabilities – Current	9		28,894		73,148
Advances received from customers			97,866		136,970
Current liabilities			6,066,650		8,774,126
Non-current					
Provisions for employee benefits			63,603		50,741
Borrowings – Non-Current	18		5,640,191		1,644,553
Lease liabilities – Non-Current	9		-		10,850
Non-current liabilities			5,703,794		1,706,144
Share capital	15		51,887,992		50,269,701
Contributed surplus	15,16		1,689,207		1,440,926
Deficit			(42,124,497)		(35,442,474)
Accumulated other comprehensive income			(861)		-
Complementary tax			(135,605)		(135,605)
Total shareholder's equity			11,316,236		16,132,548
Total liabilities and shareholder's equity		\$	23,094,680	\$	26,612,818

Nature of operations and continuance of business (Note 1)

Going concern (Note 2)

Approved and authorized by the Board on November 22, 2024

/s/ "Thomas Wenz"

Thomas Wenz

Director

/s/ "Sophie Galper-Komet"

Sophie Galper-Komet

Director

Impact Development Group Inc.

Condensed Consolidated Interim Statement of Earnings and Comprehensive Loss

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

		Three months ended September 30		Nine months ended September 30	
	Note	2024	2023	2024	2023
Sales		\$ 987,450	\$ 1,791,277	\$ 3,498,908	\$ 4,387,762
Cost of sales		(4,606,992)	(1,925,339)	(6,872,628)	(4,776,203)
Sales expenses		(178,840)	(123,627)	(337,465)	(244,676)
Employee benefits expense		(40,747)	(63,223)	(126,430)	(195,034)
Depreciation	7,9	(9,563)	(41,781)	(45,504)	(143,207)
Overhead and administrative expenses		(492,574)	(428,718)	(1,299,808)	(1,413,341)
Operating loss		(4,341,266)	(791,410)	(5,182,927)	(2,384,699)
Other income		43,768	165,947	153,236	270,787
Interest expense	18	(197,584)	(834,464)	(495,062)	(2,464,860)
Write-down of receivables	12	214,416	-	(108,128)	-
Accretion expense on debt	18	(109,670)	-	(222,651)	-
Share-based compensation	16	(124,022)	-	(546,174)	-
Debt financing costs	18	(280,317)	-	(280,317)	-
Loss before taxes		(4,794,675)	(1,459,927)	(6,682,023)	(4,578,772)
Comprehensive loss		(6,273)	-	(861)	
Net loss and comprehensive loss		\$ (4,800,948)	\$ (1,459,927)	\$ (6,682,884)	\$ (4,578,772)
Weighted average number of shares outstanding		15,473,498	2,222,212	15,095,633	2,222,212
Net loss per share, basic	17	\$ (0.31)	\$ (0.66)	\$ (0.44)	\$ (2.06)
Net loss per share, diluted		\$ (0.31)	\$ (0.66)	\$ (0.44)	\$ (2.06)

See accompanying notes to the condensed consolidated interim financial statements

Impact Development Group Inc.

Condensed Consolidated Interim Statement of Changes in Shareholder's Equity (Deficiency)

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

		Share capital		Contributed surplus	Accumulated Deficit	AOCI	Complementary tax	Total
	Note	Shares	Amount					
Balance, January 1, 2023		33,333,433	33,333,433	-	(48,567,911)	-	(135,605)	(15,370,083)
Net loss		-	-	-	(4,578,772)	-	-	(4,578,772)
Balance, September 30, 2023		33,333,433	33,333,433	-	(53,146,683)	-	(135,605)	(19,948,855)
Balance, January 1, 2024		14,141,928	\$ 50,269,701	\$ 1,440,926	\$ (35,442,474)	\$ -	\$ (135,605)	\$ 16,132,548
Warrants issued	16	-	-	1,040,081	-	-	-	1,040,081
Common shares issued on exercise of warrants	15	1,250,548	1,337,974	(1,337,974)	-	-	-	-
Common shares issued on debt financing	18	92,025	280,317	-	-	-	-	280,317
Share-based compensation	16	-	-	546,174	-	-	-	546,174
Net loss		-	-	-	(6,682,023)	-	-	(6,682,023)
Other comprehensive income		-	-	-	-	(861)	-	(861)
Balance, September 30, 2024		15,484,501	\$ 51,887,992	\$ 1,689,207	\$ (42,124,497)	\$ (861)	\$ (135,605)	\$ 11,316,236

See accompanying notes to the condensed consolidated interim financial statements

Impact Development Group Inc.

Condensed Consolidated Interim Statement of Cash Flows

(Expressed in US Dollars)

Nine months ended September 30, 2024 and 2023

For the nine months ended	Note	September 30, 2024	September 30, 2023
Net loss		\$ (6,682,023)	\$ (4,578,772)
<i>Adjustments:</i>			
Depreciation expense	7,9	63,402	251,502
Interest expense	18	493,320	2,464,860
Stock based compensation	16	546,174	-
Provision for warranties	13	188,334	-
Write-down of receivables	12	108,128	-
Accretion of debt	18	222,651	-
Debt financing costs	18	280,317	-
Write-down of property and other inventories	10	2,602,705	-
Changes in non-cash working capital		375,348	(2,009,616)
Other accounts receivables		144,101	(364,601)
Property and other inventories		167,905	(419,862)
Land held for development		50,714	-
Prepayments and other short-terms assets		319,988	(345,328)
Other account payables		(281,120)	(212,418)
Advances received from customers		(39,101)	(651,904)
Provisions for employee benefits		12,861	(15,503)
Other		225,305	287,089
Net Cash used in operating activities		(1,576,339)	(3,584,938)
Investing Activities			
Proceeds from disposal of machinery and equipment	7	7,906	183,448
Net Cash from investing activities		7,906	183,448
Financing Activities			
Proceeds from borrowings	18	3,620,000	6,723,118
Interests paid on borrowings	18	(245,557)	(1,060,452)
Repayments of borrowings	18	(1,808,563)	(1,745,350)
Interests paid on lease liabilities	9	(3,442)	(12,050)
Repayment of lease liabilities	9	(55,294)	(160,705)
Net Cash from financing activities		1,507,144	3,744,561
Net change in cash & equivalents		(61,289)	343,071
Cash and equivalents, January 1		71,523	14,910
Cash and cash equivalents, September 30		\$ 10,234	\$ 357,981
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

(Expressed in US Dollars)

Three and nine months ended September 30, 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 (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 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.

The historical figures presented in these consolidated financial statements represent those of IHC and its subsidiaries. The acquired assets and liabilities and the results of operations and cash flows of Yubba are reflected only for the periods from the acquisition date of November 30, 2023.

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

The condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 22, 2024.

2. Going concern assessment

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation and be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. In assessing whether this going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, management considers all available information and actions within its control with respect to the future which is at least, but not limited to, twelve months from the end of the reporting period.

During the three and nine months ended September 30, 2024, the Company generated a net loss of \$4,800,948 and \$6,682,884 respectively (2023 – \$1,459,927 and \$4,578,772). For the nine months ended September 30, 2024 and 2023, and net cash flows used in operating activities of \$1,576,339 and \$3,584,938. As of September 30, 2024, the Company has an accumulated deficit of \$42,124,497 (December 31, 2023 – \$35,442,474) and working capital surplus of \$16,966,959 (2023 – \$17,326,473). 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, to ultimately attain and maintain profitable operations.

These condensed consolidated interim financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the statement of financial position classifications used and disclosures that might be necessary should the Company be unable to continue its operations. Such adjustments could be material and there is no assurance that the Company will be successful in closing additional financings in the future or that the Company will achieve profitable operations.

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

3. Basis of preparation

a. Statement of compliance

The condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of these consolidated financial statements.

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

Name of Subsidiary	Principal activity
Impact Housing Corporation	Administrative services
Impact Housing Management Corporation	Administrative services
Promotora Santiago Development Corp.	Project Developer
Promotora Soná, S. A.	Project Developer
Promotora Capellania, S. A.	Project Developer
Tekeros Santiago, S. A.	Construction manager
Tekeros Constructores, S. A.	Construction manager
Impact Equipos, S. A.	Machinery and Equipment manager
Comercializadora Soná, S. A.	Payroll manager
Impact Santiago, S. A.	Payroll manager
Impact Sona, S. A.	Payroll manager
Impact Construction, S. A.	Payroll manager
Promotora Los Faros de Santiago, S.A.	Project Developer
Impact Construction, S.A.	Construction manager
Promotora Villas de Vizcaya, S.A.	Project Developer
Promotora Villas de Valencia, S.A.	Project Developer
Promotora Villas de Alicante, S.A.	Project Developer
Promotora Santiago Comercial, S.A.	Project Developer

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

3. Basis of preparation (continued)

d. Functional and presentation currency

The financial statements are presented in United States Dollar. The Company's functional currency is the United States Dollar, which is the currency transacted in Republic of Panama, the primary economic environment in which it operates.

Transactions in currencies other than the Company'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.

e. Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. There are reclasses between various expense line items on the Statement of Earnings and comprehensive loss for the three and nine months ended September 30, 2023, for comparability with the account classifications used for the three and nine months ended September 30, 2024.

These reclassifications had no effect on the reported net cash flows used in operating and financing activities included in the consolidated statements of cash flows and had no effect on the total reported loss and comprehensive loss for the period.

4. Summary of material accounting policies

These condensed interim consolidated 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 interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2023, 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, 2023.

5. Critical accounting judgments, assumptions and estimates

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, 2023.

6. Reverse acquisition

On April 14, 2023, Yubba and Impact Housing Corporation, incorporated in Bahamas and Impact Housing Corporation, incorporated in Panama ("IHC") entered into an 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.

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

6. Reverse acquisition (continued)

The transaction was considered a reverse takeover (“RTO” or “RTO Transaction”) 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 common shares of Yubba 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 estimated fair value of \$1.07 per share as at the RTO date.

In addition, 177,600 common share purchase warrants and 300,000 stock options of Yubba were exchanged on the RTO Transaction to 6,807 common share purchase warrants and 11,498 stock options of the Company and were valued at \$910 and \$1,537 respectively and included in the consideration paid by the Company. The Company used the Black-Scholes Option Pricing Model to determine the fair value of the common share purchase warrants 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 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 amalgamation 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

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

7. Machinery and equipment

Machinery and equipment consist 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 9)	187,250	-	-	-	187,250
Disposals	(435,312)	(173,950)	-	-	(609,262)
Balance at September 30, 2024	\$ 826,849	\$ 83,148	\$ 100,901	\$ 395,436	\$ 1,406,334
Depreciation and impairment					
Balance at January 1, 2024	\$ 1,016,950	\$ 256,484	\$ 89,309	\$ 359,323	\$ 1,722,066
Transfer from ROU assets	187,250	-	-	-	187,250
Depreciation	30,191	614	4,013	10,484	45,302
Disposals	(427,404)	(173,950)	-	-	(601,354)
Balance at September 30, 2024	\$ 806,987	\$ 83,148	\$ 93,322	\$ 369,807	\$ 1,353,264
Net book value at September 30, 2024	\$ 19,862	\$ -	\$ 7,579	\$ 25,629	\$ 53,070

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 9) ⁽²⁾	1,331,615	36,850	56,496	-	1,424,961
Disposals	(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					
Balance at January 1, 2023	\$ 660,394	\$ 233,465	\$ 23,932	\$ 329,900	\$ 1,247,691
Disposals	(972,161)	(45,767)	-	-	(1,017,928)
Transfer from ROU asset (Note 9) ⁽¹⁾	1,233,066	30,708	49,905	-	1,313,679
Reclassifications	10,593	-	-	(10,593)	-
Depreciation	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	\$ 36,113	\$ 106,280

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

7. Machinery and equipment (continued)

- (1) 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.

8. Land held for development

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

	September 30, 2024	December 31, 2023
Opening balance – January 1	\$ 13,897,177	\$ 13,541,131
Additions	-	356,046
Transfer to Property and other inventories (Note 10)	(50,714)	-
Closing balance	\$ 13,846,463	\$ 13,897,177

9. 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
Transfer to Machinery and Equipment (Note 7)	(187,250)	-	-	(187,250)
Balance at September 30, 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 7)	(187,250)	-	-	(187,250)
Depreciation	10,100	-	-	10,100
Balance at September 30, 2024	\$ 93,649	\$ 112,150	\$ 78,741	\$ 284,540
Carrying amount at September 30, 2024	\$ 8,001	\$ -	\$ -	\$ 8,001

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

9. Leases (continued)

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 7)	(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 7)	(1,233,066)	(30,708)	(49,905)	(1,313,679)
Depreciation	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

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	3,631
Lease payments	(58,735)
Balance at September 30, 2024	\$ 28,894

The maturity analysis of the lease liabilities as at September 30, 2024 is as follows:

Maturity Analysis	September 30, 2024
Less than one year	\$ 29,665
One to five years	-
Over five years	-
Total undiscounted lease liabilities	29,665
Amount representing implicit interest	(771)
	\$ 28,894

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

10. Property and other inventories

Property and other inventories consist of the following:

Finished	September 30, 2024	December 31, 2023
Los Sueños de Santiago – Phase 4	\$ -	\$ 874,602
La Reserva de Santiago – Phase 1	-	411,698
Los Sueños de Santiago – Phase 5	-	822,369
	-	2,018,669
Under construction or development		
Los Sueños de Santiago – Phase 4	3,476,951	4,781,356
Los Sueños de Santiago – Phase 5	463,734	562,067
Los Sueños de Santiago – Phase 8	3,059,608	2,700,873
Los Sueños de Santiago – Diamante	424,359	178,858
Los Sueños de Santiago – Phase 6-7	137,567	89,568
La Reserva Social – Phase 2	33,586	33,585
	7,595,804	8,346,307
Materials	815,177	726,615
Total property and other inventories	\$ 8,410,981	\$ 11,181,591

Changes in the carrying value of property and other inventories as at September 30, 2024 and December 31, 2023 were as follows:

	September 30, 2024	December 31, 2023
Opening balance	\$ 11,181,591	\$ 12,400,980
Costs incurred in development	3,348,117	6,223,321
Capitalized interest	226,426	382,980
Write-down of cost to net realizable value ⁽¹⁾	(2,602,705)	(1,794,782)
Cost of goods sold ⁽¹⁾	(3,742,448)	(6,030,908)
Closing balance	\$ 8,410,981	\$ 11,181,591

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

11. Prepayments and other short-term assets

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

	September 30, 2024	December 31, 2023
Advances on expenses	\$ 49,982	\$ 446,243
Others	88,476	12,112
Total	\$ 138,368	\$ 458,355

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12. Other accounts receivables

Other accounts receivable were comprised as follows:

	September 30, 2024	December 31, 2023
Solidarity bonus subsidy	\$ 1,330,000	\$ 1,410,000
Electrical system reimbursement	159,786	182,904
Customer and employee	53,518	94,500
Expected credit losses (Note 21)	(915,741)	(807,612)
Total	\$ 627,563	\$ 879,792

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 loss. The provision for nine months ended September 30, 2024 and the year ended December 31, 2023 is as follows:

Balance – January 1, 2023	\$ -
Additions	174,540
Balance – December 31, 2023	174,540
Additions	188,334
Reversal	(154,966)
Balance – September 30, 2024	\$ 207,908

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 loss, as at September 30, 2024 and as at December 31, 2023 is as follows:

Balance – January 1, 2023	\$ -
Additions	1,630,597
Balance – December 31, 2023	\$ 1,630,597
Additions	425,663
Costs spent in the period	(572,922)
Balance – September 30, 2024	\$ 1,483,338

14. Cash and cash equivalents

	September 30, 2024	December 31, 2023
Cash on hand	\$ 16	\$ 500
Deposits in bank	10,218	71,023
Total	\$ 10,234	\$ 71,523

As of September 30, 2024, and December 31, 2023, the Company had no restrictions on its cash placed in deposits in the bank.

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15. Share Capital

The Company has authorized an unlimited number of common shares and 12,132,773 shares are held in escrow as at September 30, 2024 (December 31, 2023 – 10,882,225). Outstanding common shares as at September 30, 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 6)	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
Balance, March 31, 2024	3,259,703	12,132,773	\$ 51,607,675
Balance, June 30, 2024	3,259,703	12,132,773	\$ 51,607,675
Shares issued ⁽⁶⁾	92,025	-	\$280,317
Balance, September 30, 2024	3,351,728	12,132,773	\$ 51,887,992

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 March 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 18 for details.

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16. Share-based Compensation

Warrants

Outstanding warrants as at September 30, 2024 and December 31, 2023 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 issued ⁽⁴⁾	921,645	-	\$ 5.05	2.82
Warrants exercised – March 12, 2024 ⁽³⁾	-	(1,250,548)	-	-
Balance, March 31, 2024	928,452	1,663,914	\$ 4.11	2.74
Warrants issued ⁽⁴⁾	472,369	-	\$ 4.65	2.83
Balance, June 30, 2024	1,400,821	1,663,914	\$ 4.20	2.55
Balance, September 30, 2024	1,400,821	1,663,914	\$ 4.20	2.30
Number of warrants exercisable	1,400,821	-		

- ⁽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:

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 15 – 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.

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

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- (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

Stock options

Outstanding stock options as at September 30, 2024 and December 31, 2023, 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, March 31, 2024	11,498	\$2.61	2.49
Balance, June 30, 2024	11,498	\$2.61	2.24
Balance, September 30, 2024	11,498	\$2.61	2.19
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 the RTO Transaction date using the Black-Scholes Option Pricing Model and the following assumptions:

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”) which are held in escrow as at September 30, 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 three and six months ended September 30, 2024, an expense of \$124,022 and \$546,174 (2023 – \$nil) was recorded as share-based compensation.

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17. Earnings (loss) per share

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

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net loss	\$ (4,800,948)	\$ (1,459,927)	\$ (6,682,884)	\$ (4,578,772)
Weighted average number of common shares outstanding	15,473,498	2,222,212	15,095,633	2,222,212
Loss per share, basic	\$ (0.31)	\$ (0.66)	\$ (0.44)	\$ (2.06)
Loss per share, diluted	\$ (0.31)	\$ (0.66)	\$ (0.44)	\$ (2.06)

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 three and nine months ended September 30, 2024, as they are anti-dilutive.

18. Borrowings

Borrowings as at September 30, 2024 and December 31, 2023 are comprised as follows:

	Current		Non-current	
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Banks' borrowings	\$ 2,466,800	\$ 4,008,131	\$ -	\$ -
Private loan	-	-	1,543,257	1,644,553
Shareholder loan	-	990,000	4,096,934	-
Other loans	326,000	326,000	-	-
TOTAL	\$ 2,792,800	\$ 5,324,131	\$ 5,640,191	\$ 1,644,553

Changes in the borrowings were as follows:

	September 30, 2024	December 31, 2023
Opening balance	\$ 6,968,684	\$ 41,360,116
Cash inflows from issuances	3,620,000	1,590,000
Cash outflows from repayments	(1,808,564)	(1,739,362)
Cash outflows from interest payments	(245,558)	(1,457,170)
Interest accrued	715,859	3,343,878
Financing cost ⁽¹⁾	(1,040,081)	-
Accretion expense on debt ⁽¹⁾	222,651	-
Debt settlement as part of RTO Transaction ⁽²⁾	-	(36,128,778)
Closing balance	\$ 8,432,991	\$ 6,968,684

⁽¹⁾ Refer to Shareholder loans below and note 16 on the fair value of warrants issued pursuant to the secured debenture 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.

⁽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.

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18. Borrowings (continued)

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. The Company did not repay the loan on the maturity date and is currently negotiating an extension or amendment.

Description	Starting date	Expiry date	Amount	Interest rate	September 30, 2024	December 31, 2023
Houses Credit Line	Aug 24, 2019	Oct 19, 2024	\$ 4,141,787	9.25%	\$ 1,372,378	\$ 2,703,272
Infrastructure Credit Line	Aug 24, 2019	Oct 19, 2024	\$ 2,459,291	9.25%	676,010	898,015
Interests						
Capitalization	Apr 9, 2021	Oct 19, 2024	\$ 446,741	9.25%	418,412	406,844
Total					\$ 2,466,800	\$ 4,008,131

Private Loan

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 resulting in no gain or loss on the debt amendment. The 92,025 common shares issued were recognized as debt financing costs in the Condensed Consolidated Interim Statement of Earnings and Comprehensive Loss.

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 will be advanced to the Company each month with the final Tranche to be advanced on or before July 31, 2024. As at September 30, 2024 the Company received \$4,610,000 (December 31, 2023 - \$990,000). The Company allocated the gross proceeds between the shareholder loan and Company 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 three and nine months ended September 30, 2024 was \$109,834 and \$222,651.

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.

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18. Borrowings (continued)

Interest expense

Interest expense for the three and nine months ended September 30, 2024 of \$197,584 and \$495,062 (September 30, 2023 - \$834,464 and \$2,464,860) comprised of interest on borrowings of \$195,706 and \$489,267 (September 30, 2023 - \$794,925 and \$2,411,609) and accretion of lease liabilities of \$742 and \$3,631 (September 30, 2023 - \$3,876 and \$12,081) and other fees and charges of \$1,136 and \$2,164 (September 30, 2023 - \$35,663 and \$41,170).

19. 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:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Remuneration for services				
Salaries and Wages	\$ 111,669	\$ 111,669	\$ 330,839	\$ 331,631
RSUs (Note 16)	124,022	-	546,174	-
	\$ 235,691	\$ 111,669	\$ 657,843	\$ 331,631

Amounts due to and from related parties as at September 30, 2024 and December 31, 2023 are as follows:

Related party assets (liabilities)	September 30, 2024	December 31, 2023
Key management personnel	\$ (90,327)	\$ (2,500)
Shareholder loans (note 18)	\$ (4,914,200)	\$ (990,000)

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

20. 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).

The Company has one operating and reporting segment. 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 at consolidated level due to the integrated nature of the construction of the homes. The Company has one product line which is the construction of houses in the interior of Republic of Panama. All current operations and assets are held in Panama with no revenues and business operations outside of Panama. There is no customer that amounts to 10 percent or more of the total revenues earned in the nine months ended September 30, 2024, and 2023.

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21. 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 September 30, 2024 comprises of shareholder's equity of \$11,316,236 (December 31, 2023 - \$16,132,548) and total debt of \$8,432,991 (December 31, 2023 - \$6,968,684.) 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 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. 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.

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 September 30, 2024 and December 31, 2023 are as follows:

September 30, 2024	Contractual obligations				Total
	In 6 months	7 to 12 months	More than 1 year up to 5 years	More than 5 years	
Accounts payable	\$ 1,253,682	\$ 1,901,408	\$ -	\$ -	\$ 3,155,090
Advances received from customers	97,869	-	-	-	97,869
Lease liabilities	29,665	-	-	-	29,665
Bank loans	2,466,800	-	-	-	2,466,800
Private loan	-	-	1,543,257	-	1,543,257
Shareholder loan	-	-	4,914,200	-	4,914,200
Other loans	326,000	-	-	-	326,000
TOTAL	\$ 4,174,016	\$ 1,901,408	\$ 6,457,457	\$ -	\$ 12,532,881

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21. Capital and risk management (continued)

December 31, 2023	Contractual cash flows				Total
	In 6 months	7 to 12 months	More than 1 year up to 5 years	More than 5 years	
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 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 dollar. As of September 30, 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 September 30, 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 September 30, 2024, 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. For each 0.25% change in the interest rate, the Company's net loss for the three and nine months ended September 30, 2024 and 2023, would be impacted by \$nil.

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. For the nine months ended September 30, 2024, \$108,128 of receivables were written off (2023 – nil).

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21. Capital and risk management (continued)

The aging for other accounts receivable as at September 30, 2024 are:

	Current	60-180 days	Over 180 days	Total
Solidarity bonus receivable	\$ 70,000	\$ 190,000	\$ 1,070,000	\$ 1,330,000
Electrical systems reimbursement	20,374	-	139,412	159,786
Customers and employees	53,518	-	-	53,518
TOTAL	\$ 143,892	\$ 190,000	\$ 1,209,412	\$ 1,543,304

Changes in the provision for expected credit losses at September 30, 2024 result from the following:

Balance – December 31, 2022	\$	-
Allowance made during the year		807,612
Receivable written off		-
Balance – December 31, 2023	\$	807,612
Allowance made		668,129
Provision reversed		(560,000)
Balance, September 30, 2024	\$	915,741

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.

22. 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 nine months ended September 30, 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 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 September 30, 2024 and December 31, 2023, the fair value of borrowings is \$10,677,758 and \$7,460,410 respectively.

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23. 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. 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 the damages from the contractor. The Company has not recorded a contingency gain for this amount.

24. Subsequent events

1. On October 24, 2024, the Company acquired 100% of the issued and outstanding shares of Fusion Inc. ("Fusion"), a software company located in Ohio, the United States ("Transaction"). Fusion are the creators of an innovative software platform designed to streamline the administration of Low-Income Housing Tax Credits for asset managers, developers and syndicators.

As consideration for the acquisition, the Company has or will issue to Fusion, or shareholders of Fusion, an aggregate of:

- a) 1,666,667 IDG common shares, each issued at a deemed price of USD \$3.00 ("Consideration shares"); and
- b) 1,166,668 IDG 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.

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.

If the Company fails to meet the deadlines set out above, and the related Revenue Milestones are not achieved by Fusion, then:

- For the first Revenue Milestone, Impact will issue a proportional number of Earn-Out Shares based on the amount contributed during the first 14 months following the Closing Date.
- For the second Revenue Milestone, Earn-Out Shares will be issued based on the amount contributed beyond USD\$1,000,000 during the first 26 months following the Closing Date.
- For the third Revenue Milestone, Earn-Out Shares will be issued based on the amount contributed beyond USD\$2,000,000 during the first 38 months following the Closing Date.

All securities issued pursuant to the Transaction will be subject to a statutory hold period of four months and one day from the date of issuance.

2. The Company entered into an unsecured draw down loan agreement dated October 24, 2024 (the "Loan Agreement"), under which the lender thereunder (the "Lender") has committed to providing up to USD\$1,000,000 (the "Loan") to the Company, advanced in four tranches (each, an "Advance") over a period of three months (each, a "Funding Date"), as follows:
 - The initial Advance of USD\$250,000 paid on the effective date ("Effective Date") of the Loan Agreement;
 - The second Advance of USD\$333,333.33 payable on the date that is on or prior to 1 month following the Effective Date;
 - The third Advance of USD\$333,333.34 payable on the date that is on or prior to 2 months following the Effective Date; and
 - One or more final Advance of USD\$133,333.33 payable on the date that is on or prior to 2 months

Impact Development Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three and nine months ended September 30, 2024 and 2023

following the Effective Date.

Pursuant to the Loan Agreement, the Company is not obligated to draw down an Advance; if the Company elects to skip an Advance, it may choose to combine the skipped amount with the next Advance. Notwithstanding the foregoing, the Company and the Lender may determine to alter the Funding Dates, including the timing and number thereof, and the amount of any Advance applicable to such Funding Dates, provided that in no event shall the aggregate principal amount exceed \$1,000,000. The outstanding amount of the principal Loan will accrue interest at a rate of 12% per annum. The outstanding Loan will become due and payable on October 31, 2028. As at November 20, 2024, the Company received advances totalling to \$625,000 out of the \$1,000,000 total loan amount.

In connection with the Loan Agreement, the Company has agreed to issue non-transferable common share purchase warrants (each, a "Bonus Warrant") to the Lender on each Funding Date. The number of Bonus Warrants issued by the Company at each Funding Date will be equal to the amount of the Advance divided by the current market price, as defined in the agreement, ("Current Market Price") of the Company's common shares as at the Funding Date. The Bonus Warrants will have an exercise price equal to the applicable Current Market Price of the Company's common shares at the time of issuance and will be exercisable for a period of three years from the date of issue. In accordance with the policies of the TSX Venture Exchange (the "Exchange"), if the principal is repaid during first year following the final Funding Date, a pro rata number of the total Bonus Warrants shall have their term reduced to the later of: (a) one year from issuance of the Bonus Warrants and (b) 30 days from the reduction or repayment of the loan. The issuance of the Bonus Warrants is subject to the final approval of the Exchange. The Company has issued 192,206 Bonus Warrants on October 24, 2024 at exercise price of 1.30.

The Lender is an existing shareholder to the Company. The Loan will be used towards the working capital and general operations of Fusion.