

Unaudited Condensed Interim Consolidated Financial Statements of

SPECTRA7 MICROSYSTEMS INC.

For the Three Months Ended March 31, 2025 and 2024

(Expressed in United States Dollars)

The accompanying unaudited condensed interim consolidated financial statements of Spectra7 Microsystems Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management and approved by the Board of Directors of the Company.

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

SPECTRA7 MICROSYSTEMS INC.

(Unaudited)

For the Three Months Ended March 31, 2025 and 2024

Table of Contents

	Page
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	1
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)	2 – 3
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Cash Flows	5
Notes to the Condensed Interim Consolidated Financial Statements	6 – 15

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

	2025	2024
	\$	\$
Revenue	10,492	815,903
Cost of sales	211,660	483,096
Gross margin	(201,168)	332,807
Expenses (Income):		
Research and development, net of investment tax credits and including amortization of licenses	1,131,437	1,040,329
Sales and marketing	70,703	278,861
General and administrative	1,026,019	657,428
Depreciation of right-of-use assets	55,819	60,113
Depreciation of property and equipment	39,800	27,801
Interest expense (Note 1)	4,253	-
Share-based compensation (Note 7(b))	275,240	181,640
Interest on lease obligation of right-of-use asset (Note 4)	1,260	1,357
Accretion and interest expense	-	538,286
Foreign exchange (gain)/loss	9,028	(210,938)
Total Expenses	2,613,559	2,574,877
Net Loss	(2,814,727)	(2,242,070)
Other comprehensive loss:		
Unrealized foreign currency translation	2,710	(495)
Total comprehensive loss	(2,812,017)	(2,242,565)
Loss per share		
Basic and diluted	(0.02)	(0.06)
Weighted average number of common shares outstanding		
Basic and diluted	158,600,233	40,501,485

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

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

(Expressed in United States Dollars)

	Common shares #	Common shares \$	Share-based payment reserve \$	Convertible debentures - share conversion option \$	Warrants \$	Deficit \$	Accumulated other comprehensive Income (loss) \$	Total Equity (Deficiency) \$
Balance, December 31, 2023	40,300,419	171,979,214	6,541,017	1,681,250	5,821,592	(187,994,653)	182,852	(1,788,728)
Shares issued under Restricted Share Unit plan	-	-	-	-	-	-	-	-
Shares issued in lieu of interest payment	185,682	56,774	-	-	-	-	-	56,774
Shares issued upon conversion of 9% Debentures	15,384	-	-	-	-	-	-	-
Share-based compensation expense <i>(Note 7(b)(iii))</i>	-	-	181,640	-	-	-	-	181,640
Total comprehensive loss	-	-	-	-	-	(2,242,070)	(495)	(2,242,565)
Balance, March 31, 2024	40,501,485	172,035,988	172,035,988	1,681,250	5,821,592	(190,236,723)	182,358	(3,792,879)

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

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

	Common shares #	Common shares \$	Share-based payment reserve \$	Convertible debentures - share conversion option \$	Warrants \$	Deficit \$	Accumulated other comprehensive Income (loss) \$	Total Equity (Deficiency) \$
Balance, December 31, 2024	142,596,307	176,040,328	6,968,851	1,681,250	15,740,580	(198,669,631)	179,581	1,940,958
Shares issued under Restricted Share Unit plan	3,788,926	103,690	(103,690)	-	-	-	-	-
Shares issued upon conversion of Pre-Funded Warrants (Note 7d)	12,215,000	23	-	-	-	-	-	23
Share-based compensation expense (Note 7(b)(iii))	-	-	275,240	-	-	-	-	275,240
Total comprehensive loss	-	-	-	-	-	(2,814,727)	2,710	(2,812,017)
Balance, March 31, 2025	158,600,233	176,144,041	7,140,401	1,681,250	5,821,592	(201,484,358)	182,290	(595,796)

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

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

March 31, 2025 and December 31, 2024

(Expressed in United States Dollars)

	March 31, 2025	December 31, 2024
	\$	\$
Assets		
Current assets:		
Cash	451,279	1,291,212
Trade and other receivables	(295,423)	-
Investment tax credits	5,563	5,563
Inventories	405,691	368,624
Prepaid expenses and other assets	413,640	642,538
	979,750	2,307,937
Property and equipment	575,984	324,774
Right-of-use assets (Note 3)	18,606	74,425
Intangible assets	350,534	524,225
	1,924,874	3,231,361
Liabilities		
Current liabilities:		
Trade and other payables	1,415,929	1,158,805
Bridge Loan (Note 9)	750,000	-
Deferred revenue	335,373	55,000
Lease obligation on right-of-use assets (Note 4)	19,358	75,598
	2,520,670	1,290,403
Non-current convertible debentures (Note 6)	-	2,841,755
	2,520,670	10,277,418
Shareholders' Equity		
Common shares (Note 7(a))	176,144,041	176,040,328
Share-based payment reserve	7,140,401	6,968,851
Convertible debentures - share conversion option (Note 6)	1,681,250	1,681,250
Warrants (Note 7(c))	15,740,580	15,740,580
Deficit	(201,484,358)	(198,669,631)
Accumulated other comprehensive income(loss)	182,290	179,580
	(595,796)	1,940,958
	1,924,874	3,231,361

Nature of operations, going concern and continuation of the business (Note 1)

Signed on behalf of the Board:

"Ron Pasek"

Director

"Omar Javaid"

Director

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

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

Three Months Ended March 31, 2025 and 2024

(Expressed in United States Dollars)

	Three months ended March 31,	
	2025	2024
	\$	\$
Operating activities:		
Net Loss	(2,814,727)	(2,242,070)
Items not involving cash:		
Amortization of license	188,640	167,197
Depreciation of property and equipment	66,283	59,523
Depreciation of right-of-use assets (Note 3)	55,819	60,113
Interest expense (Note 1)	4,253	-
Share-based compensation (Note 7)	275,240	181,640
Accretion and interest expense (Note 6)	-	538,286
	(2,224,492)	(1,235,311)
Net change in non-cash working capital items		
Trade and other receivables	296,423	55,509
Investment tax credits	-	13,464
Inventories	(37,067)	310,767
Prepaid expenses and other assets	228,899	43,938
Trade and other payables	252,881	502,151
Deferred Revenue	280,373	-
	(1,202,982)	(309,482)
Interest paid (Note 6)	-	(480,753)
	(1,202,982)	(790,235)
Financing activities:		
Bridge Loan	750,000	-
Promissory notes to related parties	-	540,000
Proceeds from exercise of stock options	23	-
Repayment of lease obligation on right-of-use assets (Note 4)	(57,240)	(61,643)
	692,782	478,357
Investing activities:		
Acquisition of property and equipment	(317,494)	-
Acquisition of licenses	(14,949)	(6,951)
	(332,933)	(6,951)
Effect of foreign exchange rate changes on cash	2,710	(199,736)
(Decrease)/Increase in cash	(839,933)	(518,565)
Cash, beginning of period	1,291,212	658,580
Cash, end of period	451,279	140,015

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

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

1. Nature of operations, going concern and continuation of the business

Spectra7 Microsystems Inc. (the “Company” or “Spectra7”), is a corporation incorporated under the laws of the Province of Ontario. The Company is domiciled in Canada and its registered office is located at 181 Bay Street, Suite 1800, Toronto, Canada M5J 2T9.

On April 22, 2025, the Company completed the sale of substantially all of its assets (the “Sale Transaction”) for a purchase price (the “Purchase Price”) of \$9,000,000 to Parade Technologies, Ltd. (“Parade”), pursuant to an asset purchase agreement dated March 7, 2025 (the “Purchase Agreement”). Following the Sale Transaction, the Company’s common shares were voluntarily de-listed from the TSX Venture Exchange (the “TSXV”) on April 28, 2025. See note 12 – Subsequent Events for details relating to the Sale Transaction.

Prior to the closing of the Sale Transaction, the Company delivered high performance analog semiconductors for electronic manufacturers in data centers, virtual reality, augmented reality, and other connectivity markets.

The Company’s condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a comprehensive loss of \$2,812,017 for the three months ended March 31, 2025. As a result of the Sale Transaction, the Company has scaled down operations and only essential costs have continued to be incurred.

Concurrent with the execution of the Purchase Agreement, Parade advanced a loan to the Company in the amount of \$450,000 and, on March 21, 2025, advanced an additional loan in the amount of \$300,000, in order for the Company to maintain its operations and carry on business until the closing of the Sale Transaction (collectively, the “Bridge Loans”). The Bridge Loans were governed by a loan agreement dated March 7, 2025 between the Company and Parade and (i) accrued interest at the prevailing prime rate; (ii) were secured against certain of the assets of the Company and its subsidiaries pursuant to a general security agreement; and (iii) were settled (including interest) at closing against the payment of the Purchase Price.

2. Basis of presentation

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), using International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2024 and 2023.

Except as noted below, the Company has followed the same basis of presentation, accounting policies and method of computation for these condensed interim consolidated financial statements as were disclosed in the audited consolidated financial statements for the years ended December 31, 2024 and 2023. These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved for issuance by the Board of Directors on May 28, 2025.

b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These condensed interim consolidated financial statements are presented in United States dollars. The Company’s functional currency is Canadian dollars.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

c) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries and their corresponding functional currencies:

Spectra7 Microsystems Corp., a company incorporated under the laws of Ontario (USD);
Spectra7 Microsystems Ltd., a company incorporated under the laws of Delaware (USD);
Spectra7 Microsystems (Ireland) Limited, a company incorporated under the laws of Ireland (USD); and
Si Bai Ke Te (Dongguan) Electronics Trading Co. Ltd., a China wholly foreign owned enterprise (CNY) .

All intercompany balances and transactions are eliminated in full on consolidation.

d) Critical accounting estimates and judgements

The Company uses the same critical accounting estimates and judgements as those that applied to the annual consolidated financial statements for the year ended December 31, 2024.

3. Right-of-use assets

The following table sets forth the right-of-use assets:

	\$
Balance, January 1, 2024	80,150
Depreciation	(229,002)
Lease Amendment	223,277
Balance, December 31, 2024	74,425
Depreciation	(55,819)
Balance, March 31, 2025	18,606

In 2024, the Company entered into an amendment to extend the lease for its headquarters through April 2025. The lease amendment was accounted for as a change in the accounting of the existing lease. With the extended lease term, the Company recorded a right-of-use asset and a corresponding lease obligation of \$223,277 using an incremental borrowing rate of 8.75%.

4. Lease obligations on right-of-use assets

The present value of the remaining minimum lease payments on the obligations for right-of-use assets as at March 31, 2025 are as follows:

	\$
Balance, January 1, 2024	82,490
Lease Amendment	223,277
Repayments	(240,000)
Interest	10,831
Balance, December 31, 2024	76,598

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

Repayments	(58,000)
Interest	1,260
Balance, March 31, 2025	19,358
Current	19,358
Non-current	-

5. Inventories

	March 31, 2025	December 31, 2024
	\$	\$
Work-in-progress	882,819	918,418
Finished goods	398,122	422,939
	1,280,942	1,341,357
Less: provision for obsolescence	(949,025)	(972,733)
	331,916	368,624

Inventories recognized as cost of sales for the three months ended March 31, 2025 amounted to \$141,755 (\$470,517 for the three months ended March 31, 2024).

6. Convertible debentures

On May 10, 2024, the Company amended its 14% convertible unsecured debentures (the "14% Debentures") and its 9% convertible unsecured debentures (the "9% Debentures") to provide that the holders may, at any time prior to maturity, convert such debentures, and that the Company has the right to convert such debentures, at any time prior to maturity, into: (a) in the case of the 14% Debentures, 7,538 units for each \$1,000 principal amount of 14% Debentures (each, a "14% Unit"), with each 14% Unit consisting of one common share and one common share purchase warrant (each, a "14% Warrant") or, if the Share Ownership Threshold (defined below) would be exceeded by the warrant holder as a result of the conversion, one Pre-Funded Warrant (defined below) and one 14% Warrant and (b) in the case of the 9% Debentures, 7,538 units for each \$1,000 principal amount of 9% Debentures (each, a "9% Unit"), with each unit consisting of one common share and 0.80 of a common share purchase warrant (each whole warrant, a "9% Warrant") or, if the Share Ownership Threshold would be exceeded by the warrant holder as a result of the conversion, one Pre-Funded Warrant and 0.80 of a 9% Warrant. Each 14% Warrant is exercisable into one common share or, if the Share Ownership Threshold would be exceeded by a holder as a result of the exercise of their warrants, one Pre-Funded Warrant, at an exercise price of \$0.13 until July 26, 2027. Each 9% Warrant is exercisable into one common share or, if the Share Ownership Threshold would be exceeded by a holder as a result of the exercise of their warrants, one Pre-Funded Warrant, at an exercise price of \$0.13 until September 14, 2028.

On May 15, 2024, the Company completed the forced conversion of all outstanding 14% Debentures and 9% Debentures resulting in the issuance of 50,365,400 common shares, 37,836,738 Pre-Funded Warrants, 66,884,674 14% Warrants and 17,052,840 9% Warrants.

7. Shareholders' equity

(a) Common shares

Authorized share capital consists of an unlimited number of common shares.

(i) May 2024 Private Placement

On May 10, 2024, the Company completed a non-brokered private placement (the "May 2024 Private Placement") of 107,683,090 units of the Company (each, a "May 2024 Unit") at a price of CDN \$0.10 per May 2024 Unit for aggregate gross proceeds of \$6,910,100 (CDN \$10,768,309). Each May 2024 Unit consisted of either (i) one common share and one common share purchase warrant (each, a "May 2024 Warrant") or (ii) one pre-funded

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the Three Months Ended March 31, 2025 and 2024 (Expressed in United States Dollars)

common share purchase warrant (each, a "Pre-Funded Warrant") and one May 2024 Warrant. Each May 2024 Warrant is exercisable immediately and entitles the holder thereof to purchase either one common share or, if the Share Ownership Threshold would be exceeded, one Pre-Funded Warrant at an exercise price of CDN \$0.11 until the date that is five years after the issuance date. The expiry date of the May 2024 Warrants can be accelerated by the Company at any time prior to the expiry date if the closing price of the common shares on the TSXV is greater than CDN \$0.33 for any period of 10 consecutive trading days and certain volume thresholds are met during those 10 consecutive trading days. Each Pre-Funded Warrant entitles the holder to purchase one common share at a price of CDN \$0.00001 subject to compliance with the Share Ownership Threshold. The Pre-Funded Warrants do not expire.

On June 13, 2024, the Company closed a second tranche of the May 2024 Private Placement consisting of the issuance of 18,311,453 May 2024 Units for aggregate gross proceeds of \$1,332,595 (CDN \$1,831,145). Pursuant to the May 2024 Private Placement, the Company issued a total of 51,577,707 common shares, 74,416,836 Pre-Funded Warrants, and 125,994,543 May 2024 Warrants. In connection with the May 2024 Private Placement, the Company paid a cash commission of \$461,727 and issued compensation warrants to purchase up to (a) 3,482,048 common shares at an exercise price of CDN\$0.11 per common share until May 10, 2029 and (b) up to 683,462 common shares at an exercise price of CDN \$0.11 per common share until June 13, 2029. The fair value of the compensation warrants was determined using the Black-Scholes option pricing model based on the following assumptions: volatility of 100%, expected term of 5 years, risk free rate of 3.88% and zero dividend.

The total gross proceeds from the two tranches of the May 2024 Private Placement was approximately \$8,242,695 (CDN\$12.6 million).

The "Share Ownership Threshold" is (i) 9.99% of the number of Common Shares outstanding; or (ii) if the relevant holder has filed and the TSXV has cleared for acceptance a personal information form in the form prescribed by the TSXV, 19.99% of the number of Common Shares outstanding; provided, however, that the 19.99% threshold shall not apply if the requisite disinterested shareholder approval has been obtained in accordance with applicable TSXV policies.

Craig-Hallum Capital Group (the "Agent") acted as the sole placement agent for the May 2024 Private Placement for purchasers in the United States. The Agent received a cash commission of \$461,727 and compensation warrants on substantially the same terms as the May 2024 Warrants, entitling the Agent to purchase up to 4,164,540 common shares at an exercise price of \$0.11 per Common Share for a period of five years. The compensation warrants are not exercisable for Pre-Funded Warrants and are non-transferable. A further cash finder's fee equal to \$8,400 was paid to a Canadian agent with respect to certain Canadian purchasers.

(b) Share-based compensation

The Company has established a stock option plan (the "Stock Option Plan") and a restricted share unit plan (the "RSU Plan") with the intention of attracting, retaining and motivating employees, officers and directors.

The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the RSU Plan and the Stock Option Plan and the term, vesting periods, and the exercise price of options granted under the Stock Option Plan.

At the annual and special meeting of shareholders in June 2024, shareholders approved amendments to both the Stock Option Plan and the RSU Plan to provide that the combined maximum number of common shares reserved for issuance under both the Stock Option Plan and the RSU Plan, inclusive of existing stock options and RSUs, shall not exceed 20% of the then outstanding common shares or 27,564,478 common shares.

(i) Restricted Share Units (RSU)

Vesting is determined by the Company's Board of Directors at the time of grant. Vesting is contingent upon continuous service/employment through the specific vesting date. The fair value as of the grant date is used to determine the value.

The following table summarizes information about the Company's outstanding RSUs as at March 31, 2025 and 2024:

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

	March 31, 2025	March 31, 2024
	#	#
Balance, opening	21,808,895	5,045,727
Granted	-	-
Forfeited	(33,119)	(318,000)
Vested and Shares issued	(3,788,926)	-
Balance, ending	17,986,850	4,727,700

During the three months ended March 31, 2025 3,788,926 RSUs were delivered for \$103,690, which was transferred to common shares from share-based payment reserve (March 31, 2024 – nil RSUs were delivered.)

(iii) Stock options

Vesting is determined by the Company's Board of Directors at the time of grant. Vesting is contingent upon continuous service/employment through the specific vesting date. Options have an exercise price as set forth in the option certificate issued in respect of such options and in any event shall not be less than market price of the common shares as of the award date. The expiry date of an option is fixed by the Board of Directors at the time the particular option is awarded, provided that the expiry date shall be no later than the date that is 10 years following the award date of such option, subject to earlier termination upon the option holder ceasing to be a director, officer, employee or consultant of the Company.

The following table summarizes information about the Company's outstanding stock options as at March 31, 2025 and 2024:

	March 31, 2025		March 31, 2024	
	Number of Options	Weighted Average Price	Number of Options	Weighted Average Price
	#	CDN \$	#	CDN \$
Options outstanding, opening Jan 1	187,000	1.47	213,300	1.45
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Forfeited	(21,500)	1.62	(26,000)	1.12
Options outstanding, ending March 31	165,500	1.45	187,300	1.47

The following table is a summary of the Company's stock options outstanding as at March 31, 2025:

Options Outstanding			Options Exercisable		
Exercise price range	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
CDN \$	#	#	CDN \$	#	CDN \$
1.00 – 1.50	125,500	2.07	1.31	164,00	1.31
1.90 – 10.50	40,00	6.67	1.90	76,000	1.90
Balance, March 31, 2025	165,500	3.18	1.14	165,000	1.45

The following table is a summary of the Company's stock options outstanding as at March 31, 2024:

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

Exercise price range	Number outstanding	Options Outstanding		Options Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
CDN \$	#	#	CDN \$	#	CDN \$
1.00 – 1.90	186,000	3.32	1.42	186,000	1.42
10.50 – 34.00	1,000	0.18	10.50	1,000	10.50
Balance, March 31, 2024	187,000	3.30	1.47	187,000	1.47

(iii) Share-based compensation expense

For its RSU Plan and Stock Option Plan, the Company recognized share-based compensation expense of \$275,240 for the three months ended March 31, 2025 (\$181,640 for the three months ended March 31, 2024) with a corresponding amount recognized as share-based payment reserve.

The fair value of the RSUs is determined based upon the Company's stock price on the date of grant. There were no stock options granted during the three months ended March 31, 2025 and 2024.

(c) Warrants

The following table summarizes information about the Company's outstanding warrants as at March 31, 2025 and 2024:

	March 31, 2025		March 31, 2024	
	Number of Warrants	Weighted Average Price	Number of Warrants	Weighted Average Price
	#	CDN \$	#	CDN \$
Balance, opening Jan 1	231,084,224	0.22	19,224,885	1.74
Warrants expired	-	-	-	-
Balance, ending March 31	231,084,224	0.22	19,224,885	1.74

The following is a summary of the warrants outstanding by exercise price as at March 31, 2025:

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

Number of warrants outstanding	Exercise Price	Expiry Date
Warrants ⁽¹⁾		
210,469	CDN \$2.50	July 15, 2025
4,364,844	CDN \$0.715	September 14, 2025
166,779	CDN \$2.50	September 25, 2025
1,140,138	CDN \$2.50	January 15, 2026
478,665	CDN \$2.50	February 12, 2026
4,223,141	CDN \$2.50	May 14, 2026
66,884,674	CDN \$0.13	July 26, 2027
5,990,000	CDN \$1.18	March 15, 2028
17,052,840	CDN \$0.13	September 14, 2028
107,683,090	CDN \$0.11	May 10, 2029
18,311,453	CDN \$0.11	June 13, 2029
Broker Warrants (Compensation Options)		
184,173	CDN \$0.65	September 14, 2025
229,504	CDN \$1.10	March 15, 2028
3,482,048	CDN \$0.11	May 10, 2029
682,462	CDN \$0.11	June 13, 2029

The following is a summary of the warrants outstanding as at March 31, 2024:

Number of warrants outstanding	Exercise Price	Expiry Date
Warrants ⁽¹⁾		
1,584,316	CDN \$4.00	August 21, 2024
210,469	CDN \$2.50	July 15, 2025
166,779	CDN \$2.50	September 25, 2025
1,140,138	CDN \$2.50	January 15, 2026
478,665	CDN \$2.50	February 12, 2026
4,223,141	CDN \$2.50	May 14, 2026
5,990,000	CDN \$1.18	March 15, 2028
4,364,844	CDN \$0.715	September 14, 2025
Broker Warrants (Compensation Options)		
118,055	CDN \$1.02	July 26, 2024
251,310	CDN \$2.50	August 21, 2024
283,548	CDN \$1.02	August 25, 2024
229,504	CDN \$1.10	March 15, 2028
184,173	CDN \$0.65	September 14, 2025

(1) Subject to acceleration in certain circumstances.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

(d) Pre-Funded Warrants

The following table summarizes information about the Company's outstanding Pre-Funded Warrants as at March 31, 2025 and 2024:

	March 31, 2025	March 31, 2024
	Number of Warrants #	Number of Warrants #
Balance, opening January 1	112,253,574	-
Pre-funded Warrants converted to common shares	(12,215,000)	-
Pre-Funded Warrants cancelled	(3,162)	-
Balance, ending March 31	100,035,412	-

8. Related party transactions and balances

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings was in the form of payments for services rendered in their capacity as employees and as directors of the Company and are recorded at their fair value.

The Company's key management personnel are comprised of the Board of Directors and current and former members of the executive team of the Company.

Key management personnel compensation is comprised of the following:

	Three Months Ended March 31, 2024	2024
	\$	\$
Salaries, fees and short-term benefits	229,500	178,500
Share-based compensation	33,694	216,873
	263,194	395,373

As at March 31, 2025, the amount owing to directors and officers was \$229,500 (\$85,793 for the three months ended March 31, 2024).

9. Economic dependence

During the three months ended March 31, 2025, the Company derived 100% of its revenue from one customer (March 31, 2024 – 100% from one customer).

10. Financial instruments

The Company's financial instruments consist of cash, trade and other receivables, trade and other payables, lease obligation on right of use assets and convertible debt. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

Basis of fair values

Assets and liabilities recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no significant transfers between levels during the year.

The carrying value of the Company's financial assets and liabilities approximate their fair values due to their nature and their short-term to maturity.

The Company may be exposed to risks of varying degrees of significance that affect its ability to achieve its strategic objectives. The main objectives of the Company's risk processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are as follows:

Foreign currency risk

The Company may undertake sales and purchases transactions in foreign currencies, and therefore is exposed to gains or losses due to fluctuations in foreign currency exchange rates. Management believes the foreign exchange risk derived from currency conversions is currently low and therefore does not actively hedge its foreign currency risk. There has been no change to the Company's policies and processes with respect to the way it manages foreign currency risk.

Interest risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not use derivative financial instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to trade and other receivables and money held in the Company's bank accounts. The carrying value of these assets represents the maximum credit exposure. At March 31, \$nil in trade receivables remains outstanding.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. There has been no change to the Company's policies and processes with respect to the way it manages liquidity risk.

11. Capital management

The Company's objectives when managing capital are to: (i) ensure the Company continues to operate as a going concern to maximize the return on investment to shareholders; (ii) ensure sufficient liquidity to meet the Company's financial obligations and to execute its operating and strategic plans; and (iii) minimize the after tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024
(Expressed in United States Dollars)

12. Subsequent Events

Sale transaction

On April 22, 2025, the Company completed the Sale Transaction for a purchase price of \$9,000,000 (approximately CDN\$12,438,000) to Parade pursuant to the Purchase Agreement.

The net cash payment paid by Parade to the Company at the closing of the Sale Transaction (the "Closing") was \$6,443,773 (approximately CDN\$8,905,294), representing the Purchase Price less: (i) \$756,226 (approximately CDN\$1,045,104), representing the Bridge Loans and interest thereon, and (ii) \$1,800,000 (approximately CDN\$2,487,600) (the "Escrow Amount"), which was deposited with a third-party escrow agent to cover certain potential indemnity claims by Parade until the date that is one year after Closing (the "Escrow Release Date"). There can be no certainty as to the quantum of the Escrow Amount to be released.

Restricted share units

Concurrent with the closing of the Sale Transaction, the Company settled all outstanding RSUs through the issuance of 17,995,147 common shares.

Pre-Funded Warrants

On April 28, 2025, holders of Pre-Funded Warrants exercised an aggregate of 74,458,574 Pre-Funded Warrants, resulting in the issuance of 74,458,574 common shares. As a result of such exercise, a total of 25,576,837 Pre-Funded Warrants remain outstanding.

Special distribution

Following Closing, the Company distributed approximately \$1,070,000 (approximately CDN\$1,478,740), or \$0.0039 per common share or Pre-Funded Warrant to its shareholders (other than dissenting shareholders) (the "Spectra7 Shareholders") and holders of Pre-Funded Warrants representing the net proceeds received by the Company from the Sale Transaction less: (i) transaction costs including fees for financial and legal advisors, costs of the special meeting of Spectra7 Shareholders held to approve the Sale Transaction, escrow agent fees and fees payable to the TSXV; (ii) accounts payable and any employee severance and bonus costs; (iii) funds used for the Company's ordinary course expenses prior to Closing; and (iv) estimated funds to be used by the Company to continue to exist until on or after the Escrow Release Date, including governance, maintenance and wind-down costs for the Company's international operations.

Additionally, the Company distributed one non-interest bearing contingent value right (each a "CVR") for each common share or Pre-Funded Warrant held on the record date for the special distribution, being April 28, 2025. The distribution of the available Escrow Amount, any unused proceeds from the Sale Transaction and any available working capital shall be made to the holders of CVRs on a date to be determined by the Company as soon as possible following the Escrow Release Date.

Delisting

Following the Sale Transaction, the Company's common shares were voluntarily de-listed from the TSXV and the OTCQB Venture Market on April 28, 2025.