SPECTRA7

Spectra7 Microsystems Inc.

Management's Discussion & Analysis

For the Three and Six Months Ended June 30, 2025

August 14, 2025

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This management's discussion and analysis ("MD&A") of financial condition and results of operations of Spectra7 Microsystems Inc. ("Spectra7" or the "Company") was prepared by management as at August 14, 2025. Throughout this MD&A, unless otherwise specified, "Spectra7", "the Company", "we", "us" or "our" refer to Spectra7 Microsystems Inc. and its subsidiaries. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto as at December 31, 2024 (the "Annual Financial Statements") and the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2025 (the "Interim Financial Statements" and together with the Annual Financial Statements, the "Financial Statements"). In preparing this MD&A, we have taken into account information available to us up to August 14, 2025 unless otherwise stated.

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. All amounts are expressed in U.S. dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with information included in the Financial Statements. You will find the Financial Statements on SEDAR+ at www.sedarplus.ca.

This MD&A contains commentary from the Company's management regarding the Company's strategy, operating results, financial position and outlook. Management is responsible for the accuracy, integrity, and objectivity of the MD&A, and develops, maintains and supports the necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

The Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports, prior to filing.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and statements relating, but not limited to, the Company's future financial position and results of operations, strategies, plans, objectives, goals, targets, and future developments in the markets where the Company participates or is seeking to participate. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely", or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those suggested by the forward-looking information and statements, some of which may be beyond the control of management.

Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking information and statements are reasonable, such forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information and statements. On this basis, readers are cautioned not to place undue reliance on such forward looking information and statements.

Factors which could cause actual results to differ materially from current expectations include, but are not limited to:

- our dependence on existing members of the senior management team;
- potential indemnity claims arising from the Sale Transaction (as defined below);
- going concern risk;
- fluctuation of share price;
- strain on our resources as a result of the requirements of being a public company;

- litigation risk;
- market price volatility and potential impact on share price; and
- potential taxation arising from the Sale Transaction or of the special distribution and CVR issuance

We caution that this list is not exhaustive of all possible factors. For a detailed description of risk factors associated with the Company prior to the closing of the Sale Transaction, refer to the "Risks and Uncertainties" section of the Company's management's discussion and analysis for the year ended December 31, 2024 filed on April 15, 2025 which is available on SEDAR+ at www.sedarplus.ca.

The forward-looking information and statements in this MD&A are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations as well as our objectives and strategic priorities, and may not be appropriate for other purposes. The Company does not undertake any obligation to update publicly or to revise any forward-looking information and statements, whether as a result of new information, future events or otherwise, except as required by law.

OVERVIEW OF THE COMPANY

Background

The Company is a corporation incorporated under the laws of the Province of Ontario. The Company is domiciled in Canada and its registered and head office is located at 181 Bay Street, Suite 1800, Toronto, Canada M5J 2T9. The Company is currently a reporting issuer in each of the provinces of Canada, excluding Québec.

The Company was incorporated on October 12, 2010 as a capital pool company named "Chrysalis Capital VIII Corporation" ("Chrysalis") pursuant to the filing of articles of incorporation under the *Canada Business Corporations Act*. The articles of incorporation of the Company were amended by the filing of articles of amendment dated April 19, 2011 to remove certain provisions. On February 5, 2013, the Company consolidated its common shares (the "common shares") by a ratio of 3.86364:1 and to change its name to "Spectra7 Microsystems Inc.". On July 16, 2021, the Company continued its corporate existence from the *Canada Business Corporations Act* to the *Business Corporations Act* (Ontario).

On February 5, 2013, the Company, then named Chrysalis Capital VIII Corporation, completed a reverse takeover transaction whereby Chrysalis acquired all of the issued and outstanding shares of Spectra7 Microsystems Corp. (formerly Fresco Microchip Inc.) ("Fresco"), a company incorporated in Ontario, and Spectra7 Microsystems (Ireland) Limited (formerly RedMere Technology Limited), a company incorporated in Ireland. As a result of such transaction, which constituted the Company's qualifying transaction under the policies of the TSX Venture Exchange (the "TSXV"), the former shareholders of Fresco acquired control of the Company. From February 19, 2013 until July 22, 2015, the common shares of the Company were listed for trading on the TSXV under the symbol "SEV". From July 23, 2015 to May 21, 2020, the common shares were listed for trading on the Toronto Stock Exchange under the symbol "SEV". As of May 22, 2020, the common shares were again listed for trading on the TSXV under the symbol "SEV". On June 21, 2021, the Company's common shares commenced trading on the OTCQB Venture Market under the symbol "SPVNF".

Sale Transaction

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 (approximately CDN$12,438,000) to Parade Technologies, Ltd. ("Parade"), pursuant to an asset purchase agreement dated March 7, 2025 (the "Purchase Agreement").

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 Purchase Price.

The net cash payment paid by Parade to Spectra7 at 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.

Following Closing, the Company distributed approximately $1,070,000 (approximately CDN$1,478,740), or $0.0039 per common share or Pre-Funded Warrant (defined below) 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.

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.

Products

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

The Company’s family of products featured a patented signal processing technology used in the design of active cables and specialty interconnects which enable longer, thinner and lighter interconnects in data centers, VR, AR, and other connectivity products. Prior to the Sale Transaction, the Company held approximately 55 U.S. issued patents relating to its products, all of which were transferred to Parade on the closing of the Sale Transaction.

Overall Financial Performance

Net gain for the six months ended June 30, 2025 was $590,000, compared to a net loss of $11.6 million in the same period in the prior year. The net gain is attributed to the completion of the Sale Transaction. Revenue for the six months ended June 30, 2025 decreased by 77%, compared to the same period in the prior year. The reduced revenue was driven by the significantly lower demand for our DreamWeVR AR/VR products, as well as lower demand for our data center products, and the completion of the Sale Transaction.

Gross margin percentage for the six months ended June 30, 2025 was 182%, an increase of approximately 129% from the same period in 2024 due to reduced sales of our higher margin DreamWeVR AR/VR products, lower shipment volumes of our data center products, and the completion of the Sale Transaction.

Expenditures during the six months ended June 30, 2025 were approximately $7.1 million, representing a decrease of 43% from the same period in 2024, due to the management’s control in costs and the completion of the Sale Transaction.

Key Customers

During the three and six months ended June 30, 2025, the Company derived 100% of its revenue from one customer (three and six months ended June 30, 2024 – 100% from two customers).

Selected Financial Information

The table below sets forth certain key financial results for the three and six months ended June 30, 2025 and 2024.

	Three Months Ended June 30, (In thousands, except for loss per share)				Six Months Ended June 30, (In thousands, except for loss per share)			
	2025	2024	Change		2025	2024	Change	
	$	$	$	%	$	$	$	%
Revenue	382	862	(480)	(56%)	392	1,678	(1,286)	(77%)
Cost of sales	(533)	314	(847)	(270%)	(321)	797	(1,118)	(140%)
Gross profit	915	548	367	67%	714	881	(167)	(19%)
Expenses and Other Income	4,510	9,866	(5,356)	(54%)	7,124	12,441	(5,317)	(43%)
Other Gain	(6,997)	-	(6,997)	100%	(6,997)	-	(6,997)	100%
Operating loss	3,402	(9,318)	12,720	(137%)	587	(11,560)	12,147	(105%)
Net gain/(loss)	3,402	(9,318)	12,720	(137%)	587	(11,560)	12,147	(105%)
Other comprehensive gain/(loss)	-	-	-	-	3	-	3	100%
Total comprehensive loss	3,402	(9,318)	12,720	(137%)	590	(11,560)	12,150	(105%)
Basic and diluted loss per share	0.02	(0.12)			0.00	(0.20)		
Weighted average number of shares outstanding	225,025	76,717			185,508	58,603		

	As at (In thousands)			
	June 30, 2025	December 31, 2024	Change	
	$	$	$	%
Total assets	3,616	3,231	385	12%
Total liabilities	307	1,290	(983)	(76%)
Equity	3,309	1,941	1,368	70%
Total liabilities and equity	3,616	3,231	385	12%

Revenue and Gross Margin

The table below sets forth the details of revenue and gross margin for the three and six months ended June 30, 2025 and 2024.

	Three Months Ended June 30, (In thousands)				Six Months Ended June 30, (In thousands)			
	2025	2024	Change		2025	2024	Change	
	$	$	$	%	$	$	$	%
Revenue	382	862	(480)	(56%)	392	1,678	(1,286)	(77%)
Cost of sales	(533)	314	(847)	(270%)	(321)	797	(1,118)	(140%)
Gross profit	915	548	367	67%	713	881	(168)	(19%)
Gross margin %	*240%*	*64%*	*176%*		*182%*	*53%*	*129%*	

Revenue for the three and six months ended June 30, 2025 decreased by $480,000 and $1.3 million, respectively representing a decrease of 56% and 77% over the same period in the previous year. The reduced revenue was driven by the significantly lower demand for our DreamWeVR AR/VR products, lower demand for our data center products, and the completion of the Sale Transaction.

Gross margin percentage for the three and six months ended June 30, 2025 was 240% and 182% respectively, representing an increase of approximately 176% and 129% from the same period in 2024 due to reduced sales of our higher margin DreamWeVR AR/VR products, lower shipment volumes of our data center products, and the completion of the Sale Transaction.

Gross margin is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS. Gross margin provides additional information to readers of the MD&A and Financial Statements to enhance their understanding of the Company's financial performance. Gross margin is comprised of revenue less cost of sales divided by revenue.

Expenses

The table below sets forth the details of expenses and other income for the three and six months ended June 30, 2025 and 2024.

	Three Months Ended June 30, (In thousands)				Six Months Ended June 30, (In thousands)			
	2025	2024	Change		2025	2024	Change	
	$	$	$	%	$	$	$	%
Research and development, net of investment tax credits and including amortization of licenses	443	1,123	(680)	(61%)	1,575	2,118	(543)	(26%)
Sales and marketing	28	270	(242)	(90%)	99	539	(440)	(82%)
General and administrative	2,461	1,014	1,447	143%	3,487	1,895	1,592	84%
Depreciation of right-of-use assets	13	57	(44)	(77%)	69	117	(48)	(41%)
Depreciation of property and equipment	10	28	(18)	(63%)	50	36	14	39%
Interest expense	2	-	2	100%	6	-	6	100%
Share-based compensation	1,533	270	1,263	468%	1,809	811	998	123%
Loss on extinguishment of convertible debt	-	6,922	(6,922)	(100%)	-	-	-	-
Interest on lease obligation of right-of-use assets	-	3	(3)	(90%)	1	4	(3)	(75%)
Accretion expense	-	142	(142)	(100%)	-	512	(512)	(100%)
Other Income	(14)	10	(25)	(251%)	(14)	10	(26)	(262%)
Foreign exchange loss	34	27	7	26%	43	(45)	88	(196%)
	4,510	9,866	(5,356)	(54%)	7,125	5,997	1,127	19%

Research and Development

Research and development expenses consist of salaries and related expenses, design software tool costs, travel, consumable materials used in product development, such as experimental wafers, non-production tape-out costs, technical services costs and contracted technical personnel.

Research and development expenses for the three and six months ended June 30, 2025 decreased by 61% and 26%, respectively, from the same periods in the previous year due mainly to the completion of the Sale Transaction.

The Company is eligible for Irish refundable Scientific Research and Experimental Development investment tax credits for certain eligible expenditures incurred in Ireland. These tax refunds are netted against the Company's research and development expenses which have not been significant.

Sales and Marketing

Sales and marketing expenses consist primarily of salaries and related expenses, travel and the cost of trade shows, product promotion, customer technical support and market research.

Sales and marketing expenditures for the three and six months ended June 30, 2025 decreased by 90% and 82% respectively, from the same periods in previous year. The overall decrease was driven by the completion of the Sale Transaction.

General and Administrative

General and administrative expenses relate to finance and administration and consist of salaries and related expenses, legal and audit fees, insurance, expenses related to public reporting and compliance, travel and other corporate expenses.

General and administrative expenses for the three and six months ended June 30, 2025 increased by 143% and 84%, respectively from the same periods in previous year. The increase is mainly due to an increase in compensation accruals.

Depreciation of Right-of-use Assets

The Company's right-of-use assets recognized on adoption of IFRS 16 on January 1, 2019 are amortized over their remaining lease term. Depreciation of right-of-use assets for the three and six months ended June 30, 2025 compared to the same periods in the previous year decreased by 77% and 41% respectively. The decrease was driven by the termination of the lease on April 30, 2025 following completion of the Sale Transaction.

Depreciation of Property and Equipment

Depreciation of property and equipment for the three and six months ended June 30, 2025 compared to the same period in the previous year decreased by 63% and increased by 39 % respectively. The higher depreciation is due to a purchase of PPE in the first quarter of 2025.

Interest Expense

Interest expense represents the interest payable on the Bridge Loans.

Share-based Compensation

Share-based compensation recognizes the expense associated with the fair value of stock options and restricted share units granted to employees, officers, directors and consultants which are estimated at the date of grant using the Black Scholes option pricing model and recognized over the period in which the options vest.

Share-based compensation expense for the three and six months ended June 30, 2025 increased by $1.3 million and $1.0 million respectively, over the same periods in the previous year due to accelerated vesting under the Company's restricted share unit plan.

Accretion and Interest Expense

Accretion expense represents the change in the stated value of the 14% Debentures and 9% Debentures each defined below) measured at amortized cost and also includes interest expense for the period. The 14% Debentures are carried at amortized cost at an effective interest rate of 25.8%. Under the effective interest rate method, the accretion becomes higher as maturity approaches. The forced conversion of the 14% Debentures and 9% Debentures in the second quarter of 2024 eliminated the accretion expense in the first quarter of 2025 and for future periods.

Foreign Exchange Loss

The loss or gain on foreign exchange is caused by changes in the value of the Canadian dollar, Euro and Chinese Yuan relative to the US dollar, the amount of exposed assets and liabilities such as cash and accounts payable and the difference in the exchange rate at the time expenses in Canadian dollars, Euros and Chinese Yuan are booked and paid. Gains occur when the non-US currency strengthens and the Company holds exposed net assets in those funds or when the non-US currency weakens and the Company holds net exposed liabilities. Conversely, losses occur when the non-US currency weakens and the Company holds net exposed assets in those funds or when the non-US currency strengthens and the Company holds net exposed liabilities.

Net Gain and Other Comprehensive Income

Net gain for the three and six months ended June 30, 2025 was $3.4 million and $0.6 million, respectively, compared to a net loss of $9.3 million and 11.6 million in the same periods in the prior year. The net gain is attributed to the completion of the Sale Transaction.

The other comprehensive income relates to the unrealized foreign currency effect of translating the Company, whose functional currency is Canadian dollars, to US dollars for financial reporting purposes. The operating results of Spectra7 Microsystems Inc. and its wholly owned subsidiary, Si Bai Ke Te (Dongguan) Electronics Trading Co. Ltd, are translated from their functional currencies of Canadian Dollars (CDN) and Chinese Yuan Renminbi (CNY), respectively, into the Company's presentation currency of US dollars at the end of each reporting period, with the difference being recorded in other comprehensive income. During the three and six months ended June 30, 2025, the Company recorded an other comprehensive gain of $nil and $0.3 million respectively, (June 30, 2024: loss $0.01 million and $0.01 million respectively) related to unrealized foreign currency translation, which arose due to the insignificant change in the USD exchange rate to CDN and CNY.

Loss per Share

Basic loss per share is calculated by dividing the profit and loss attributable to common shares by the weighted average number of common shares outstanding during the period. Diluted earnings and loss per share is calculated by adjusting the earnings and number of common shares for the effects of dilutive options and other potentially dilutive securities. The weighted average number of common shares used as the denominator in calculating diluted loss per common share excludes un-issued common shares related to warrants, restricted share units and employee stock options, as they are anti-dilutive.

Basic and diluted loss per share for the three and six months ended June 30, 2025 was $0.02 and $0.0 respectively, compared to $0.12 and $0.20 for the three and six months ended June 30, 2024.

Summary of Quarterly Data

The table below sets forth selected financial data for the most recent eight quarters ended June 30, 2025.

	(in thousands, except per share)							
	2023		2024				2025	
	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 30	Mar 31	Jun 30
	$	$	$	$	$	$	$	$
Revenue	3,154	341	10	862	152	481	10	382
Cost of sales	1,568	297	212	314	169	1,526	212	(533)
Gross profit	1,586	45	(201)	548	(17)	(1,045)	(201)	915
Expenses	3,086	4,479	2,614	9,866 *	2,460	4,588	2,614	4,510
Other Gain	-	-	-	-	-	(8,966)	-	(6,997)
Income tax recovery	-	(119)	-	-	-	-	-	-
Net gain/(loss)	(1,500)	(4,315)	(2,815)	(9,318)	(2,477)	3,362	(2,815)	3,402
Other comprehensive (loss) gain	-	(85)	-	-	-	(3)	3	-
Total comprehensive loss	(1,500)	(4,400)	(2,815)	(9,318)	(2,477)	3,359	(2,812)	3,402
Loss per share - Basic and Dilutive	(0.04)	(0.11)	(0.02)	(0.12)	(0.02)	0.02	(0.02)	0.02
Shares - Basic and Dilutive	39,827	40,078	158,600	76,717	142,445	142,453	158,600	225,025

Revenues in the semiconductor industry are subject to seasonality driven by purchasing cycles and manufacturers' unique product development cycles. Historically, the Company's operating results have fluctuated on a quarterly basis.

Non-GAAP Measures

In addition to IFRS reporting, the Company provides non-GAAP financial measures excluding the income statement effects of share-based compensation, interest, depreciation and taxes. These non-GAAP measures help analyze the Company's financial results, establish budgets and operating goals for managing its business and to evaluate performance. The Company also believes that these non-GAAP financial measures provide an additional tool for investors to use in comparing our core business and results of operations over multiple periods with other companies in the industry, many of which present similar non-GAAP financial measures to investors. However, the non-GAAP financial measures presented may not be comparable to similarly titled measures reported by other companies due to differences in the way that these measures are calculated. The non-GAAP financial measures presented should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or a substitute for, comparable financial measures calculated in accordance with IFRS.

(i) Non-IFRS Operating Expenses

Non-IFRS operating expenses is a non-GAAP measure which includes research and development, sales and marketing, general and administrative expenses and depreciation and amortization for capital equipment and right-of-use assets and excludes share-based compensation expense, non-recurring termination costs, interest and related financing costs, change in fair value of warrant liabilities, foreign exchange gain/loss and gain/loss from property and equipment disposal.

Below is a reconciliation of total IFRS expenses to non-IFRS operating expenses:

	2023		2024				2025	
(in thousands)	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30
	$	$	$	$	$	$	$	$
Total expenses - IFRS	**3,086**	**4,479**	**2,575**	**9,866**	**2,461**	**4,588**	**2,614**	**4,510**
Share-based compensation	288	334	182	270	143	(3)	275	1,533
Interest on lease obligation of right-of-use assets	4	3	1	3	4	2	1	-
Accretion expense	411	493	538	142	-	98	-	-
Other income	(30)	(9)	-	10	-	-	4	(12)
Foreign exchange loss	(110)	143	(211)	27	(1)	(80)	9	34
Extinguishment of convertible debt	-	-	-	6,922	-	-	-	-
Non-IFRS operating expenses	**2,523**	**3,515**	**2,065**	**2,491**	**2,315**	**4,571**	**2,324**	**2,955**

	2023		2024				2025	
(in thousands)	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30
	$	$	$	$	$	$	$	$
Research and development, net of investment tax credits and including amortization of licenses	1,409	1,154	1,040	1,123	1,033	1,275	1,131	443
Sales and marketing	271	325	279	270	236	(51)	71	28
General and administrative	762	1,947	657	1,014	963	3,264	1,026	2,461
Depreciation of right-of-use assets	60	60	60	57	56	56	56	13
Depreciation of property and equipment	21	28	28	28	27	27	40	10
Non-IFRS operating expenses	**2,523**	**3,515**	**2,065**	**2,491**	**2,315**	**4,571**	**2,324**	**2,955**

(ii) EBITDA

EBITDA or earnings before interest, tax, depreciation, and amortization is a non-GAAP measure. EBITDA excludes share-based compensation, amortization, depreciation, interest, and tax expenses.

Below is a reconciliation of net loss to EBIDTA:

	2023		2024				2025	
(in thousands)	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30
	$	$	$	$	$	$	$	$
Net loss	(1,500)	(4,315)	(2,242)	(9,318)	(2,477)	3,363	(2,815)	3,402
Depreciation of right-of-use assets	60	60	60	57	56	56	56	13
Depreciation of property and equipment	21	28	28	28	27	27	40	10
Depreciation expense - COGS	31	31	32	32	25	26	26	4
Amortization - intangible assets	90	179	167	167	167	193	189	44
Share-based compensation	288	334	182	270	143	(3)	275	1,533
Interest on lease obligation of right-of-use assets	4	3	1	3	4	2	1	-
Accretion expense	411	493	538	142	-	98	-	-
Interest expense/(income)	(30)	(9)	-	10	-	-	4	(12)
Foreign Tax	-	(119)	-	-	-	-	-	-
Foreign exchange loss	(110)	143	(211)	27	(1)	(80)	9	34
Sale of assets	-	-	-	-	-	-	-	(6,997)
Extinguishment of convertible debt	-	-	-	6,922	-	(8,996)	-	-
EBITDA	**(734)**	**(3,172)**	**(1,445)**	**(1,659)**	**(2,056)**	**(5,314)**	**(2,213)**	**(1,969)**

Issued and Outstanding Share Capital

The Company's authorized capital consists of an unlimited number of common shares. 251,053,954 common shares were issued and outstanding as of June 30, 2025. As of the date of this MD&A, 251,053,954 common shares were issued and outstanding.

Pre-Funded Warrants

As of June 30, 2025, the Company had outstanding pre-funded warrants ("Pre-Funded Warrants") to purchase up to 25,576,837 common shares. 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 of the date of this MD&A, the Company has outstanding Pre-Funded Warrants to purchase up to 25,576,837 common shares. Each Pre-Funded Warrant entitles the holder to purchase one common share for a nominal amount subject to not exceeding the Share Ownership Thresholds (defined below). The Pre-Funded Warrants do not expire.

The "Share Ownership Threshold" is (i) 9.99% of the number of common shares outstanding immediately after giving effect to the exercise of the Pre-Funded Warrants; 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 immediately after giving effect to the exercise of the Pre-Funded Warrants; 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.

Stock Options and Restricted Share Units

At the annual and special meeting of shareholders held in June 2024, the shareholders approved amendments to both the Company's stock option plan ("Stock Option Plan") and the restricted share unit plan (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 restricted share units ("RSUs"), shall not exceed 27,564,478 common shares, representing 20% of the issued and outstanding common shares as of May 17, 2024.

As at June 30, 2025, nil RSUs and options to purchase an aggregate of up to nil common shares were outstanding. In connection with the Sale Transaction, the Company settled all outstanding RSUs through the issuance of 17,995,147 common shares. As of the date of this MD&A, no RSUs and options to purchase an aggregate of up to nil common shares were outstanding.

Warrants

As of the date of this MD&A,, the Company has outstanding warrants to purchase common shares or units:

Expiry Date	Number of warrants outstanding	Exercise Price
September 14, 2025	4,364,844	CDN $0.715
September 14, 2025	184,173	CDN $0.65
September 25, 2025	166,779	CDN $2.50
January 15, 2026	1,140,138	CDN $2.50
February 12, 2026	478,665	CDN $2.50
May 14, 2026	4,223,141	CDN $2.50
July 26, 2027	66,884,674	CDN $0.13
March 15, 2028	5,990,000	CDN $1.18
March 15, 2028	229,504	CDN $1.10
September 14, 2028	17,052,840	CDN $0.13
May 10, 2029	3,482,048	CDN $0.11
May 10, 2029	107,683,090	CDN $0.11
June 13, 2029	682,462	CDN $0.11
June 13, 2029	18,311,453	CDN $0.11
Total	**230,873,811**	

Convertible Debt

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, covert 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 would be exceeded by the warrantholder as a result of the conversion, one Pre-Funded Warrant 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 warrantholder 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 CDN $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 CDN $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. As of the date of this MD&A, no 14% Debentures or 9% Debentures remain outstanding.

Equity Financings

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 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 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.

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 (a) up to 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 total gross proceeds from the two tranches of the May 2024 Private Placement was approximately CDN $12.6 million.

Liquidity and Capital Resources

Historically, the Company has funded its operations from the sale of equity securities and from debt financing.

The following table summarizes the working capital and cash as at June 30, 2025 and December 31, 2024:

	As at (In thousands)			
	June 30 2025	December 31, 2024	Change	
	$	$	$	%
Current assets	3,616	2,609	1,007	39%
Current liabilities	307	1,107	(800)	(72%)
Working capital	3,309	1,503	1,807	120%
Cash	1,798	1,291	507	39%

As at June 30, 2025, the Company had a working capital of $3.3 million, compared to a working capital of $1.5 million as at December 31, 2024. This increase is mainly a result of the completion of the Sale Transaction.

The following table summarizes the cash inflows and outflows by activity for the periods indicated:

	Three Months Ended June 30, (in thousnds)				Six Months Ended June 30, (in thousnds)			
	2025	2024	Change		2025	2024	Change	
	$	$	$	%	$	$	$	%
Cash generated by (used in)								
Operating activities	(1,101)	(1,889)	788	(42%)	(2,304)	(2,679)	375	(14%)
Financing activities	2,485	14,089	(11,604)	(82%)	3,178	14,568	(11,390)	(78%)
Investing activities	(38)	(19)	(19)	100%	(370)	(26)	(344)	1323%
Effect of exchange rate change	-	(6,945)	6,945	(100%)	3	(7,145)	7,148	(100%)
Increase (decrease) in cash	1,346	5,237	(3,890)	(74%)	507	4,718	(4,211)	(89%)

Operating Activities

Cash used in operating activities for the three and six months ended June 30, 2025 of $1.1 million and $2.3 million respectively, compared to the same periods in 2024 of $1.9 million and $2.7 million, decreased by $0.7 million and $0.3 million mainly to due a positive non-cash working capital.

Financing Activities

Net cash flow from financing activities decreased by $11.6 million and $11.40 during the three and six months ended June 30, 2025 compared to the same periods in 2024. The decrease is mainly a result of the from the proceeds of the May 2024 Private Placement and the gain from the convertible debenture conversions in 2024.

Investing Activities

Cash used in investing activities in the three and six months ended June 30, 2025 compared to the same period in 2024 increased by $0.01 and $0.3 million due to increased equipment purchases.

Off-Balance Sheet Arrangements

The Company currently has no off-balance sheet arrangements.

Transactions Between Related Parties

The Company transacts with key individuals from management and 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.

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

Key management personnel compensation consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	**2024**	**2025**	2024
	$	$	**$**	$
Salaries, fees and short-term benefits	**1,245,548**	171,750	**1,475,048**	350,250
Share-based compensation	**98,711**	53,813	**132,405**	270,686
Total	**1,342,759**	225,563	**1,605,953**	620,936

Insiders of the Company purchased 16,500,000 May 2024 Units in the May 2024 Private Placement and received 2,012,646 9% Units as a result of the conversion of $267,000 of principal amount of 9% Debentures and 15,083,538 14% Units as a result of the conversion of $2,001,000 of principal amount of 14% Debentures. The Company relied on exemptions from the formal valuation requirement of MI 61-101, pursuant to the exemption provided under Section 5.5(b) of MI 61-101, as the Company was not listed on a market specified in that section, and from the minority approval requirement of MI 61-101, pursuant to the "financial hardship" exemption provided under Section 5.7(1)(e) of MI 61-101, as the Company was (i) in a situation of serious financial difficulty, (ii) the transaction was designed to improve the financial position of the Company, (iii) the circumstances described in Section 5.5(f) of MI 61-101 are not applicable, and (iv) the Company's board of directors and independent directors (as such term is defined in MI 61-101) had, acting in good faith, determined that (i) and (ii) apply and the terms of the transaction are reasonable in the circumstances of the Company.

Critical Accounting Estimates

The Company's significant accounting policies and accounting estimates under IFRS are contained in the Financial Statements (see Note 3 to the Annual Financial Statements). Certain of these policies involve critical accounting estimates as they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

Changes in Accounting Policies

The Financial Statements are prepared in accordance with IFRS. There were no changes in accounting policies for the three and six months ended June 30, 2025 and no adoption in new accounting standards resulting in significant impact to the financials.

Financial Instruments and Risk Management

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's revenues and cost of sales are denominated in United States dollars. The Company incurs expenses in United States dollars, Euros, Canadian dollars and Chinese Yuan. The Company has historically raised capital denominated in Canadian dollars. The Company is therefore exposed to gains or losses due to fluctuations in foreign currency exchange rates. Management actively monitors the movement in foreign exchange rates and their potential impact on the Company's financial results but does not actively hedge its foreign currency risk.

Interest rate 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. As of the date of this MD&A, the Company does not have long term debt or short term liabilities that fluctuate in fair market value based on changes in market interest rates.

Credit risk

Credit risk is the risk of loss associated with 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 Company mitigates this risk by monitoring the credit worthiness of its customers and only dealing with creditworthy counterparties.

Liquidity risk

The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash, managing cash from operations and if required through financing activities.

Fair value

The fair value of cash and cash equivalents, trade and other receivables, investment tax credits, trade and other payables, obligations under finance lease, lease obligations, promissory notes to related parties, and license liabilities approximate their carrying values due to their immediate or short-term maturity.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the CEO and CFO, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2024, the Company's internal control over financial reporting was effective.

During the three and six months ended June 30, 2025, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or be reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

Additional Information

Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca.

Approval

The Board of Directors has approved the disclosure contained in this MD&A.