



EDGE TOTAL INTELLIGENCE INC.

Consolidated Financial Statements

**For the Years Ended December 31, 2024, and 2023
Expressed in United States Dollars**

Table of Contents

	PAGE
Independent Auditor's Report	1 - 4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Loss and Comprehensive Loss	6
Consolidated Statements of Changes in Shareholders' Deficiency	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 46

To the Shareholders of Edge Total Intelligence Inc.:

Opinion

We have audited the consolidated financial statements of Edge Total Intelligence Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred negative cash flows from operations, incurred an accumulated deficit and had an excess of current liabilities over current assets as at and for the year ended December 31, 2024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Asset Acquisition

Key Audit Matter Description

As disclosed in Note 4 of the consolidated financial statements for the year ended December 31, 2024, the Company completed an asset acquisition on September 25, 2024, which resulted in the recognition of identifiable intangible assets.

At the acquisition date, management assesses and records the fair value of the acquired assets in accordance with the applicable accounting standards. This process involves significant judgment and estimation, particularly in the fair value of the asset acquired.

We considered this a key audit matter due to the significant judgments applied by management in estimating the fair value of acquired intangible assets. Additionally, there was a high degree of auditor judgment, subjectivity, and effort in evaluating the assumptions used in the fair value model, including estimated costs and budgeted developer hours.

Audit Response

We responded to this matter by performing audit procedures in relation to the fair value of the intangible asset acquired. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained management's evaluation to determine whether the transaction qualified as a business combination or an asset acquisition.
- Obtained management's calculation and fair value analysis of the acquired intangible assets.
- Consulted with technical and valuation specialists on the accounting and valuation methodology utilized relating to the acquisition of the intangible assets and tested the inputs into the fair value assessment.
- Reviewed the disclosure within the consolidated financial statements for accuracy, completeness and presentation in accordance with IFRS.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

April 25, 2025

MNP LLP

Chartered Professional Accountants

Edge Total Intelligence Inc.

Consolidated Statements of Financial Position

As at,
(Expressed in United States dollars)

	December 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash	\$ 778,296	\$ 993,284
Accounts receivable	49,743	93,351
Prepaid expenses (Note 5)	755,080	223,659
Total current assets	1,583,119	1,310,294
Property and equipment	14,709	22,759
Right of use assets (Note 6)	55,580	128,344
Intangible assets (Notes 4, 7)	2,252,058	1,282,908
TOTAL ASSETS	\$ 3,905,466	\$ 2,744,305
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 8, 24)	\$ 697,483	\$ 751,490
Deferred revenue (Note 9)	1,258,693	902,087
Lease liabilities (Note 10)	51,857	67,378
Promissory note payable (Note 11)	617,838	3,011,682
Convertible debt (Notes 13, 24)	570,382	211,855
Derivative liability (Notes 14, 24)	833,949	282,904
Warrant liability (Note 15)	-	300,000
Total current liabilities	4,030,202	5,527,396
Lease liabilities (Note 10)	9,260	65,003
Promissory note payable (Note 11)	2,002,555	-
Loan payable (Notes 12, 24)	-	594,259
Warrant liability (Note 15)	242,645	-
TOTAL LIABILITIES	\$ 6,284,662	\$ 6,186,658
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 16)	\$ 19,127,669	\$ 15,558,987
Contributed surplus	12,538,518	11,301,612
Warrants (Note 16)	707,192	-
Accumulated deficit	(35,006,557)	(30,625,092)
Other Comprehensive Income	253,982	322,140
	(2,379,196)	(3,442,353)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 3,905,466	\$ 2,744,305

Going Concern (Note 1)

Subsequent Events (Note 29)

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

Approved by the Board of Directors

"Seth Kay"
Seth Kay - Director

"Jim Barrett"
Jim Barrett - CEO and Director

Edge Total Intelligence Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2024 and 2023

(Expressed in United States dollars)

	December 31, 2024	December 31, 2023
Revenues		
Revenue (Note 17)	\$ 3,016,739	\$ 3,815,552
Cost of sales (Note 18)	900,097	1,121,269
Gross profit	2,116,642	2,694,283
Operating expenses		
Selling and marketing expenses	1,356,065	1,251,354
Administrative expenses (Note 18)	1,615,770	2,210,675
Research and development expenses	1,684,860	1,643,377
Other expenses (Note 19)	173,526	67,466
Share-based expenses (Note 16)	756,882	472,507
Total operating expenses	5,587,103	5,645,379
Operating loss	(3,470,461)	(2,951,096)
Finance costs (Note 20)	(480,745)	(1,522,853)
Gain from forgiveness of payable balance (Note 21)	48,736	-
Bad debt (Note 21)	(6,494)	(596,804)
Gain on modification of promissory note payable (Note 15)	66,482	133,718
Loss on settlement of convertible debt (Note 13)	-	(23,264)
Change in fair value of derivative liability (Note 14)	(551,045)	1,772,691
Cost recovery (Note 22)	-	2,000,000
Foreign exchange gain (loss)	12,062	(20,279)
Loss before income taxes	(4,381,465)	(1,207,887)
Income tax expense (Note 26)	-	-
Net loss	(4,381,465)	(1,207,887)
Other comprehensive loss		
Foreign currency translation gain (loss)	(68,158)	221,761
Net loss and comprehensive loss	\$ (4,449,623)	\$ (986,126)
Net loss per share (Note 23)		
Basic and diluted	\$ (0.13)	\$ (0.06)
Weighted average number of common shares outstanding		
Basic and diluted	32,758,112	21,142,879

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

Edge Total Intelligence Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended December 31, 2024 and 2023

(Expressed in United States dollars)

	Number of SVS Shares	Number of MVS Shares	Amount	Contributed Surplus	Warrants	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance December 31, 2022	18,993,459	26,600	\$ 10,210,529	\$ 10,829,674	\$ -	\$ (29,417,205)	\$ 100,379	\$ (8,276,623)
Net loss and comprehensive loss	-	-	-	-	-	(1,207,887)	221,761	(986,126)
Share-based compensation expense (Note 16)	-	-	-	472,507	-	-	-	472,507
Share-based options and warrants exercised (Note 16)	132,000	-	73,626	(55,358)	-	-	-	18,268
Shares issued on conversion of debt (Notes 16, 24)	9,109,541	-	5,274,832	-	-	-	-	5,274,832
Gain on extinguishments of related party payables (net) (Note 24)	-	-	-	(42,063)	-	-	-	(42,063)
Gain on modification of loan payable (Note 12)	-	-	-	44,595	-	-	-	44,595
Gain on modifications to convertible debt (Note 13)	-	-	-	52,257	-	-	-	52,257
Shares converted from MVS to SVS (Note 16)	30,000	(30)	-	-	-	-	-	-
Balance December 31, 2023	28,265,000	26,570	\$ 15,558,987	\$ 11,301,612	\$ -	\$ (30,625,092)	\$ 322,140	\$ (3,442,353)
Net loss and comprehensive loss	-	-	-	-	-	(4,381,465)	(68,158)	(4,449,623)
Share-based compensation expense (Note 16)	-	-	-	814,959	-	-	-	814,959
Share-based options exercised (Note 16)	200,000	-	92,628	(85,160)	-	-	-	7,468
Private Placement (Note 16)	10,625,000	-	2,542,652	-	583,957	-	-	3,126,609
Broker warrants (Note 16)	-	-	-	-	173,692	-	-	173,692
Share and warrant issuance costs	-	-	(392,496)	-	(50,457)	-	-	(442,953)
Gain on extinguishment of loan payable (Note 12)	-	-	-	397,694	-	-	-	397,694
Gain on modifications to convertible debt (Note 13)	-	-	-	109,413	-	-	-	109,413
BlockX acquisition (Notes 4, 16)	4,250,000	-	1,262,760	-	-	-	-	1,262,760
Shares issued as finders' fees relating to BlockX acquisition (Notes 4, 16)	197,674	-	63,138	-	-	-	-	63,138
Balance December 31, 2024	43,537,674	26,570	\$ 19,127,669	\$ 12,538,518	\$ 707,192	\$ (35,006,557)	\$ 253,982	\$ (2,379,196)

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

Edge Total Intelligence Inc.

Consolidated Statements of Cash Flow

For the years ended December 31, 2024 and 2023

(Expressed in United States dollars)

	December 31, 2024	December 31, 2023
Operating activities		
Net loss for the year	\$ (4,381,465)	\$ (1,207,887)
Items not involving cash:		
Amortization of deferred finance costs	-	34,304
Depreciation of property and equipment	10,328	5,134
Amortization of right of use assets (Note 6)	72,764	67,191
Amortization of intangible assets (Note 7)	400,537	727,303
Gain on modification of promissory note payable (Note 15)	(66,482)	(133,718)
Loss on settlement of convertible debt (Note 13)	-	23,264
Change in fair value of derivative liability (Note 14)	551,045	(1,772,691)
Gain from forgiveness of payable balance (Note 21)	(48,736)	-
Bad debt (Note 21)	6,494	596,804
Finance costs	480,745	1,206,665
Share-based compensation expense (Note 16)	756,882	472,507
Unrealized foreign exchange gain	836	(35,961)
Change in non-cash working capital (Note 25)	(120,754)	(529,377)
Cash flows used in operating activities	\$ (2,337,806)	\$ (546,462)
Financing activities		
Repayments of promissory note payable (Note 11)	(400,000)	(3,000,000)
Private Placement	3,126,609	-
Share issuance costs (Note 16)	(236,318)	-
Interest payment	(177,889)	(170,395)
Related party loan advances (Note 24)	-	4,210,000
Convertible debt repayment (Note 13)	-	(161,287)
Lease payments on right to use assets (Note 10)	(82,884)	(94,697)
Stock options and warrants exercised	7,468	18,268
Cash flows provided by financing activities	\$ 2,236,986	\$ 801,889
Investing activities		
Acquisition of intangible assets (Notes 4, 7)	(43,732)	-
Acquisition of fixed assets	(2,278)	-
Cash flows used in investing activities	\$ (46,010)	\$ -
Effect of foreign exchange rates on cash	(68,158)	257,722
Change in cash	(214,988)	513,149
Cash, beginning of year	993,284	480,135
Cash, end of year	\$ 778,296	\$ 993,284

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

Edge Total Intelligence, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in United States dollars)

1. Reporting Entity and Going Concern

Reporting Entity

Edge Total Intelligence Inc. ("EdgeTI" or "Company") was originally incorporated on January 10, 2019, under the name Aphelion Capital Corp ("Aphelion") pursuant to the British Columbia Business Corporation Act. The Company's registered office and principal place of business is located at Suite 2500, 666 Burrard Street, Vancouver, British Columbia, Canada V6C 2X8. On December 14, 2021, Aphelion completed its Qualifying Transaction ("QT"), as defined by Policy 2.4 of the TSX Venture Exchange ("TSXV") Corporate Finance Manual, with Edge Technologies Inc. ("Edge"). As a result of the QT, the Company changed its name to Edge Total Intelligence Inc. and now owns 100% of the outstanding common shares of Edge. Edge was incorporated in the state of Virginia, and its registered office and principal place of business is located at 1501 Lee Hwy, Suite 301, Arlington, Virginia, United States 22209. The Company is listed on the TSX Venture Exchange under the symbol "CTRL".

On September 25, 2024, pursuant to a merger agreement dated August 2, 2024 (the "Merger Agreement"), the Company completed a transaction between itself, Block X Capital Corp. ("BlockX") and 1494029 B.C. Ltd. ("AcquisitionCo"), a wholly owned subsidiary of the Company. The Company acquired all of the issued and outstanding shares in the capital of BlockX (the "acquisition") (Note 4) from Victory Square Technologies Inc. ("VST"), the sole shareholder of BlockX, in exchange for an equivalent number of subordinate voting shares of the Company (each, a "SVS") (Note 16) by way of a three-cornered amalgamation under the Business Corporations Act (British Columbia) (the "Amalgamation"). The Company now holds all of the issued and outstanding shares in the capital of EdgeAI Technologies Inc. ("EdgeAI"), the corporation that resulted from the Amalgamation.

The Company's principal business activity involves the development, marketing, and sales of a digital twin software platform, in conjunction with maintenance and support services for customers. The Company markets its solutions directly to its customers, who include corporations, governmental, and inter-governmental entities; however, the Company's primary channel is through value-added resellers. While most of the Company's sales are generated in North America, the Company's products and services are available internationally. The Company also offers a wide variety of systems engineering and business consulting services to accommodate unique digital twin and data mesh requirements for commercial and government customers.

Going Concern

These consolidated financial statements have been prepared based on accounting policies applicable to a going concern, which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2024, the Company incurred negative cash flows from operating activities of \$2,337,806; an accumulated deficit of \$35,006,557; and an excess of current liabilities over current assets of \$2,447,083.

To continue as a going concern, the Company must generate sufficient income and cash flows to repay its obligations, finance working capital, and fund capital investments. The future of the Company is dependent on its ability to attain sufficient funds and profitable operations, maintain compliance with covenants relating to lending agreements, continue receiving financial support from shareholders, and obtain new financing. There is no certainty that the Company will raise these necessary funds from financing or operations.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

1. Reporting Entity and Going Concern (continued)

As a result of these factors, there is a material uncertainty that may result in a significant doubt on the Company's ability to meet its obligations as they become due and continue as a going concern.

Management is confident that the Company will obtain sufficient working capital from external financing and operating cash flows to settle the Company's liabilities and commitments as they become due. However, there is a risk that funding will not be available on a timely basis or on terms acceptable to the Company.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the company be unable to continue as a going concern, adjustments to the carrying value of assets and liabilities, the expenses, and the statement of financial position classifications used would be necessary.

2. Basis of presentation

Statement of compliance

These financial statements have been prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

Authorization

These consolidated financial statements were authorized for issue by the Board of Directors on April 25, 2025.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars ("USD") and include the accounts of the following entities:

Name of entity	Principle activity	Place of operations	Functional currency	Legal ownership
Edge Total Intelligence Inc.	Legal parent	Canada	Canadian dollar	-
Edge Technologies Inc.	Accounting parent and operating company	United States	US dollar	100%
Edge Technologies DOO Beograd (Serbia)	Research and development	Serbia	US dollar	100%
EdgeAI Technologies Inc. (formerly BlockX)	Blockchain technology	Canada	Canadian Dollar	100%

Assets and liabilities of foreign operations having a functional currency other than the US dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of shareholders' equity in accumulated other comprehensive loss. Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

2. Basis of preparation (continued)

Functional and presentation currency (continued)

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in net income or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis.

Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for the following:

- Warrant liability, which is measured at fair value.
- Equity classified share-based payments are measured at fair value at grant date.
- Lease liabilities are measured at the present value of minimum lease payments at the lease inception.
- Foreign currency derivatives embedded in convertible debentures are measured at fair value.

Comparative figures

Certain comparative figures have been reclassified for the year ended December 31, 2024 to reflect the current year's presentation. The adjustments are not considered material and did not affect the Company's consolidated net loss.

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Management is also required to exercise judgement when applying the Company's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and their carrying value includes the following:

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

2. Basis of preparation (continued)

Use of estimates and judgements (continued)

Asset acquisition

Estimates are made in determining the fair value of the intangible asset, the blockchain technology, acquired as part of asset acquisition from BlockX. The fair value was determined and using the replacement cost as the valuation basis of the acquisition. Replacement cost is the cost to construct, at current prices as of the date of the analysis, an intangible asset with utility equivalent to the actual intangible asset, developed using modern materials, production standards, design, layout, and quality of workmanship. These fair value estimates are further based on management's best assessment of the related inputs used in the valuation model, broadly categorized under four general cost components considered for inclusion in the cost approach analysis. These four cost components are direct costs, indirect costs, developer's profit and entrepreneurial incentive.

Warrant liability

Determining the fair value of the warrant liability requires management to make significant assumptions that are highly uncertain about the fair market value of the Company's equity. Management uses the closing market price of the Company's publicly traded SVS shares to determine the fair value of its warrant liability. The Company's SVS shares at times may not be easily sold or exchanged for cash without a significant price change which could result in a potentially material impact on the fair value of the warrant liability.

Useful lives of intangible assets

The useful lives of intangible assets including software development costs is a management estimate that impacts the amount of amortization expense recognized. Significant judgement is used to determine the useful lives of intangible assets. The useful lives of intangible assets were determined based on expected life in which the assets' future economic benefits are expected to be consumed, historical experience with similar assets, and anticipation of future events which may impact an asset's useful life, such as changes in technology.

Impairment of intangible asset

Impairment testing of intangible assets requires an estimation of the value in use of assets and cash-generating units ("CGUs"). The value in use calculation requires an estimation of future cash flows and an appropriate discount rate that reflects current market assessments of the time value of money and the risks associated with the assets and CGUs.

Going concern

The going concern assessment requires management's judgement on the Company's ability to achieve positive cash flows from operations and/or obtain necessary equity or other financing to increase the number of subscription customers, and sale of professional services, and to continue expansion within the digital transformation market.

Lease liability

As the Company's leases do not provide an implicit rate, the net present value of future minimum lease payments is determined using the Company's incremental borrowing rate. The Company's incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments in an economic environment where the leased asset is located.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

2. Basis of preparation (continued)

Use of estimates and judgements (continued)

Fair value measurement of financial instruments, including derivatives

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Deferred income taxes

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax basis of assets and liabilities. The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates, the likelihood of utilizing tax carryforwards, and the level of future taxable income. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.

Share-based payments

Equity-settled share-based payments to employees, agents, consultants, and others are measured at the fair value of the equity instruments at the date at which they are granted. Determining the fair value of such share-based awards granted as warrants and stock options requires an estimate as to the appropriate valuation model (i.e., Black-Scholes pricing model) and the inputs for the model require assumptions including the rate of forfeiture of warrants or options granted, the expected life of the warrant or option, the Company's share price and its expected volatility, the risk-free interest rate, and expected dividends.

3. Summary of material accounting policies

Basis of consolidation

These financial statements include the accounts of the Company and its wholly owned subsidiaries as noted under Note 2 *Functional and presentation currency*. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. All subsidiary financial statements are prepared using the same accounting policies and reporting period as the parent company. All intra-company balances and transactions are eliminated upon consolidation.

Revenue recognition

IFRS 15, Revenue from Contracts with Customers, applies to contracts with customers. This standard requires revenue to be recognized upon the transfer of promised products and services to a customer in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

3. Summary of material accounting policies (continued)

Revenue recognition (continued)

The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract with the customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligation.

The Company derives its revenues primarily from its patented EdgeCore[®] Software ("Software"). This patented software allows customers to connect multiple software and data systems using cloud infrastructure through a single and secure point of control. The Company generates revenue from its Software through perpetual and subscription licenses, professional consulting services, and maintenance and support services. These revenue streams are discussed in detail below:

Subscription Software Licenses

Subscription software issued allow the customer to use the Software for a defined term, which is usually between one to three years. Payments for subscription software licenses are typically prepaid on an annual basis and revenue is recognized monthly over the subscription term. Subscription software licences sold on a trial basis are typically for a three month to one year term and are recognized monthly over the term. The creation of license key and delivery to the customer satisfies the delivery component of the performance criteria. Licenses are inclusive of software maintenance, bug and security fixes, and technical support - all of which do not have a fixed pattern or frequency of occurrence and are delivered on a continual basis across the term of the license as and when needed.

Professional Consulting Services

Professional consulting services include specific custom development, separate of subscription software license. They are defined projects with specific performance criteria. The transaction price for professional consulting services is based on either a fixed price model or an hourly rate. For fixed fee projects, revenue is recognized monthly based on the ratio of hours expended to the total estimated hours. For time-based contracts, revenue is recognized based on the number of hours incurred by the Company's personnel in the performance of the project, multiplied by the hourly rate identified in the contract.

Cost of sales

Cost of sales represents the costs directly attributable to the revenue earned, such as direct labor, subcontractor costs relating specifically to providing services to the customers and amortization of intangible assets used in earning revenue.

Financial Instruments

Financial instruments are initially recognized at fair value, which is typically the transaction price plus any directly attributable transaction costs. Subsequent measurement of financial instruments depends on how they have been classified: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

3. Summary of material accounting policies (continued)

Financial Instruments (continued)

Classification

The Company's classification and measurement basis of its financial instruments are as follows:

Instrument	Classification and Measurement Basis
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory note payable	Amortized cost
Related party loan payable	Amortized cost
Convertible debt	Amortized cost
Related party line of credit facility	Amortized cost
Derivative liability	FVTPL
Warrant liability	FVTPL

Estimated fair values for financial instruments are designed to reflect the value of the instruments in a current arm's-length transaction between knowledgeable and willing parties. The Company classifies and discloses fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Valuation techniques based on 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); and

Level 3 – Valuation techniques using inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. The process of estimating the fair value of investments for which there is no active market is based on inherent measurement uncertainties and it is possible that the resulting values may differ from values that would have been used had a ready market existed and the differences could be material. In accordance with the fair value hierarchy model, the Company's warrant liability is classified within Level 1, which is determined using a market approach. At December 31, 2024 and 2023, the Company used the statement amount advised by the warrant holder in determining the fair value.

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument requires reclassification of components or levels for embedded derivatives or whether a group of financial assets have been impaired.

Cash

Cash includes current funds on hand across all short-term investments and highly liquid investments with a maturity date of three months or less from the acquisition date.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

3. Summary of material accounting policies (continued)

Leases

The Company has a lease arrangement for office space. Right of use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments over the lease term. Right of use assets and lease liabilities are recognized based on the present value of the future minimum lease payments as at the lease commencement date. As the Company's leases do not provide an implicit rate, the net present value of future minimum lease payments are determined using the Company's incremental borrowing rate. The Company's incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments in an economic environment where the leased asset is located.

Right of use assets are amortized on a straight-line basis over the lease term and interest expense is recognized on each effective interest basis based on the incremental borrowing rate. At the end of each reporting period, the Company reviews the carrying amounts of its right of use assets to determine whether there is any indication that those assets have been impaired.

Accounts receivable

Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost. A provision for impairment of trade receivable is established based on a forward-looking expected loss impairment model. The carrying amount of the trade receivable is reduced through the use of the provision for impairment account. Changes to the provision for impairment account are recognized in profit or loss. When a receivable is considered uncollectible, it is set off against the provision for impairment account for trade receivables.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Costs associated with major improvements and betterments are capitalized, and repairs and maintenance costs are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, typically ranging from three to seven years. Leasehold improvements are amortized over the shorter of the expected lease term or useful life. The cost and accumulated depreciation and impairment of items sold or retired are removed from "Property and equipment" on the Company's Consolidated Statements of Financial Position and any resulting gain or loss is recognized in profit or loss.

Intangible assets

Software development cost

The Company capitalizes costs incurred for software development projects once all conditions are met. Initial capitalization of costs are based on management's judgement that technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; technical and financial resources are available to complete the development to use or sell; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. The Company has determined that the useful life of its capitalized software is generally five years.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

3. Summary of material accounting policies (continued)

Intangible assets (continued)

Research costs

During the years ended December 31, 2024 and 2023, research costs were charged to expense when incurred.

Blockchain technology

Blockchain technology acquired from BlockX is stated at cost, net of any accumulated amortization. Cost consists of two components, the fair value of the asset and other incidental costs incurred in completing the acquisition. Costs to integrate this technology with the current software of the Company are capitalized, when incurred. The Company determined the fair value of blockchain technology using fair value determined using the replacement cost as the valuation basis. Replacement cost is the cost to construct, at current prices as of the date of the analysis, an intangible asset with utility equivalent to the actual intangible asset, developed using modern materials, production standards, design, layout, and quality of workmanship. These fair value estimates are further based on management's best assessment of the related inputs used in valuation model, broadly categorized under four general cost components considered for inclusion, namely the direct costs, indirect costs, developer's profit and entrepreneurial incentive.

Intangible assets subject to amortization

Intangible assets subject to amortization consist of software development costs and blockchain technology with finite lives. Intangible assets are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization. The estimated useful lives of finite-lived intangible assets are as follows:

Software development costs	5 years
Blockchain technology	5 years

Deferred financing costs

Deferred financing costs represent commitment fees, loan fees, legal fees, and other third-party costs associated with obtaining financing. These costs are amortized to interest expense over the terms of the respective financing agreements using the effective interest method. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing that do not close are expensed in the period in which it is determined that the financing will not close.

Income taxes

Deferred tax assets and liabilities are calculated using the financial position method on all temporary differences at the statement of financial position date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

3. Summary of material accounting policies (continued)

Warrant liability

The Company accounted for a warrant that was granted to a lender to purchase common stock as a liability on its Consolidated Statements of Financial Position. This warrant was recorded as a liability as it did not meet the fix-for-fix equity classification requirement. The warrant is subject to re-measurement to fair value at each reporting date and any change in fair value is recognized in profit or loss.

Impairment of long-lived assets

Long-lived assets, including intangible assets, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimated recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Share capital

Common shares are classified as equity and transaction costs directly attributable to the issue of common shares are recognized as a deduction to equity.

Earnings (Loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, which is calculated by dividing the earnings (loss) attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per SVS share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of SVS shares outstanding, adjusted for the effects of all dilutive potential common shares.

The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all common share warrants and stock options with exercise prices below the average market price for the year.

New Accounting Standards, Implementations and Amendments in Effect

The Company has applied the following new amendments to standards that have been issued and are effective for annual periods beginning on or after January 1, 2024:

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

3. Summary of material accounting policies (continued)

New Accounting Standards, Implementations and Amendments in Effect (continued)

Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants as current or non-current and related disclosure. This amendment had no material impact on the financial statements, as the Company has no debt subject to covenants.

Accounting standards issued but not yet effective

The Company assesses the impact of the new or revised IFRS standards on its financial position and financial performance. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Company has reviewed amended accounting pronouncements and determined that the following pronouncements will not have a material impact on its financial statements:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments had no impact on the Company's financial statements.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company is currently evaluating impacts these amendments will have and intends to adopt these, if applicable, when they become effective.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

3. Summary of material accounting policies (continued)

Accounting standards issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

There are no other IFRS or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective and that would be expected to have a material impact on the Company.

4. BlockX acquisition

On September 25, 2024, pursuant to a merger agreement dated August 2, 2024 (the "Merger Agreement"), the Company completed a transaction between itself, Block X Capital Corp. ("BlockX") and 1494029 B.C. Ltd. ("AcquisitionCo"), a wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, the Company acquired all of the issued and outstanding shares in the capital of BlockX (the "acquisition"), being 4,250,000 common shares, in exchange for an equivalent number of subordinate voting shares of the Company (each, a "SVS") by way of a three-cornered amalgamation under the Business Corporations Act (British Columbia) (the "Amalgamation"), being 4,250,000 SVS (Note 16). The Company now holds all of the issued and outstanding shares in the capital of the corporation that resulted from the Amalgamation, being EdgeAI Technologies Inc. ("EdgeAI"). These SVS shares were issued as part of the Amalgamation to Victory Square Technologies Inc. ("VST"), the sole shareholder of BlockX. A finder's fee was also paid in connection with the acquisition to a finder of the Company (the "Finder"), which was paid through the issuance of 197,674 SVS, valued at \$0.32 (CAD \$0.43) per SVS share (Note 16).

The Company and VST share a common Chief Financial Officer ("CFO"); however, the consideration paid was determined through arm's length negotiation between the Company and BlockX. The CFO was not involved in any negotiations between the Company and Block X in relation to the consideration paid. The Company determined that \$1,700,000 is a fair value for BlockX based on the comparative development costs if undertaken by the Company independently and hence the acquisition was an arm's length transaction.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

4. BlockX acquisition (continued)

The acquisition is accounted for as an asset acquisition, as it does not meet the requirements of a business combination under IFRS 3 *Business Combinations*.

At the acquisition date, BlockX had only one asset, an intangible asset related to blockchain technology (the “Blockchain technology”) and no liabilities. Blockchain technology has been accounted for as an intangible asset at the deemed fair value of \$1,369,687 (Note 7), consisting of the fair value of the intangible asset and other transaction costs. A summary of the acquisition and total cost to the Company are as follows:

	CAD	USD
Assets - Blockchain technology:		
VPN and Miner	\$ 1,500,000	\$ 1,114,200
Plug-in	200,000	148,560
	1,700,000	1,262,760
Liabilities	-	-
Net assets acquired	1,700,000	1,262,760
Fair value of the Blockchain technology:		
Consideration paid for the net assets acquired:		
Shares - 4,250,000 SVS shares @ CAD 0.40 per share (Note 16)	\$ 1,700,000	\$ 1,262,760
Other costs capitalized related to the asset acquisition:		
Shares - 197,674 SVS shares @ CAD 0.43 per share (Note 16)	85,000	63,138
Legal and accounting fees	48,947	36,416
Regulatory fees	9,925	7,373
Total cost	\$ 1,843,872	\$ 1,369,687

Included in legal and accounting fees is \$780 paid to a related party (Notes 7, 24).

5. Prepaid expenses

	December 31, 2024	December 31, 2023
Prepaid insurance	\$ 1,342	\$ 97,197
Advance paid to service providers	36,797	-
Security deposit	2,982	2,982
Consulting services	21,166	57,500
Strategic consulting advisory fees and incentive stock options	678,781	-
Other prepaid expenses	14,012	65,980
	\$ 755,080	\$ 223,659

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

5. Prepaid expenses (continued)

The Company engaged a strategic consulting advisor for matters relating to corporate strategy, capital markets, debt, equity and mergers and acquisitions (“M&A”) for a term ending December 31, 2027 (the “term”). The advisory fees payable to the consultant is based on milestones such as signing of the contract, completion of the first financing transaction (the “Triggering financing”) and M&A success fees, based on successful completion of any acquisition transaction, subject to applicable laws, stock exchange policies and the receipt of all requisite Board and regulatory and stock exchange approvals.

The closing of the private placement in September 2024 (Note 16 (a)) satisfied the Triggering financing condition, leading to a retainer fee payment of \$700,000 to the consultant. The Company also granted incentive stock options on December 6, 2024 (Note 16 (d)) to the strategic consultant. As the services are to be rendered over the duration of the term, this advisory fee, both retainer fees and share-based payment relating to the stock options granted, have be classified as prepaid expenses and will be amortized evenly over the remaining term.

Included in prepaid expenses as strategic consulting advisory fees and incentive stock options consists of the following amounts:

	December 31, 2024	December 31, 2023
Retainer fees for corporate strategy, capital markets, debt, equity and mergers and acquisitions	\$ 623,503	\$ -
Incentive stock options	55,278	-
	\$ 678,781	\$ -

During the year, the Company amortized strategic consulting fees of \$46,559 (December 31, 2023 - \$Nil).

6. Right of Use Assets

The Company entered into a lease for office space (Note 24) and the lease has remaining lease term of two years. The following table provides movements in the carrying value of right of use assets as at:

	December 31, 2024	December 31, 2023
Opening balance	\$ 128,344	\$ 52,615
Additions	-	142,920
Amortization	(72,764)	(67,191)
Ending balance	\$ 55,580	\$ 128,344

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

7. Intangible assets

		Software development costs	Blockchain technology	Total intangible assets
Intangible assets - Cost				
Opening balance, January 1, 2023	\$	5,491,425	\$ -	\$ 8,402,521
Additions		-	-	-
Opening balance, January 1, 2024		5,491,425	-	8,402,521
Additions (Note 4)		-	1,369,687	1,369,687
Balance, December 31, 2024	\$	5,491,425	\$ 1,369,687	\$ 9,772,208
		Software development costs	Blockchain technology	Total intangible assets
Intangible assets - Accumulated amortization				
Opening balance, January 1, 2023	\$	3,481,214	\$ -	\$ 6,392,310
Amortization		727,303	-	727,303
Opening balance, January 1, 2024		4,208,517	-	7,119,613
Amortization		328,745	71,792	400,537
December 31, 2024	\$	4,537,262	\$ 71,792	\$ 7,520,150
Net book value December 31, 2023	\$	1,282,908	\$ -	\$ 1,282,908
Net book value December 31, 2024	\$	954,163	\$ 1,297,895	\$ 2,252,058

On September 25, 2024, the Company acquired Blockchain technology, an intangible asset, through the BlockX acquisition with a fair value of \$1,369,687, recorded at fair value on initial recognition including \$43,789 costs directly related to the acquisition of this intangible asset (Notes 4, 16 (a)). Also included in the cost is \$780 legal and accounting fees paid to a related party (Notes 4, 24)

Except for intangible asset Blockchain technology \$1,297,895 (December 31, 2023 - \$Nil) located in Canada, all other non-current assets are located in the US.

8. Accounts Payable and Accrued Liabilities

The following table provides a breakdown of the Company's accounts payable and accrued liabilities as at:

		December 31, 2024	December 31, 2023
Accounts payable and accrued expenses	\$	667,190	\$ 721,197
State taxes		8,624	8,624
Sales tax payable		21,669	21,669
	\$	697,483	\$ 751,490

Included in accounts payable and accrued liabilities as at December 31, 2024, is an amount of \$436,582 (December 31, 2023 - \$193,294) due to related parties (Note 24).

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

9. Deferred Revenue

The following table provides a reconciliation of deferred revenue to invoiced billings as at:

	December 31, 2024	December 31, 2023
Opening balance	\$ 902,087	\$ 1,512,068
Billings	3,373,345	3,205,571
Revenue recognized	(3,016,739)	(3,815,552)
Ending balance	\$ 1,258,693	\$ 902,087

10. Lease Liabilities

The following table provides a reconciliation of the Company's lease liabilities at:

	December 31, 2024	December 31, 2023
Opening balance	\$ 132,381	\$ 64,685
Additions to lease liabilities	-	142,920
Lease payments	(82,884)	(94,697)
Accretion	11,620	19,473
Present value of lease liability	\$ 61,117	\$ 132,381
Current portion	51,857	67,378
Non-current portion	9,260	65,003
Total lease liability	\$ 61,117	\$ 132,381

The Company's maturities of lease liabilities based on undiscounted future lease payments are as follows:

	December 31, 2024	December 31, 2023
Less than 1 year	\$ 56,400	\$ 78,998
1-3 years	9,400	65,800
Total lease payments	\$ 65,800	\$ 144,798

As at December 31, 2024, the lease term expires on February 28, 2026. The average interest discount rate per the Company's incremental rate of borrowing is 12% per annum.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

11. Promissory note payable

The following table provides a reconciliation of the promissory note payable as at:

Principal Payments

	December 31, 2024	December 31, 2023
Principal balance at the beginning of the year	\$ 3,011,682	\$ 6,045,986
Less: Deferred financing costs	-	(34,304)
Principal balance net of deferred financing costs at the beginning of the year	3,011,682	6,011,682
Repayments on the promissory note payable	(400,000)	(3,000,000)
Gain on debt modification	(9,127)	(133,718)
Interest and accretion	195,727	269,809
Interest paid	(177,889)	(170,395)
Amortization of financing costs	-	34,304
Total notes payable	\$ 2,620,393	\$ 3,011,682
Current portion	617,838	3,011,682
Non-current portion	2,002,555	-
	\$ 2,620,393	\$ 3,011,682

On January 20, 2023, the Company amended its promissory note with Salem Investment Partners IV, Limited Partnership ("Lender") and made a one-time principal payment of \$3 million. The interest rate was reduced from 12% to 6% on January 24, 2023 and future ongoing principal repayment requirements were removed until the amended maturity date of January 1, 2024. The Company had the right to repurchase the 7% Salem warrant for the agreed settlement amount of \$300,000 until the date of loan maturity. The Company determined that the change in fair value of the debt immediately prior to the amendment and the present value of future cash flows of the amended debt was less than 10% and as a result the Company accounted for the change as a debt modification. As a result of the modification, a gain on modification was recognized of \$133,718.

The lender's legal costs of \$28,500 are included in the fair value adjustment of the debt and is amortized over the amended term of the note, i.e. January 1, 2024.

The Company did not repay either the promissory note of \$3,011,682 or the warrant liability of \$300,000 as at January 1, 2024. The lender did not call the note during the year and continued to work with management to find an amenable solution to address progress payments and determine a new term. The Company repaid \$400,000 on September 30, 2024.

On December 31, 2024, the Company and the Lender amended the terms of the note on the following new terms:

- a) The Company is required to make a principal repayment of \$600,000 on September 30, 2025 and the remaining principal to be repaid on September 30, 2026;

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

11. Promissory note payable (continued)

- b) The interest shall accrue at a rate of 8% per annum effective December 1, 2024, increased from a rate of 6% per annum;
- c) The warrant liability (Note 15) was increased to \$350,000 and the due date extended to December 31, 2031, i.e. 5 years from the maturity date of the promissory note;
- d) The terms of convertible debt with related parties (Note 13) and the related derivative liability (Note 14) were amended to extend the maturity date to October 30, 2026 from January 20, 2026 and changed the price of holders' right to convert the principal and any unpaid interest into SVS shares from \$0.48 (\$0.62 CAD) to \$0.44 (\$0.63 CAD) per share; and
- e) The terms of loan payable to ConnertonA LLC (Note 12) was amended to bring its terms identical to convertible debt (Notes 13 and 14) with other related parties. This includes extending the maturity date to October 30, 2026 from January 20, 2026, to make this loan subordinate to this promissory note payable and includes a right for the holder to convert the principal and any unpaid interest into SVS shares at a price of \$0.44 (\$0.63 CAD) per share.

The change in terms of the promissory note payable to the Lender did not result in an extinguishment of the old payable, resulting in recording of a gain on debt modification of \$9,127 (Note 13 (iv)) and the recognition of current and non-current portions of the promissory note payable.

Covenants

Prior to and up to the date of latest amendment on December 31, 2024, the covenant was to not cause or permit the Company's EBITDA to be less than 1) negative \$150,000 for the months ended September 30, 2021; 2) \$1,000,000 for the year ended December 31, 2021; and 3) \$1,500,000 for the year ended December 31, 2022 and on December 31st of each calendar year thereafter. On October 16, 2020, the Company and the Lender amended the promissory note payable agreement which waived specific defaults and suspended the leverage and the fixed charge coverage ratio requirements.

At December 31, 2023 and until December 30, 2024, the Company was in compliance with the minimum liquidity covenant, but not EBITDA requirement. The loan had been classified within the statement of financial position as current.

The amendment of the agreement of this note on December 31, 2024 dropped the covenants noted above relating to EBITDA and currently has only one covenant, to maintain a minimum cash balance, including any cash and cash equivalent and marketable securities, of \$100,000 at any time while the loan is outstanding.

At December 31, 2024 the Company was in compliance with the minimum cash balance covenant.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

11. Promissory note payable (continued)

Maturity of the promissory note payable is as follows:

Principal repayment dates	Principal repayments
January 1, 2025	\$ 13,379
February 1, 2025	4,459
September 30, 2025	600,000
September 30, 2026	2,002,555
Total notes payable	\$ 2,620,393

12. Loan payable

	December 31, 2024	December 31, 2023
Balance at the beginning of the year	\$ 594,259	\$ 587,305
Interest and accretion	59,553	51,549
Gain on modification of loan	-	(44,595)
Balance prior to modification of debt terms on December 31, 2024	653,812	594,259
Gain on extinguishment of loan payable	(653,812)	-
Fair value of new loan recognized due to modification of terms of the loan	637,325	-
Embedded derivative disclosed separately (Note 14)	(381,207)	-
Reclassification of new loan as convertible debt (Note 13)	(256,118)	-
Balance at the end of the year	\$ -	\$ 594,259
Current portion	\$ -	\$ -
Non-current portion	-	594,259
	\$ -	\$ 594,259

Originating on February 3, 2021, the Company has a related party payable of \$550,056 to ConnertonA LLC, a company controlled by the CEO of the Company. The payable note was originally due on demand and had a 3% interest that compounded annually. On January 23, 2023, the Company amended its payable to ConnertonA LLC, that increased the interest rate from 3% compounded annually to 8% simple interest and extended the maturity date to January 20, 2026. The interest rate can be increased to 13% for the entire period in the event the debt is not repaid on or before the maturity date. The change in terms of the related party payable resulted in an extinguishment of the old related party payable the recognition of a new long term related party loan payable. As the increase of the interest rate would have adversely impacted the Company, this clause was not enforced by the lender and the loan continued to be accrued at the original interest rate.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

12. Loan payable (continued)

During the year ended December 31, 2023, the change in terms of the related party payable resulted in an extinguishment of the old related party payable the recognition of a new long term related party loan payable. As the increase of the interest rate would have adversely impacted the Company, this clause was not enforced by the lender and the loan continued to be accrued at the original interest rate.

The Company's loan payable underwent modifications effective December 31, 2024, involving changes to maturity date and embedded derivatives. Based on the analysis and testing of the various components, old loan payable was derecognized and the fair value of the new loan payable has been reclassified as convertible debt as at December 31, 2024. However, the comparative amount as at December 31, 2023 has not been reclassified. The reclassifications have no impact on net loss. These amendments bring the terms and conditions of the new loan payable identical to the convertible note agreements with management and directors (Notes 13 and 14). This includes extending the maturity date of the loan payable to October 30, 2026 from January 20, 2026, to designate this loan subordinate to the promissory note payable to the Lender and added a right for the holder to convert the principal and any unpaid interest into SVS shares at a price of \$0.44 (\$0.63 CAD) per share.

Based upon the 10% quantitative test and qualitative factors under IFRS 9, the above amendment on December 31, 2024 was concluded to be a debt extinguishment and under the new terms, this debt now includes an embedded derivative amounting to \$381,207 due to the option to convert these convertible debts into the shares of the Company, which has been accounted for separately (Note 14). The new convertible debt was calculated on the date of modification which resulted in a change in fair value of this debt due to debt extinguishment of \$397,694 (Note 13 (iv)).

As at December 31, 2024, with the reclassification of the loan payable balance to convertible debt (Note 13), loan payable has a balance of \$Nil (December 31, 2023 - \$594,259) (Note 24).

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

13. Convertible debt

	December 31, 2024	December 31, 2023
Balance at the beginning of the year	\$ 211,855	\$ 853,636
Reversal of financial derivative (Note 14)	-	950
Repayments prior to January 20, 2023	-	(100,000)
Interest up to January 20, 2023	-	4,113
Principal for the modified convertible debt as at January 20, 2023	-	758,699
Embedded derivative disclosed separately (Note 14)	-	(588,791)
Gain on modification of loan	-	(52,257)
Convertible debt at fair value on January 20, 2023	-	117,651
Loan payable reclassified as convertible debt (Note 12)	256,118	-
Repayments	-	(61,287)
Reversal of financial derivative on partial extinguishment (Note 14)	-	21,292
Interest and accretion	211,822	110,935
Change in fair value of debt due to debt modifications	(109,413)	-
Loss on early settlement of convertible debt	-	23,264
Balance at the end of the year	\$ 570,382	\$ 211,855
Current portion	\$ 570,382	\$ 211,855
Non-current portion	-	-
	\$ 570,382	\$ 211,855

(i) *Convertible debt with certain management and directors and entities controlled by them from 2023:*

On August 9, 2021, the Company entered into a 10% secured convertible promissory note agreements ("Agreements") totaling \$750,000 with certain management and directors and entities controlled by them. The term of the agreements was 90 days and adjustable retroactively to 15% if the loan is extended beyond the 90-day duration. The Company and lender mutually agreed to not increase the rate in the past despite the original 90-day repayment not being met. The loan is secured by the receivables of the Company and is subordinate to the promissory note payable (Note 10). The holders have the right to convert the principal and any unpaid interest into SVS shares at a price of \$0.48 (\$0.62 CAD) per share.

On January 23, 2023, the Company completed partial repayments totaling \$100,000 to certain related party convertible promissory note holders with an effective date of January 20, 2023. Additionally, the remaining principal and unpaid interest on each of these remaining related party convertible promissory notes were converted on January 20, 2023 into the new principal that included unpaid interest till the date of modification, with their maturity extended to January 20, 2026 and the interest rate was reduced to 8%. The interest rate can be increased to 13% for the entire period in the event the debt is not repaid on or before the maturity date.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

13. Convertible debt (continued)

(i) Convertible debt with certain management and directors and entities controlled by them from 2023 (continued)

Based upon the 10% qualification test and qualitative factors under IFRS 9, the above amendment on January 20, 2023 was concluded to be a debt extinguishment and under the new terms, these debts included an embedded derivative due to the option to convert these convertible debts into the shares of the Company, which have been accounted for separately (Note 14). Further, under debt extinguishment accounting, a gain or loss is recognized for the difference between the carrying value of the original loans and the assumption of the new debt instruments recognized at fair value, but the gain or loss is recognized in capital as with a related party. The convertible debt was calculated on the date of modification which resulted in this gain of \$109,413.

On December 8, 2023, the Company repaid and extinguished the \$50,000 convertible note of its former CFO and director and the notes accrued interest of \$11,287, thereby resulting in loss on repayment of \$23,264 recorded as a capital contribution within contributed surplus.

(ii) Modifications to convertible debt with certain management and directors and entities controlled by them:

On December 31, 2024, the terms of convertible debt with related parties and the related derivative liability (Note 14) were amended to extend the maturity date to October 30, 2026 from January 20, 2026 and changed the price of holders' right to convert the principal and any unpaid interest into SVS shares from \$0.48 (\$0.62 CAD) to \$0.44 (\$0.63 CAD) per share.

Based upon the 10% qualification test and qualitative factors under IFRS 9, the above amendment on December 31, 2024 was concluded to be a debt modification. Consequently, the Company recorded a gain of \$109,413 as change in value of debt due to debt modification.

(iii) Loan payable to ConnertonA LLC reclassified as convertible debt (Note 12):

Following the amendment to the agreement of the loan payable on December 31, 2024, the amended terms and conditions are identical to the existing convertible note agreements noted in (i) above. Consequently, at December 31, 2024, the loan payable balance of \$256,118 was reclassified as convertible debt (December 31, 2023 - \$Nil) (Note 24).

(iv) Summary of changes in fair value of debt due to debt modifications:

	December 31, 2024	December 31, 2023
Change in fair value recognized in shareholders' deficiency due to extinguishment/modifications in the following liabilities:		
Loan payable (Notes 12, 24)	397,694	44,595
Convertible debt (Note 24)	109,413	52,257
	\$ 507,107	\$ 96,852

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

14. Derivative liability

	December 31, 2024	December 31, 2023
Balance at the beginning of the year	\$ 282,904	\$ 950
Reversal of financial derivative (Note 13)	-	(950)
Balance as at January 20, 2023	-	-
Embedded derivative relating to convertible debt (Note 13)	-	588,791
Embedded derivative relating to related party payable (Note 24)	-	3,254,151
Change in fair value of derivatives relating to convertible debt (Note 13)	93,645	(284,595)
Change in fair value of derivatives relating to related party payable (Note 24)	-	(1,488,096)
Change in fair value of derivatives due to modification of convertible debt (Note 13)	76,193	-
Embedded derivative relating to modification of loan payable (Note 12)	381,207	-
Reversal of financial derivative on partial extinguishment (Note 13)	-	(21,292)
Reversal of financial derivative on extinguishment of related party payable (Note 24)	-	(1,766,055)
Balance at the end of the year	\$ 833,949	\$ 282,904
Current portion	\$ 833,949	\$ 282,904
Non-current portion	-	-
	\$ 833,949	\$ 282,904

This conversion options related to the related party payable (Note 24), loan payable following the amendment on December 31, 2024 (Note 12) and convertible debt (Note 13) were concluded to be an embedded derivative as it meets the definition of a derivative liability since:

- i) Its value changes based upon both the underlying share price of its Parent company's common shares and changes in the USD/CAD exchange rate;
- ii) It requires little or no net investment; and
- iii) It is settled in the future.

As a result, the conversion feature created on the amendment date of the respective agreements in the new and modified debts are accounted for as an embedded derivative liability, as it does not meet the fixed for fixed provision requiring separation. Management elected to measure this embedded derivative ("ED") at FVTPL and did not elect to account for the entire hybrid instrument at FVTPL. Changes in value after inception of this ED are recognized in profit or loss, excluding any portion in value change stemming from new advances or accrued interest in the period which is recognized as an additional discount.

Foreign currency derivative liability associated with convertible debentures

As the conversion feature is denominated in CAD and not in the functional currency of the Company, the conversion feature is a derivative liability that arises from the changes in exchange rates. As a result, the convertible debenture is assessed as being a financial liability with an embedded derivative liability.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

15. Warrant Liability

	December 31, 2024	December 31, 2023
Beginning balance	\$ 300,000	\$ 300,000
Decrease in fair value	(57,355)	-
Ending balance	\$ 242,645	\$ 300,000
Current portion	\$ -	\$ 300,000
Non-current portion	242,645	-
	\$ 242,645	\$ 300,000

In conjunction with the promissory note payable described in Note 11, a warrant was granted to the Lender. The warrant requires the Company to issue the Lender shares equal to 7% of all issued and outstanding equity of the Company on a fully diluted basis. The warrant liability is payable upon the occurrence of a number of events including, notice by the Company, an event of default under the terms of the loan agreement, the maturity date of the loan agreement, an asset sale, a sale of 100% of the equity of the Company, and a merger whereby Lotus is divested of its direct or indirect ownership interest.

At each reporting period, the Company fair values the warrant liability based on the estimated fair value and the Company recognizes any change in fair value in profit or loss. During the fourth quarter of the year ended December 31, 2022, the Company reached a settlement amount with the lender and as a result the fair value was estimated to be the agreed amount of \$300,000. There was no change in the fair value of the warrant liability as at December 31, 2023. On December 31, 2024, following the amendments to the promissory note payable agreement, this liability was adjusted to its fair value of \$242,645. The fair value was calculated using the Black-Scholes pricing model to determine the expected cashflows and discounted to its present value as of December 31, 2024, using assumptions of expected volatility of 111.08% and a discount rate of 9.25%, thereby recognizing a gain of \$57,355. The resulting changes in promissory note payable and the warrant liability is recorded as change in fair value of debt due to debt modification as follows:

	December 31, 2024	December 31, 2023
Gain on modification of promissory note payable:		
Promissory note payable (Note 11)	\$ 9,127	\$ 133,718
Warrant liability	57,355	-
	\$ 66,482	\$ 133,718

16. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of non-par value Class A Subordinate Voting Shares ("SVS") and an unlimited number of Multiple Voting Shares ("MVS").

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

16. Share Capital (continued)

(a) Authorized (continued)

The following are the Class A SVS transactions during the period:

	Number of SVS shares	Amount
Balance December 31, 2022	18,993,459	10,210,529
Conversion of convertible debentures (a)	9,109,541	5,274,832
Stock options and warrants exercised (b)	132,000	73,626
Conversion of MVS Shares (c)	30,000	-
Balance December 31, 2023	28,265,000	\$ 15,558,987
Stock options exercised (d)	200,000	92,628
Private Placement (e)	10,625,000	2,542,652
Share issuance costs	-	(392,496)
Shares issued on acquisition (Note 4) (f)	4,250,000	1,262,760
Shares issued as finders' fees relating to acquisition (Note 4) (f)	197,674	63,138
Balance December 31, 2024	43,537,674	\$ 19,127,669

- (a) On October 11, 2023, the 9,109,541 shares were issued to extinguish the \$5,274,832 debt and terminate the credit facility with Lotus Domaine as covered in Note 4.
- (b) On February 17, 2023, the Company issued 32,000 SVS shares on the exercise of 32,000 stock options for gross cash proceeds of \$3,707 (CAD 5,000) and the fair value associated \$13,526 (CAD 18,240) was transferred from contributed surplus to share capital. On May 1, 2023, the Company issued 100,000 SVS shares on the exercise of 100,000 stock options for gross cash proceeds of \$14,561 (CAD 19,840 CAD) and the fair value associated \$41,832 (CAD 57,000) was transferred from contributed surplus to share capital.
- (c) During the third quarter of 2023, 30 MVS shares were converted at the option of the holder to SVS shares per the terms of MVS conversion discussed below.
- (d) On January 12, 2024, the Company issued 200,000 SVS shares on the exercise of 200,000 stock options for gross cash proceeds of \$7,469 (CAD 10,000) and the fair value associated \$85,158 (CAD 114,000) was transferred from contributed surplus to share capital.
- (e) On September 16, 2024, the Company closed a non-brokered private placement (the "Offering"), issuing an aggregate of 10,625,000 units at a price of CDN \$0.40 (\$0.29) per unit for gross proceeds of CDN\$ 4,250,000.00 (\$3,126,609). Each unit consists of one SVS share in the capital of the Company and one-half of one non-transferable SVS purchase warrant. Each warrant is exercisable into one additional SVS at an exercise price of CDN \$0.60 (\$0.40) per SVS until September 16, 2026, which is 24 months from the date of issuance, subject to acceleration pursuant to the terms of the warrant. The Company also incurred aggregate finder's fees of CDN \$316,900 (\$233,135) and 723,600 SVS purchase warrants issued to finders in connection with the Offering. Each purchase warrant is exercisable into one additional SVS in the capital of the Company at an exercise price of CDN \$0.60 (\$0.44) per share until September 16, 2026, which is 24 months from the date of issuance (Note 16 (b)).

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

16. Share Capital (continued)

(a) Authorized (continued)

- (f) On September 25, 2024, the Company completed a three-cornered amalgamation to purchase Blockchain technology and issued an aggregate of 4,447,674 SVS shares, including 197,674 SVS shares as finder's fee that were settled in shares, with a fair value amounting to \$1,325,898 in relation to the purchase of intangible assets from EdgeAI (formerly BlockX) (Notes 4, 7).

Multiple Voting Shares

On December 21, 2021, the Company amended its articles to create a new class of MVS shares and issued 26,600 MVS shares to the former shareholders of Edge Technologies Inc.

Each MVS share is entitled to one thousand votes for each share; convertible at i) the option of the holder and the Company into SVS shares at a ratio of 1,000 SVS shares per 1 MVS share; ii) the option of the Company in the event the volume weighted average price of the Common Shares on the TSXV is equal to or greater than \$1.95 (\$2.50 CAD) over a ten consecutive trading day period; iii) automatically in the event the holders of MVS pass the applicable required resolution of the holders of MVS converting the MVS into Common Shares; and in the event of the liquidation, dissolution, or winding-up of the Company whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of MVS will, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the MVS, be entitled to certain distributions in an amount equal to \$1,951 (\$2,500 CAD) per MVS in priority to holders of SVS and any other shares of the Resulting Issuer ranking subordinate to the MVS.

The following are the Multi Voting Share transactions:

During the third quarter of 2023, 30 MVS shares were converted at the option of the holder to SVS shares per the terms of MVS conversion. At December 31, 2024 and 2023, the Company had 26,570 MVS shares issued and outstanding.

(b) Warrants

Information about warrants outstanding is summarized in the following tables:

	Number of warrants	Weighted Average Exercise Price in CAD
Balance, December 31, 2022	547,885	\$ 0.38
Expired unexercised	(547,885)	0.05
Balance, December 31, 2023	-	\$ -
Warrants issued	6,036,100	0.60
Balance, December 31, 2024	6,036,100	\$ 0.60

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

16. Share Capital (continued)

(b) Warrants (continued)

On September 16, 2024, the Company issued an aggregate of 6,036,100 warrants pursuant to the Offering at a price of CAD \$0.60 (\$0.44) (Note 16 (a)). The fair value allocated to the warrants issued was \$707,192, net of warrant issuance costs and was determined using the Black Scholes option pricing model at the time of issuance using the following assumptions:

	December 31, 2024
Expected life (in years)	2
Grant date market price (in CAD)	\$ 0.85
Expected volatility	81.39%
Risk-free interest rate	2.82%
Dividend yield	0%

(c) Stock-based compensation

The Company implemented an Incentive Stock Option Plan (the “Stock Plan”) on February 1, 2019. Pursuant to the Stock Plan, the Company grants stock options to directors, officers, employees, and consultants for services, provided that the number of common shares reserved for issuance shall not exceed 10% of the issued and outstanding common shares exercisable for a period of up to 10 years. The exercise price and vesting terms of the options granted under the Stock Plan will be determined by the Board of Directors. No options may be granted to an investor relations service provider and the exercise price cannot be less than the greater of the offering share price and the discounted market price.

Information about stock options outstanding and exercisable is summarized in the following tables:

	Number of options	Weighted Average Exercise Price in CAD
Balance, December 31, 2022	2,551,634	\$ 0.56
Granted	2,167,500	0.99
Exercised	(132,000)	0.19
Forfeited	(873,301)	0.79
Balance, December 31, 2023	3,713,833	\$ 0.77
Granted	3,135,000	0.72
Exercised	(200,000)	0.62
Forfeited	(295,833)	0.84
Balance, December 31, 2024	6,353,000	\$ 0.76

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

16. Share Capital (continued)

(c) Stock-based compensation (continued)

Expiry Date	Outstanding	Exercisable	Weighted Average Exercise Price in CAD	Weighted Average Life Remaining (in Years)
January 18, 2027	400,000	400,000	\$ 0.62	2.0
March 9, 2027	1,168,000	1,168,000	0.62	2.2
November 25, 2027	225,000	18,750	0.92	2.9
December 6, 2027	860,000	-	0.75	2.9
February 18, 2028	1,450,000	966,666	1.03	3.1
October 26, 2028	200,000	133,333	0.60	3.8
January 10, 2029	1,675,000	558,334	0.62	4.0
November 15, 2029	300,000	100,000	0.99	4.9
December 6, 2029	75,000	-	0.75	4.9
	6,353,000	3,345,083	\$ 0.76	2.7

During the year ended December 31, 2024, the Company granted a total of 3,135,000 stock options to employees, consultants and certain related parties at a weighted average price of CAD \$0.72. The fair value of the share-based compensation issued was \$927,261 (CAD \$1,269,873) and were determined using the Black Scholes option pricing model at the time of issuance using the following assumptions:

	December 31, 2024
Expected life (in years)	3 - 5
Grant date market price (in CAD)	0.52 - 0.99
Expected volatility	79% - 92%
Risk-free interest rate	2.76% - 3.08%
Dividend yield	0%

The share-based payment expense related to stock options for the year ended December 31, 2024, totaled \$814,959 (2023 – \$472,507). Of this amount, \$55,278 was recorded as a prepaid expense, with a net balance of \$58,078 after accounting for foreign exchange translation (see Note 5).

17. Revenue

The Company's disaggregated revenues for the years ended December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Subscription software licenses	\$ 3,016,739	\$ 3,783,757
Professional consulting services	-	31,795
	\$ 3,016,739	\$ 3,815,552

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

17. Revenue (continued)

The Company's revenue by geographic segments for the years ended December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
United States	\$ 2,747,309	\$ 3,623,663
International	269,430	191,889
	\$ 3,016,739	\$ 3,815,552

18. Expenses

The amortization of intangible assets (Note 7) for the years ended December 31, 2024 and 2023 is as follows:

	For the year ended December 31, 2024	December 31, 2023
Amortization of software development costs in:		
Cost of sales	\$ 328,745	\$ 727,303
Other expense items	71,792	-
	\$ 400,537	\$ 727,303

Included in administrative expenses for the year ended December 31, 2024 are employee wages and benefits of \$426,931 (December 31, 2023 - \$467,934) and digital marketing expenses of \$30,450 (December 31, 2023 - \$491,375).

19. Other expenses

The following table provides a breakdown of the Company's other expenses for the years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Other (income) items :		
Miscellaneous income	-	\$ (5,894)
Other expenses:		
Depreciation and amortization	\$ 83,092	\$ 72,399
Amortization of intangible assets	71,791	-
Other miscellaneous expenses	18,643	961
	\$ 173,526	\$ 67,466

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

20. Finance Costs

The following table provides a breakdown of the Company's finance costs for the years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Interest and accretion on lease liabilities (Note 10)	11,620	19,473
Interest and accretion related party payables	-	750,786
Interest and accretion on promissory note payable (Note 11)	195,727	269,809
Interest and accretion on loan payable (Note 12)	59,553	51,549
Interest and accretion on promissory note payable	-	399,643
Interest and accretion on convertible debt (Note 13)	211,822	-
Amortization of deferred financing costs	-	34,304
Interest -Miscellaneous/(adjustment)	2,023	(2,711)
Finance costs	\$ 480,745	\$ 1,522,853

21. Gain from forgiveness of payable balance and bad debt

The following table provides a breakdown of the Company's other expenses for the years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Gain from forgiveness of payable balance	\$ 48,736	\$ -
Bad debt	(6,494)	(596,804)
	\$ 42,242	\$ (596,804)

During the year ended December 31, 2024, certain vendors of the Company had forgiven their accounts payable balances due to them amounting to \$48,736 (December 31, 2023 - \$Nil).

On June 29, 2023, the Company executed a significant multi-year contract with a creditworthy client. The contract will have a total contract value of roughly \$4.7 million over the next five years. In executing this agreement, the company wrote down debt that was associated with the client that was accrued over the course of the last nine months as the new contract begins and entails only work from June 30, 2023 forward. The amount of the write down totaled \$596,804.

22. Cost recovery

During the year, the Company received \$Nil (2023: \$2,000,000) from Lotus Domaine III LP in settlement of costs recovered in excess of the contractual amounts in prior years from the Company.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

23. Net loss per share

The basic and diluted weighted average number of shares have been calculated as follows:

	December 31, 2024	December 31, 2023
Net loss for the year ended December 31,	\$ (4,381,465)	\$ (1,207,887)
Weighted average number of SVS common shares - basic and diluted for the year ended December 31	32,758,112	21,142,879
Loss per share - basic and diluted	\$ (0.13)	\$ (0.06)

Note (i): At December 31, 2024, 26,570 MVS shares, 6,353,000 stock options and 6,036,100 warrants (December 31, 2023, 26,570 MVS shares, 3,713,833 stock options and 547,885 warrants) were excluded from the diluted weighted average number of shares calculation as their effect would have been antidilutive.

24. Related-Party Transactions

Included in accounts payable and accrued liabilities (Note 8) is an amount of \$436,582 (December 31, 2023 - \$193,294) that are due to related parties. Related party payables balances are included under loan payable (Note 12), convertible debt (Note 13) and the derivative liability associated with the convertible debt (Note 14) consist of the following balances:

	December 31, 2024	December 31, 2023
Loans payable:		
Loan payable to ConnertonA LLC (Note 12)	\$ -	\$ 594,259
Convertible debt (Note 13)	570,382	211,855
	570,382	806,114
Derivative liability related to:		
Convertible debt (Note 14)	833,949	282,904
	\$ 1,404,331	\$ 1,089,018

Related party transactions during the period

The Company has a three-year lease arrangement for office space with a company controlled by an executive employee of the Company that commenced on March 1, 2021. During the first quarter of 2023, the Company renewed this lease arrangement for another 3-year term up to February 28, 2026 (Note 6). The Company is required to make monthly payments of \$4,700 under the terms of the lease. During the years ended December 31, 2024 and 2023, the Company paid \$56,400 under this arrangement.

The Company defines key management personnel as being the Chief Executive Officer, Chief Revenue Officer, and the Chief Financial Officer. No post-employment benefits or other long-term benefits were made during the year ended December 31, 2024 and 2023.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

24. Related-Party Transactions (continued)

Short-term key management and director compensation consists of the following:

	December 31, 2024	December 31, 2023
Salaries, bonus, and short-term employment benefits	\$ 622,898	\$ 657,457
Administrative expenses - consulting, accounting and corporate administration fees	\$ 157,785	\$ -
Share-based expenses	57,412	-
	\$ 838,095	\$ 657,457

Additionally, during the year, \$780 (December 31, 2023 - \$Nil) was capitalized as intangible costs (Note 7) and \$8,190 (December 31, 2023 - \$Nil) share issuance costs were paid to a related party.

Line of credit with Lotus Domaine III, L.P.

	December 31, 2023
Summary movements	
Balance at December 31, 2022	\$ 1,760,079
Interest	33,957
Carrying value of the debt	1,794,036
Additions	4,210,000
Contributed surplus - (gain) / loss on extinguishment	42,063
Debt at fair value	6,046,099
Derivative portion of the debt	(3,254,151)
	2,791,948
Interest and accretion up to next amendment or drawdown date	716,829
Settlement upon conversion to shares	(3,508,777)
Balance at December 31, 2023 and 2024	\$ -

	December 31, 2023
Summary movements	
Balance at December 31, 2022	\$ -
Derivative liability recognized	\$ 3,254,151
Change in derivative liability	(1,488,096)
Derivative liability no longer needed upon settlement	(1,766,055)
Balance at December 31, 2023 and 2024	\$ -

Total debt and derivative liability as at October 11, 2023	\$ (5,274,832)
Balance at December 31, 2023 and 2024	\$ (5,274,832)

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

24. Related-Party Transactions (continued)

Line of credit with Lotus Domaine III, L.P. (continued)

On June 1, 2022, the Company entered into a credit facility agreement with Lotus Domaine III, L.P. ("Lotus" or "Lender"), a private equity fund which is also a significant shareholder of the Company (the "Credit Facility Agreement"), pursuant to which Lotus agreed to make available to the Company a credit facility (the "Credit Facility") in the authorized aggregate amount of up to \$1 million. The Credit Facility bore interest at 5% per annum and maturity date of May 31, 2025.

The Credit Facility Agreement was amended on December 2, 2022. The amendment was effective January 22, 2023, following negotiations with Salem Investment Partners IV, L.P. ("Salem"), to increase the Credit Facility to \$5 million based on certain conditions including (i) the partial repayment to Salem and the indebtedness to Salem to not exceed \$3 million, (ii) the interest rate was increased to 13% per annum and (iii) the maturity date was extended to December 2, 2025. Pursuant to the amended Credit Facility Agreement, the Company must (i) maintain a minimum liquidity of \$100,000 at all times, (ii) the Company's trailing six-month revenue, as determined in accordance with IFRS, measured as of the last day of each month, shall be greater than or equal to 80% of the previously agreed business plan between Lotus and the Company.

On January 20, 2023, the Company amended the Credit Facility Agreement to, among other things: increase the Credit Facility to \$5.1 million (ii) decrease the interest rate to 8% per annum; (iii) extend the repayment date to January 20, 2026. \$3.2 million of the Credit Facility was drawn on January 23, 2023 to complete a partial repayment on the promissory note with Salem (Note 12) and management (Note 14); and (iv) amended the security interest in the Collateral, to priority collateral interest in any and all of properties, rights and assets of the Company, after the first priority position of the lender Salem Investment Partners.

On March 1, 2023, the Company further amended the Credit Facility Agreement to (i) increase the amount available under the Credit Facility to \$5.95 million and (ii) allow for the principal amount and unpaid interest on the Credit Facility to be converted to SVS at a conversion price of \$0.90 CAD per SVS.

On March 20, 2023 and June 7, 2023, the Company had drawn an additional sum of \$850,000 and \$203,393 respectively under this arrangement.

These amendments by the Lender was determined to be a related party of the Company under IAS 24 due to the Lender's significant influence over the financing, investing, and operational decisions of the Company due to its over 25% shareholder voting rights and substantive positions in the board of directors of the parent company. Accordingly, the Lender was determined to be acting more in the interests of a shareholder rather than as a creditor and had the following implications:

- a) Any adjustment to record initial advances at market interest rates would be recognized in shareholders equity as a capital transaction
- b) Gains or losses on extinguishments of debt would be recorded in shareholders' equity (contributed surplus) as a capital transaction rather than profit and loss.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

24. Related-Party Transactions (continued)

Line of credit with Lotus Domaine III, L.P. (continued)

Based upon the 10% qualification test and qualitative factors under IFRS 9, each of the above amendments during the year were concluded to be a debt extinguishment. Under Debt extinguishment accounting, a gain or loss is recognized for the difference between the carrying value of the original loans and the assumption of the new debt instruments recognized at fair value, but the gain or loss is recognized in capital as with a related party.

On June 30, 2023, the Company announced the issuance, subject to Exchange approval, of an aggregate of 9,109,541 SVS to Lotus at a deemed price of CA\$0.90 per SVS for the settlement of US\$5,274,832, being the principal amount plus interest accrued as of June 30, 2023, owed under the Credit Facility (the "Debt Settlement").

On October 4, 2023, the Exchange accepted the Company's proposal to issue 9,109,541 shares to settle the outstanding debt. On October 11, 2023, shares were issued, which extinguished the debt and terminated the Credit Facility.

25. Change in non-cash working capital

The following are the changes in non-cash working capital for years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Accounts receivable	\$ 37,114	\$ 664,847
Prepaid expenses	(473,344)	(150,697)
Accounts payable and accrued liabilities	(41,129)	(18,230)
Deferred tax	-	8,624
Deferred revenue, current	356,605	(1,033,921)
	\$ (120,754)	\$ (529,377)

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

26. Income Tax Expense

The provision for income taxes for the years ended December 31, 2024 and 2023 consists of the following:

	December 31, 2024	December 31, 2023
Net (loss) income before income taxes	\$ (4,381,465)	\$ (1,207,887)
Statutory tax rate	24.3%	21%
(Recovery) tax at statutory rate	(1,064,696)	(253,656)
Non-deductible items and other	(998,253)	55,766
Change in warrant value	-	-
Foreign tax rate differences	86,183	(27,247)
Change in valuation allowance	1,976,766	225,137
Total income tax expense (recovery)	\$ -	\$ -
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	-	-
Current tax	\$ -	\$ -

Details of the Company's deferred income tax assets (liabilities) are as follows:

	December 31, 2024	December 31, 2023
Accrual to cash	\$ -	\$ (56,598)
Depreciation and amortization	(13,506)	(26,952)
Loss carryforwards(US)	13,506	83,550
Total deferred tax asset	\$ -	\$ -

Details of the Company's gross deductible timing differences are as follows:

	December 31, 2024	December 31, 2023
Net operating loss carryforwards (US)	\$ 13,231,830	\$ 10,583,154
Non capital loss carryforwards (Canada)	1,709,527	1,159,894
Non capital loss carryforwards (Serbia)	4,809	4,809
Lease obligation	61,117	132,381
Property, plant and equipment	3,376,214	1,703,140
Share Issuance Costs	127,390	208,641
Accrual to cash	1,116,799	-
Debt	8,895	11,945
	\$ 19,636,581	\$ 13,803,964

The Company evaluated the realizability of its income tax assets in prior years. As a result of the cumulative losses, the Company has established a valuation allowance against its deferred tax assets. The Company's non-capital loss carryforwards in Canada and net operating loss carryforwards in the US are carryforward and can be used to reduce taxes payable in future years. If not utilized the losses will expire between 2033 and 2043 and in some cases, they can be carried forward indefinitely. A change in estimated tax benefit of prior periods are recognized in the prior period.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

27. Capital Risk Management

The Company manages its capital structure based on the funds available to the Company in order to support its organic growth and general operations. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business. The Company defines capital to include share capital of \$19,127,669 (December 31, 2023 - \$15,558,987).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2024. The Company is not subject to externally imposed capital requirements but is subject to debt covenants, which is discussed in Note 11.

28. Financial Instruments and Risk Management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Company's operating activities from trade receivables and financing activities from cash.

Credit risk from financing activities is minimized by maintaining accounts in reputable financial institutions with high quality credit ratings. Cash is placed with a major U.S. financial institution and the Company's concentration of credit risk for cash and maximum exposure thereto as at December 31, 2024 is \$778,296 (December 31, 2023 - \$993,284).

The Company has estimated its forward-looking expected credit loss of \$Nil at December 31, 2024 and 2023.

Credit risk from trade receivables is minimized by establishing credit policies such as determining and monitoring customer credit limits and requiring credit approvals. The Company does not hold any collateral as security but mitigates credit risk from trade receivables by transacting only with recognized and creditworthy counterparties.

During the year ended December 31, 2024, the Company determined there was no single customer that was likely unable to meet its payment obligations (December 31, 2023 - \$nil). The Company's trade accounts receivable balance as at December 31, 2024, net of the provision is as follows:

	Under 30		30-60 days		Over 60 days		Total
Accounts receivable aging	\$	-	\$	43,986	\$	5,757	\$ 49,743

The Company is not exposed to concentration of credit risk relating to any one customer that represents any significant percentage of trade accounts receivable as at December 31, 2024 (December 31, 2023 – exposed to one customer that represents 27% of trade receivables). During the year ended December 31, 2024, one customer accounted for 29% (year ended December 31, 2023 - 21%) of total revenue respectively.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

28. Financial Instruments and Risk Management (continued)

Currency risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings. The Company has minimal exposure to currency risk as it does not hold significant assets in currency other than USD and its international sales are denominated in USD.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its convertible debt agreement which bears interest at 8% but can increase to 13% under certain conditions. A change in interest rate by 5% would have resulted in an increase or decrease of approximately \$194,000 in the net loss for the year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company mitigates liquidity risk by adjusting its expenses in relation to its revenues, through working capital management, and loans and advances from its lenders.

The Company's exposure to liquidity risk is dependent on the Company's ability to generate sales, manage its expenditures based on sales, and continued support from its lenders.

At December 31, 2024, the Company has \$4,192,020 (December 31, 2023 - \$5,014,084) of liabilities net of deferred revenues with the following due dates and carrying values:

	Under 3 months	3 months - 1 year	1 - 2 years	3 - 5 years	Total
Accounts payable and accrued liabilities	\$ 697,483	\$ -	\$ -	\$ -	\$ 697,483
Convertible debt	-	-	570,382	-	570,382
Lease payments	12,025	39,832	9,260	-	61,117
Promissory note payable	-	617,838	2,002,555	-	2,620,393
Warrant liability	-	-	242,645	-	242,645
Total	\$ 709,508	\$ 657,670	\$ 2,824,842	\$ -	\$ 4,192,020

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.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks.

Edge Total Intelligence, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in United States dollars)

29. Subsequent events

On January 9, 2025, the Company granted a total of 175,000 stock options at an exercise price of \$0.60 to a former director and a Board member of the Company. Out of these, 100,000 stock options expire on January 9, 2030 with one third vesting immediately, one third vesting on January 9, 2026 and the other one third on January 9, 2027, while the remaining 75,000 stock options expire on January 9, 2029 and vest 1/12th each month over one year.

On January 14, 2025, the Company closed a non-brokered private placement offering of 9,433,000 units of the Company ("Units") at a price per Unit of C\$0.53 for aggregate gross proceeds of C\$4,999,490. Each Unit consisted of one subordinate voting share in the capital of the Company (an "SVS") and one half of one SVS purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one additional SVS at an exercise price of C\$0.67 for a term of 24 months from the date of issuance.

On February 20, 2025, the Company granted 75,000 stock options to a consultant of the Company at an exercise price of \$0.53. These stock options expire on February 20, 2028 and vest 1/12th each month over one year.