Spetz Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025 AND 2024
(EXPRESSED IN THOUSANDS OF US DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Spetz Inc., ("Spetz" or the "Company") as at and for the three and six months ended June 30, 2025 (the "June 2025 Financial Statements") are the responsibility of the management and Board of Directors of the Company.

The June 2025 Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in Note 3 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2024. In preparing the June 2025 Financial Statements, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, the June 2025 Financial Statements of the Company have been prepared within acceptable limits of materiality and are in compliance with International Accounting Standard 34, "Interim Financial Reporting".

Management has established processes which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the June 2025 Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of, and for the periods presented by, the June 2025 Financial Statements; and (ii) the June 2025 Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as at the date of and for the periods presented by the June 2025 Financial Statements.

The Board of Directors is responsible for reviewing and approving the June 2025 Financial Statements, together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibility. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee has met with management to review the financial reporting process and other financial information of the Company, including the June 2025 Financial Statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial disclosure of the Company, including the June 2025 Financial Statements, for issuance to the Company's shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Mitchell Demeter"
Mitchell Demeter
Chief Executive Officer

"Ivan Riabov"
Ivan Riabov
Chief Financial Officer

Toronto, Canada,
August 21, 2025

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

SPETZ INC.
Condensed Consolidated Interim Statements of Financial Position (Unaudited)
(Expressed in Thousands of US Dollars)

(Expressed in thousands of United States dollars)

	Notes		June 30, 2025		December 31, 2024
ASSETS					
Current assets					
Cash and cash equivalents		$	2,066	$	1
Accounts receivable, net	5		-		263
Other receivables			22		34
Prepaid expenses	5		-		54
Digital currencies - intangible assets	6		3,129		-
Total current assets			5,217		352
Non-current assets					
Property, plant and equipment, net	5		-		13
Investments	5,7		-		46
Intangible assets	5,8		-		1,600
Goodwill	4,5,9		3,830		332
Total non-current assets			3,830		1,991
Total assets		$	9,047	$	2,343
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	5,10	$	194	$	559
Short-term bank credit	5		-		144
Other payables	5,11		68		757
Related party payables	5,23		89		1,524
Deferred revenue	5		-		205
Related party convertible debenture	5,23		-		273
Convertible debenture	12		472		870
Total current liabilities			823		4,332
Non-current liabilities					
Employee benefit liabilities			-		17
Total liabilities			823		4,349
SHAREHOLDERS' EQUITY					
Share capital and additional paid in capital	13,14,15,12		44,714		34,195
Accumulated deficit			(36,831)		(36,243)
Accumulated other comprehensive income			341		42
Total shareholders' equity			8,224		(2,006)
Total liabilities and shareholders' equity		$	9,047	$	2,343

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

SPETZ INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in Thousands of US Dollars)

(Expressed in thousands of United States dollars, except for per share amounts)

		Three Months Ended		Six Months Ended	
	Notes	**June 30, 2025**	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
Revenues	16	$ 228	$ 473	$ 609	$ 1,016
Cost of revenues	17	51	99	136	211
Gross margin		**177**	**374**	**473**	**805**
Sales and marketing	18	208	310	453	643
General and administration	19	728	297	949	658
Research and development	20	19	41	47	123
Total expenses		**(955)**	**(648)**	**(1,449)**	**(1,424)**
Operating loss for the period		**(778)**	**(274)**	**(976)**	**(619)**
					-
Financial expenses	21	(591)	(60)	(581)	(133)
Financial income		1	-	1	-
Gain on sale of subsidiary	5	968		968	-
Net loss before income tax expense		**(400)**	**(334)**	**(588)**	**(752)**
Income tax recovery		-	-	-	-
Net loss for the period		**(400)**	**(334)**	**(588)**	**(752)**
Other comprehensive income/(loss)					
Foreign exchange gain on translating foreign operations		261	45	299	39
Other comprehensive income/(loss) for the period		**261**	**45**	**299**	**39**
Comprehensive loss for the period		**(139)**	**(289)**	**(289)**	**(713)**
Weighted average shares outstanding					
- Basic and diluted		36,676,196	5,739,090	26,184,955	5,470,998
Loss per share from operations - basic and diluted		$ (0.01)	$ (0.06)	$ (0.02)	$ (0.14)

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

SPETZ INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)
(Expressed in Thousands of US Dollars)

(Expressed in thousands of United States dollars, except for share amounts)

	Number of shares	Share capital and Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total
Balance, January 01, 2024	**5,194,856**	**$ 33,980**	**$ (34,747)**	**$ 88**	**$ (679)**
Other comprehensive income/(loss)	-	-	-	39	39
Net loss for the period	-	-	(752)	-	(752)
Total comprehensive loss	-	-	(752)	39	(713)
Share based payments	-	10	-	-	10
Shares issued to settle debt	572,532	167	-	-	167
Warrants and debenture conversion feature	-	22	-	-	22
Shares issued on RSUs vested	16,232	-	-	-	-
Balance, June 30, 2024	**5,783,620**	**34,179**	**(35,499)**	**127**	**(1,193)**
Other comprehensive income/(loss)	-	-	-	(85)	(85)
Net loss for the period	-	-	(744)	-	(744)
Total comprehensive loss	-	-	(744)	(85)	(829)
Shares issued to settle debt	-	-	-	-	-
Warrants and debenture conversion feature	-	5	-	-	5
Share based payments	-	11	-	-	11
Balance, December 31, 2024	**5,783,620**	**34,195**	**(36,243)**	**42**	**(2,006)**
Other comprehensive income/(loss)	-	-	-	299	299
Net loss for the period	-	-	(588)	-	(588)
Total comprehensive loss	-	-	(588)	299	(289)
Share based payments	-	199	-	-	199
Shares issued to settle debt	4,456,457	316	-	-	316
Shares issued on private placement, net	22,005,523	6,040	-	-	6,040
Shares issued on acquisition of Sonic, net	14,699,999	3,652	-	-	3,652
Shares issued on convertible debenture	1,603,670	197	-	-	197
Shares issued on RSUs vested	181,422	-	-	-	-
Debenture conversion feature	-	115	-	-	115
Balance, June 30, 2025	**48,730,691**	**44,714**	**(36,831)**	**341**	**8,224**

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

SPETZ INC.
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)
(Expressed in Thousands of US Dollars)

(Expressed in thousands of United States dollars)

Six Months Ended		**June 30, 2025**		**June 30, 2024**
Cash flows from operating activities				
Net loss for the period	$	(588)	$	(752)
Non-cash items:				
Accretion expense on convertible debenture		(10)		39
Depreciation and amortization expense		144		181
Increase of related party payables		149		117
Spetz disposal		(968)		-
Revaluation on digital assets		521		-
Foreign exchange gain		-		106
Share based compensation		199		10
		(553)		(299)
Net change in non-cash working capital items:				
Accounts receivable, net		-		45
Other receivables		-		7
Prepaid expenses		-		(35)
Deferred revenue		12		(100)
Employee benefit liabilities		-		(1)
Accounts payable and accrued liabilities		190		(285)
Cash flows used in operating activities		**(351)**		**(668)**
Cash flows from investing activities				
Restricted cash		-		53
Purchase of digital currencies		(3,649)		-
Cash flows provided from/(use in) investing activities		**(3,649)**		**53**
Cash flows from financing activities				
Decrease of short term bank credit		(50)		(245)
Decrease of long term loans		-		(16)
Increase/(decrease) of related party payables		78		425
Net proceeds from related party convertible debenture		-		255
Net proceeds from convertible debenture		-		175
Issuance of common shares for cash, net of costs		6,040		-
Cash Flows provided from financing activities		**6,068**		**594**
Effects of exchange rate changes on cash		**(3)**		**2**
Decrease in cash		**2,065**		**(19)**
Cash, beginning of the period		1		22
Cash, end of the period	**$**	**2,066**	**$**	**3**
Supplemental disclosure of cash flow information				
Interest paid		9		23
Shares issued for Sonic acquisition		3,652		-
Shares issued for service		316		-

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

1. Nature of Operations and Going Concern

Spetz Inc. (the "Company") was incorporated on December 11, 1998, under the laws of the Province of Ontario, Canada. The registered office and principal place of business of the Company is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1, Canada. The Company is listed on the Canadian Securities Exchange ("CSE") and trades under the symbol "SPTZ".

Prior to June 1, 2025, the Company had a global online, AI-powered marketplace platform that dynamically connected consumers to nearby rated service providers within 30 seconds. The Company operated in Israel, Australia, the United Kingdom and the United States. On June 1, 2025, the Company completed the sale of its legacy operating business, the Spetz app platform, along with all associated assets, liabilities, and subsidiaries, including its holdings in Spetz Tech Ltd, Spetz Inc (US) and Kirobo Ltd.

On March 17, 2025, the Company completed its acquisition of Sonic Strategy Inc. ("Sonic Strategy). Sonic Strategy is a blockchain staking company focused on the Sonic blockchain. With the completion of the acquisition of Sonic Strategy, Spetz further strengthened its capabilities in blockchain infrastructure and staking solutions.

Following Sonic Strategy acquisition and Spetz legacy business sale, the Company now focuses on expanding its validator operations, increasing staking adoption, and integrating with the Company's broader ecosystem with the goal of unlocking new blockchain-based revenue opportunities. The Company aims to drive growth in staking solutions, validator-as-a-service (VaaS), and enterprise blockchain adoption.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations and negative cash flows from operations since inception. As of June 30, 2025, the Company had incurred accumulated losses of $36,831,000 (actual dollars) and expects to continue to fund its operations through capital fundraising and future revenues. There is no assurance that such financing will be obtained. Considering the above, these factors raise material uncertainties related to events or conditions that may cast significant doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

2. Basis of Presentation

<u>Statement of Compliance</u>

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024.

<u>Basis of Measurement</u>

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements are using the accrual basis of accounting, except for cash flow information. In addition, these condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended December 31, 2024, except that they do not include all the disclosures required for the annual audited consolidated financial statements.

<u>Basis of Consolidation</u>

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it has the power, directly or indirectly to govern the financial and operating policies of an entity, and it is exposed, or has rights, to variable returns from its involvement with the entity.

(Expressed in Thousands of US Dollars)

Subsidiaries	Jurisdiction of incorporation	Status	Functional Currency	Ownership interest
2618249 Ontario Corp.	Ontario, Canada	Active	CAD	100%
Sonic Strategy Inc.	Alberta, Canada	Inactive	CAD	100%
DataNavee Corporation	Ontario, Canada	Inactive	CAD	100%
Digimax Fund SPC	Cayman Islands	Inactive	CAD	80%
Digimax Global BVI inc.	Cayman Islands	Inactive	CAD	100%
Delphi Crypto AiCi	USA	Inactive	USD	100%

Functional and Presentation Currency

All figures presented in these condensed consolidated interim financial statements are reflected in United States dollars. which is the Company's presentation currency. The Company's functional currency is Canadian dollars ("CAD"). Foreign currency transactions are translated into CAD dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to CAD dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains or losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction unless it is measured at fair value in which case it is translated using the exchange rate at the date when the fair value was measured.

Significant judgements, estimates and assumptions

In the preparation of these condensed consolidated interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements were approved by the Board of Directors on August 21, 2025.

3. Summary of Significant Accounting Policies

These unaudited condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2024.

Accounting Standards Issued and Adopted

The following new accounting standards and amendments have been issued effective for annual periods beginning on or after January 1, 2025:

- Lack of Exchangeability – Amendments to *IAS 21*
- IFRS S1 and IFRS S2 – *Sustainability-related Disclosures*

The Company has evaluated the potential impact of these new standards and amendments and concluded that they are either not applicable or not expected to have a significant impact on the Company’s financial statements.

4. Acquisition of Sonic Strategy Inc.

On March 17, 2025, the Company announced the completion of the previously announced acquisition of Sonic Strategy Inc. (collectively referred “Sonic Strategy”), a blockchain staking company focused on the Sonic blockchain.

The Company issued 13,999,999 common shares in the capital of the Company to the shareholders of Sonic Strategy in exchange for 100% of the issued and outstanding shares in the capital of Sonic Strategy. The Company has also issued an aggregate of 700,000 common shares to two arm’s length entities as an advisory fee.

Below is a preliminary breakdown of the purchase price allocated to the assets acquired. Remeasurement may be made up to March 17, 2026 (one year after the transaction per IFRS 3.45):

(Expressed in thousands of US dollars)

Other receivables	$	17
Goodwill		3,635
Fair value of net assets acquired	**$**	**3,652**
Common shares		3,652
Fair value of consideration paid	**$**	**3,652**

Goodwill recognized on the acquisition of Sonic Strategy represents the excess purchase price paid by the Company over the fair value of the net assets acquired. Goodwill is primarily related to growth opportunities in the blockchain infrastructure and staking solutions, as well as strategy and the synergies from the acquisition of Sonic Strategy.

5. Sale of Spetz App Platform and Subsidiaries

On June 1, 2025, the Company completed the sale of its legacy operating business, the Spetz app platform, along with all associated liabilities and subsidiaries, including its holdings in Spetz Tech Ltd, Spetz Inc (US), and Kirobo Ltd.

The total consideration for the transfer of all shares in the subsidiaries was $1.00 CAD (actual dollars). As a result of the transaction, the associated assets and liabilities of the legacy Spetz operating entities were removed from the Company's financial statement.

As a part of the agreement, the Company also obtained a full release from all outstanding debts, liabilities, and obligations owed by the Company to the former Company's CEO and to one of the former Company's directors. These outstanding debts included amounts related to a convertible debenture, related party convertible debenture, and salary-related debts. The aggregate value of this liability's release was approximately $476,000 (actual dollars). No finder's fees were paid in connection with this transaction. Below represents the associated assets and liabilities removed from the Company's financial statement following the subsidiary's sale:

(Expressed in thousands of US dollars)

Cash and cash equivalents	$	-
Investments		(49)
Accounts receivable, net		(260)
Other receivables		(32)
Prepaid expenses		(56)
Property, plant and equipment, net		(13)
Intangible assets		(1,541)
Goodwill		(350)
Short term bank facility		94
Accounts payable		495
Other payables		382
Deferred revenue		217
Related party payables		1,664
Related party convertible debenture		302
Convertible debenture		98
Employee benefit liabilities		17
Gain on sale of subsidiaries	**$**	**968**

6. Digital Currencies – Intangible Assets

During the six months ended June 30, 2025, the Company purchased various digital currencies and tokens, including Sonic, Bitcoin and USDC, as detailed in the table below. As of June 30, 2025, 4,074,727 Sonic tokens have been staked and subject to potential slashing.

(Expressed in thousands of US dollars, except for the number of coins or tokens)

	Number	Bitcoin	USDC	Sonic
Balance, January 1, 2025	-	$ -	$ -	$ -
Sonic tokens purchased	8,204,311	-	-	3,107
Bitcoin purchased	3.71	396	-	-
USDC purchased	143,984	-	144	-
Staking revenue - Sonic	4,076	-	-	2
Revaluation of digital currencies	-	4	-	(499)
FX	-	-	-	(25)
Fair value, June 30, 2025		**$ 400**	**$ 144**	**$ 2,585**

The Company's digital currencies - intangible assets are remeasured as of the reporting date. The following summary shows the fair value and cost as at June 30, 2025 and December 31, 2024:

(Expressed in thousands of US dollars)

	Fair value June 30, 2025	Cost June 30, 2025	Fair value December 31, 2024	Cost December 31, 2024
Sonic	$ 2,585	$ 3,109	$ -	$ -
Bitcoin	400	396	-	-
USDC	144	144	-	-
Balance	**$ 3,129**	**$ 3,649**	**$ -**	**$ -**

Management considers the fair value of digital assets to be Level 2 under IFRS 13 Fair Value Measurement ("IFRS 13") fair value hierarchy as the volume weighted average price uses the volumes of multiple digital currency exchanges. There has been no change in the valuation techniques during the period.

Digital currencies – intangible assets are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued at their current market value at each reporting date. The Company believes any price difference amongst the principal market and an aggregated price to be immaterial.

7. Investments

The Company owned 15% in Kirobo Ltd, a blockchain technology company, totaling 22,104,332 shares. In November 2024, the Company sold 56% of its holdings (12,292,779 shares) at a share price of 0.0048 USD per share, at net proceeds of $15,000. As of December 31, 2024, the remaining 7% holdings in Kirobo Ltd's fair value was $46,000. As of June 1, 2025, the Company transferred all shares of Kirobo Ltd. to Spetz Tech Ltd.

8. Intangible Assets

As of June 1, 2025, June 30, 2025, and December 31, 2024, intangible assets consisted of:

(Expressed in thousands of US dollars)

	Customer Relationships	Brand	Technology	Non-Compete	Total
Balance, January 1, 2024	**$ -**	**$ 306**	**$ 1,743**	**$ 55**	**$ 2,105**
Less: Amortization expense	-	(22)	(297)	(32)	(351)
FX	-	(23)	(127)	(3)	(154)
Balance, December 31, 2024	**$ -**	**$ 261**	**$ 1,319**	**$ 20**	**$ 1,600**
Less: Amortization expense	-	(9)	(121)	(13)	(143)
FX	-	14	69	1	84
Balance, June 1, 2025, prior to disposal	**$ -**	**$ 266**	**$ 1,267**	**$ 8**	**$ 1,541**
Spetz legacy business disposal		(266)	(1,267)	(8)	(1,541)
Balance, June 30, 2025	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

All intangible assets were acquired in connection with the acquisition of Spetz in August 2022. The amortization of intangible assets for the five months ended June 01, 2025, was $143,000 (actual dollars) and is included in amortization expense in the condensed consolidated interim statements of loss and comprehensive loss. On June 1, 2025, the Company sold the Spetz subsidiaries, resulting in the elimination of the intangible assets' values.

9. Goodwill

		Sonic(b)		Spetz(a)		Total
Balance, January 1, 2024	$	-	$	332	$	332
Impairment		-		-		-
Balance, December 31, 2024	**$**	**-**	**$**	**332**	**$**	**332**
Sonic acquisition		3,635		-		3,635
Spetz disposal				(350)		(350)
FX		195		18		213
Impairment		-		-		-
Balance, June 30, 2025	**$**	**3,830**	**$**	**-**	**$**	**3,830**

a) As of June 1, 2025, goodwill represents the excess purchase price paid for the acquisition of Spetz Tech Ltd. in August 2022 over the fair value of the net tangible and intangible assets acquired net of accrued impairments. On June 1, 2025, the Company sold the Spetz subsidiaries, resulting in the elimination of the goodwill value.

b) On March 17, 2025, the Company completed the acquisition of Sonic Strategy Inc. Goodwill of $3,830,000 (actual dollars) recognized on the acquisition of Sonic Strategy represents the excess purchase price paid by the Company over the fair value of the net assets acquired. Goodwill is primarily related to growth opportunities in the blockchain infrastructure and staking solutions, as well as strategy and the synergies from the acquisition of Sonic Strategy.

For the purpose of impairment testing, goodwill and indefinite life intangible assets have been allocated to CGUs representing the lowest level within the entity at which the goodwill is monitored for internal reporting purposes. CGUs are determined based on the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or group of assets.

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill and indefinite life intangibles are allocated and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on the higher of the CGUs fair value less costs of disposal or value in use, which are Level 3 measurements within the fair value hierarchy.

i) Projected EBITDA: The Company's business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities.

ii) Terminal value of growth rate: The terminal growth rate of 2% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and

iii) Discount rates: Discount rates applied in determining the recoverable amount of the CGU group were approximately 34% based on the pre-tax weighted average cost of capital of the CGU group.

The values assigned to the key assumptions represent management's assessment of future trends in the industries in which the CGU group operates and are based on internal sources and historical trend data.

10. Accounts Payable and Accrued Liabilities

(Expressed in thousands of US dollars)

As at		June 30, 2025		December 31, 2024
Accounts payable	$	20	$	433
Accrued liabilities		174		126
	$	**194**	**$**	**559**

Accounts payable of the Company principally comprise of amounts outstanding for trade purchases relating to regular business activities and consultants. The usual credit period taken for purchases is between 30 to 90 days. On June 1, 2025, the Company sold the Spetz subsidiaries, resulting in the elimination of the majority of its liabilities.

11. Other Payables

(Expressed in thousands of US dollars)

As at	June 30, 2025	December 31, 2024
Employee and related institutions	$ -	$ 90
Accrued expenses	-	412
Government institutions	68	255
	$ 68	**$ 757**

On June 1, 2025, the Company sold the Spetz subsidiaries, resulting in the elimination of the majority of its liabilities.

12. Convertible Debenture

On January 17, 2025, the Company issued new convertible debentures in the aggregate principal amount of $705,000 (actual dollars) (CAD1,015,000 – actual dollars), replacing primarily the principal amount of outstanding convertible debentures that were issued in February 2023 and May 2023 and matured on December 31, 2024. In addition, an outstanding consulting fee owed to two vendors, totaling $76,000 USD (actual dollars) (CAD109,000 – actual dollars), was also converted into a portion of the aggregate principal amount through the issuance of convertible debentures. The convertible debenture holders waived the interest amount that occurred since October 2023 in the amount of $75,556 (actual dollars) (CAD108,800 – actual dollars). The principal amount of the new debentures is convertible into units of the Company ("units"), at a price per unit of $0.20, with each unit comprised of one (1) common share and one-half (1/2) of a common share purchase warrant ("warrant"). Each whole warrant is exercisable for one common share, at a price of $0.40 per share for a period of 24 months following the issuance of the warrants. The new debentures are outstanding for 18 months following the closing. The new debentures bear interest at a rate of 12% per annum.

The remaining convertible debenture from 2024 was converted into equity in January 2025 in the amount of $77,000 (actual dollars) (CAD109,541 – actual dollars) and the remaining portion of $98,000 (actual dollars) (CAD133,591 – actual dollars) forgiven by the holder as part of the legacy business disposition.

During the six months ended June 30, 2025, two holders of the convertible debenture converted the outstanding amount of their debenture, totaling $220,000 (CAD320,000), into 1,603,670 common shares and 801,836 warrants.

The following table reflects the continuity of the components of the convertible debentures and equity component as of June 30, 2025, and December 31, 2024:

(Expressed in thousands of US dollars)

	Convertible debenture	Equity - convertible debenture	Promissory note	Total
Balance at January 1, 2024	$ 636	$ 105	$ -	$ 741
Additions	155	7	-	162
Interest and accretion	146	-	-	146
Extension	(2)	2	-	-
Foreign exchange adjustment	(65)	-	-	(65)
Balance at December 31, 2024	**$ 870**	**$ 114**	**$ -**	**$ 984**
Debt converted into a new 2025 convertible debenture	(625)	-	-	(625)
Debt settled with shares	(77)	-	-	(77)
Debt forgiven as part of Spetz legacy disposition	(98)	-	-	(98)
Additions	705	-	-	705
Debenture conversion feature	(115)	115	-	-
Accretion and interest	77	-	-	77
Conversion into equity	(197)	-	-	(197)
Foreign exchange adjustment	(68)	-	-	(68)
Balance at June 30, 2025	**$ 472**	**$ 229**	**$ -**	**$ 701**

13. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding - Common Shares

(Expressed in thousands of US dollars, except for common shares)

	Common Shares		Amount
Balance, December 31, 2023	**5,194,856**	**$**	**33,980**
Share based payments	-		10
Shares issued to settle debt	572,532		167
Warrants and debenture conversion feature	-		22
Shares issued on RSUs vested	16,232		-
Balance, June 30, 2024	**5,783,620**	**$**	**34,179**
Balance, December 31, 2024	**5,783,620**	**$**	**34,195**
Share based payments	-		199
Shares issued to settle debt	4,456,457		316
Shares issued on private placement, net	22,005,523		6,040
Shares issued on acquisition of Sonic, net	14,699,999		3,652
Shares issued on convertible debenture	1,603,670		197
Shares issued on RSUs vested	181,422		-
Debenture conversion feature	-		115
Balance, June 30, 2025	**48,730,691**	**$**	**44,714**

On January 20, 2025, the Company closed a private placement offering 5,000,000 common shares of the Company for gross proceeds of $347,000 (actual dollars) (CAD500,000 – actual dollars). In addition, the Company issued 4,456,457 common shares of the Company for a total of $310,000 (actual dollars) (CAD446,000 – actual dollars) that were used to settle outstanding amounts in accounts payable and in convertible debenture.

In May 2025 and June 2025, the Company completed the three tranches of the non-brokered private placement and issued 17,005,523 units, for CAD$0.50 per unit, for net proceeds of $5,685,000 (actual dollars) (CAD$8,012,000 – actual dollars). Each of the units comprises one common share and one-half of a common share purchase warrant of the Company. Each whole warrant entitles its holder to acquire one additional common share of the Company for $0.75 for 24 months from the closing date. Additional 852,538 warrants were issued as finder's fees.

On March 17, 2025, the Company announced that it had completed its acquisition of Sonic Strategy Inc. The Company had issued 13,999,999 common shares in the capital of the Company to the shareholders of Sonic Strategy in exchange for 100% of the issued and outstanding shares in the capital of Sonic Strategy. The Company had also issued an aggregate of 700,000 common shares to two arm’s length entities as an advisory fee.

During the six months ended June 30, 2025, the Company issued 1,603,670 common shares on the debenture conversion (see note 12). During the six months ended June 30, 2025, the Company issued 181,422 common shares on the vesting of RSUs (see note 15).

14. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2025:

	Warrants	WAEP (Note A)
Balance outstanding, January 1, 2024	**1,058,172**	**$15.33**
Warrants issued	296,735	$0.24
Warrants expired	(408,172)	$37.04
Balance outstanding, December 31, 2024	**946,735**	**$1.25**
Warrants issued on private placement	8,502,761	$0.75
Warrants issued on private placement - finder's warrants	849,538	$0.75
Warrants issued on convertible debenture conversion	801,836	$0.40
Balance outstanding, June 30, 2025	**11,100,869**	**$0.77**

Note A: WAEP = Weighted Average Exercise Price (CAD)

(Expressed in Thousands of US Dollars)

The following table reflects warrants outstanding as at June 30, 2025:

Expiry Date		Exercise Price	Life Remaining	Warrants
January 31, 2026	$	5.00	0.58	200,000
October 31, 2026	$	0.24	1.33	746,735
April 15, 2027	$	0.40	1.79	125,528
April 11, 2027	$	0.40	1.78	266,175
June 03, 2027	$	0.40	1.93	410,133
May 28, 2027	$	0.75	1.91	8,082,832
June 18, 2027	$	0.75	1.97	861,000
June 20, 2027	$	0.75	1.97	408,467
	$	**0.77**	**1.85**	**11,100,869**

During the six months ended June 30, 2025, two holders of the convertible debenture converted the outstanding amount of their debenture, resulting in the issuance of 801,836 warrants. In addition, during the same time period, the Company issued 8,502,761 warrants and 849,538 finder's warrants as part of the three tranches of private placement in May and June 2025.

These warrants were valued at $8,027,730 CAD (actual dollars) estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.53 to $1.06, expected volatility of between 258% to 268%, a risk-free rate of return of between 2.58% to 2.68% and an expected life of 2 years. The warrants were classified within equity, resulting in a reallocation from share capital to additional paid-in capital, with no net impact on total equity.

15. Stock Options and Restricted Share Units

The Company has a share option plan under which it is authorized to grant options and restricted share units to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

The following table reflects the continuity of stock options for the six months ended June 30, 2025:

	Stock Options	WAEP (Note A)
Options outstanding, January 1, 2024	**62,500**	**$5.00**
Forfeited/Expired	(2,500)	$5.00
Options outstanding, December 31, 2024	**60,000**	**$5.00**
Issued	3,150,000	$0.81
Options outstanding, June 30, 2025	**3,210,000**	**$0.89**

Note A: WAEP = Weighted Average Exercise Price (CAD)

The following table reflects stock options outstanding as at June 30, 2025:

Expiry Date		Exercise Price	Life Remaining	Stock Options
August 25, 2027	$	5.00	2.15	40,000
December 21, 2027	$	5.00	2.48	20,000
June 5, 2035	$	0.81	9.93	3,150,000
	$	**0.89**	**9.79**	**3,210,000**

On June 5, 2025, the Company issued 3,150,000 options to a number of directors, officers and consultants. The options were valued at $3,019,631 CAD (actual dollars) estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.96, expected volatility of 197%, a risk-free rate of return of 3.25% and an expected life of 10 years. The options gradually vest at the end of every three-month period, with 393,750 stock options vesting each quarter starting from September 5, 2025. During the six months ended June 30, 2025, the Company recognized $199,000 (actual dollars) as stock-based compensation expense to recognize the partial vesting of these options since the grant date. As at June 30, 2025, there are 60,000 exercisable options.

The following table reflects the continuity of restricted stock units (RSUs) for the six months ended June 30, 2025:

	RSUs	WAEP (Note A)
RSUs outstanding, January 1, 2024	**366,872**	**$2.50**
Exercised	(16,232)	$5.60
Forfeited	(20,328)	$3.00
Issued	30,000	$0.16
RSUs outstanding, December 31, 2024	**360,312**	**$2.14**
Exercised	(181,422)	$2.36
Forfeited	(12,525)	$3.11
RSUs outstanding, June 30, 2025	**166,365**	**$1.83**

Note A: WAEP = Weighted Average Exercise Price (CAD)

The following table reflects stock options outstanding as at June 30, 2025:

Expiry Date		Exercise Price	Life Remaining	RSUs
June 5, 2034	$	0.16	8.93	30,000
April 15, 2026	$	1.00	0.79	40,772
March 30, 2026	$	1.50	0.75	13,533
February 27, 2026	$	2.00	0.66	10,207
November 29, 2025	$	2.50	0.41	4,052
April 1, 2029	$	3.00	3.75	59,346
August 25, 2025	$	3.50	0.15	8,455
	$	**1.83**	**3.26**	**166,365**

16. Revenue by Geographical Markets

Set out below is the revenue of the Company for the three and six months ended June 30, 2025 and 2024, by geographical market:

(Expressed in thousands of US dollars)

	Three months		Six months	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Israel	$ 228	$ 429	$ 609	$ 911
Australia	-	30	-	65
United Kingdom	-	14	-	39
United States	-	-	-	1
Total	**$ 228**	**$ 473**	**$ 609**	**$ 1,016**

The table above represents the financial results of the Spetz legacy business which got disposed as of June 1, 2025.

17. Cost of Revenue

The following table reflects the Company's cost of revenue for the three and six months ended June 30, 2025 and 2024:

(Expressed in thousands of US dollars)

	Three months		Six months	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Payroll and related expenses	$ 38	$ 57	$ 97	$ 119
Communication and cloud expenses	13	37	38	78
Subcontractors	-	5	1	14
Total	**$ 51**	**$ 99**	**$ 136**	**$ 211**

The table above represents the financial results of the Spetz legacy business which got disposed as of June 1, 2025.

18. Sales and Marketing Expenses

The following table reflects the Company's sales and marketing expenses for the three and six months ended June 30, 2025 and 2024:

(Expressed in thousands of US dollars)

	Three months		Six months	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Promotion marketing	$ 170	$ 248	$ 355	$ 511
Payroll and related expenses	33	50	87	107
Subcontractors	5	12	11	25
Total	**$ 208**	**$ 310**	**$ 453**	**$ 643**

The table above represents the financial results of the Spetz legacy business which got disposed as of June 1, 2025, except for promotion marketing expenses of $46,000 (actual dollars) related to the investor relations marketing costs incurred by the continuing management team.

19. General and Administration

The following table reflects the Company's general and administration expenses for the three and six months ended June 30, 2025, and 2024:

(Expressed in thousands of US dollars)

	Three months		Six months	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Payroll, related expenses and management fee	$ 165	$ 39	$ 297	$ 160
Depreciation and amortization expenses	59	90	143	181
Office expenses	22	54	29	97
Professional fees - legal and accounting	208	21	225	38
System and IT expenses	2	5	6	15
Share based compensation	199	6	199	10
Subcontractors	-	1	-	8
Bad debt	13	7	(12)	(4)
Directors' fees	13	71	8	141
Other	47	3	54	12
Total	**$ 728**	**$ 297**	**$ 949**	**$ 658**

The table above represents the financial results of both the continuing parent company and the Spetz legacy business which got disposed as of June 1, 2025. Please refer to the table below for more details regarding the general and administration split between the disposed legacy business and the continuing business:

(Expressed in thousands of US dollars)

Six months ended June 30, 2025	Legacy business	Continuing business	Total
Payroll, related expenses and management fee	$ 100	$ 197	$ 297
Depreciation and amortization expenses	1	142	143
Office expenses	10	19	29
Professional fees - legal and accounting	19	206	225
System and IT expenses	6	-	6
Share based compensation	-	199	199
Subcontractors	-	-	-
Bad debt	(12)	-	(12)
Directors' fees	(4)	12	8
Other	1	53	54
Total	**$ 121**	**$ 828**	**$ 949**

20. Research Expenses

The following table reflects the Company's research expenses for the three and six months ended June 30, 2025, and 2024:

(Expressed in thousands of US dollars)

	Three months		Six months	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Payroll and related expenses	$ -	$ 33	$ -	$ 106
Subcontractors	19	5	46	13
Other expenses	-	3	1	4
Total	**$ 19**	**$ 41**	**$ 47**	**$ 123**

The table above represents the financial results of the Spetz legacy business which got disposed as of June 1, 2025.

21. Financial Expenses

The following table reflects the Company's financial expenses for the three and six months ended June 30, 2025, and 2024:

(Expressed in thousands of US dollars)

	Three months		Six months	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Accretion expense	$ 39	$ 47	$ -	$ 84
Related party interest	12	12	37	24
Bank and credit card fees	5	1	18	18
Revaluation on digital assets	508	-	495	-
Interest expenses	2	-	6	7
Exchange rate	25	-	25	-
Total	**$ 591**	**$ 60**	**$ 581**	**$ 133**

The accretion expense for the six months ended June 30, 2025 is $77,765 (actual dollars) but the table above also included the reversal of the accrued interest on the 2024 convertible debenture balance of $109,000 CAD (actual dollars) which offset the total balance to $nil.

22. Financial Instruments and Risk Management

<u>Fair Values</u>

Financial instruments of the Company consist of cash, digital currencies, other receivables, accounts payable and accrued liabilities, other payables, related party payables, and convertible debenture. There are no significant differences between the carrying amounts of the items reported on the statements of financial position and their estimated fair values.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk). Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

<u>Credit Risk</u>

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Company's main financial assets are cash and cash equivalents as well as other receivables. Wherever possible and commercially practical the Company holds cash with major financial institutions in Canada. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

(Expressed in thousands of US dollars)

Financial Instrument	**June 30, 2025**	**December 31,2024**
Cash and cash equivalents	$ 2,066	$ 1
Digital currencies	3,129	-
Accounts receivable	-	263
Other receivables	22	34
Total	**$ 5,217**	**$ 298**

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Canadian dollar, New Israeli Shekel, AUD, USD and GBP. The Company's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

(Expressed in thousands of US dollars)

As at June 30, 2025	**USD**	**CAD**	**NIS**	**AUD**	**GBP**	**Total**
Financial assets						
Cash and cash equivalents	$ -	$ 2,066	$ -	$ -	$ -	$ 2,066
Restricted cash	-	-	-	-	-	-
Accounts receivables						-
Digital currencies	3,129					3,129
Other receivables	-	22		-	-	22
	3,129	2,088	-	-	-	5,217
Financial Liabilities						
Accounts payable and accrued liabilities	-	194	-	-	-	194
Short-term bank credit	-	-		-	-	-
Other payables	-	68	-	-	-	68
Related party payables	-	89		-	-	89
Related party convertible debenture	-	-	-	-	-	-
Convertible debenture	-	472	-	-	-	472
Long term loans	-	-	-	-	-	-
	-	823	-	-	-	823
Net	**$ 3,129**	**$ 1,265**	**$ -**	**$ -**	**$ -**	**$ 4,394**

(Expressed in thousands of US dollars)

As at December 31, 2024	**USD**	**CAD**	**NIS**	**AUD**	**GBP**	**Total**
Financial assets						
Cash and cash equivalents	$ -	$ -	$ 1	$ -	$ -	$ 1
Restricted cash	-	-	-	-	-	-
Accounts receivables	14	-	191	17	41	263
Other receivables	-	3	31	-	-	34
	14	3	223	17	41	298
Financial Liabilities						
Accounts payable and accrued liabilities	-	174	292	44	49	559
Short-term bank credit	-	-	144	-	-	144
Other payables	-	390	329	14	24	757
Related party payables	-	-	1,524	-	-	1,524
Related party convertible debenture	-	273	-	-	-	273
Convertible debenture	-	870	-	-	-	870
Long term loans	-	-	-	-	-	-
	-	1,707	2,289	58	73	4,127
Net	**$ 14**	**$ (1,704)**	**$ (2,066)**	**$ (41)**	**$ (32)**	**$ (3,829)**

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Company has procedures with the object of minimizing such losses by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

(Expressed in thousands of US dollars)

Financial Instrument	**Up to 1 year**	**Between 1 and 2 years**
Accounts payable and accrued liabilities	$ 194	$ -
Other payables	68	-
Related party payables	89	-
Convertible debenture: principal and interest	472	-
Total	**$ 823**	**$ -**

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include investments, and short-term borrowings.

Interest Rate Risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash balance. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short-term nature of interest-bearing cash. The Company also has interest bearing convertible debentures which have fixed rate interest rates until maturity and are therefore not subject to fluctuations in market interest rates until maturity.

23. Related Party Transactions and Key Management Compensation

Key management includes members of the board of directors, Chief Executive Officer and Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the six months ended June 30, 2025 and 2024:

(Expressed in thousands of US dollars)

	June 30, 2025	**June 30, 2024**
CEO		
Short term compensation	$ 124	$ 117
Share based payments	63	-
Total CEO compensation	**187**	**117**
CFO		
Short term compensation	72	142
Share based payments	8	1
Total CFO compensation	**80**	**143**
Directors		
Short term compensation	12	55
Share based payments	24	-
Total Directors compensation	**12**	**55**
	$ 279	**$ 315**

Related party loans

As of June 1, 2025, the Company had an outstanding debt from Spetz Tech Ltd.'s CEO and Director, Yossi Nevo, due to loans and unpaid salary of $1,500,000 (actual dollars) ($1,409,000 as of December 31, 2024 – actual dollars), not including interest. The loan bears an interest of 6.91% (total interest as of June 1, 2025, $164,000 – actual dollars) ($122,000 as of December 31, 2024 – actual dollars). On June 1, 2025, the Company reached an agreement whereby the outstanding balance of $1,664,000 (actual dollars) was waived as part of the Spetz subsidiaries' sale. As of June 30, 2025, the Company has an outstanding payable of $89,333 (actual dollars) to the Company's CEO and Director, Mitchell Demeter, for current payments made on behalf of the Company.

Related party convertible debenture

On November 29, 2024, the Company obtained an extension for the related party's secured convertible debentures. The maturity date has been extended from October 31, 2024, to December 31, 2024. The company did not pay the loan on the maturity date. On June 1, 2025, the Company reached an agreement whereby the outstanding balance of $302,000 (actual dollars) was waived as part of the Spetz subsidiaries' sale.

The following table reflects the continuity of the components of the convertible debentures and equity component as of June 30, 2025:

(Expressed in thousands of US dollars)

	Convertible debenture	Equity - convertible debenture	Total
Balance at January 1, 2024	$ -	$ -	$ -
Additions	255	13	268
Extension	(5)	5	-
Interest and accretion	36	-	36
Foreign exchange adjustment	(13)	-	(13)
Balance at December 31, 2024	**$ 273**	**$ 18**	**$ 291**
Interest and accretion	13	-	13
Spetz disposal	(302)	-	(302)
Foreign exchange adjustment	16	-	16
Balance at June 30, 2025	**$ -**	**$ 18**	**$ 18**

24. Commitments

The Company has no other commitments as of June 30, 2025.

25. Subsequent Events

In August 2025, three holders of the convertible debenture converted the outstanding amount of their debenture, totaling $116,000 (actual dollars) (CAD168,000 – actual dollars), into 841,990 common shares and 420,995 warrants.