



EDGE TOTAL INTELLIGENCE INC.

Condensed Consolidated Interim Financial Statements

**For the Three Months Ended March 31, 2025, and 2024
Unaudited - Expressed in United States Dollars**

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Independent Auditor's Report

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Edge Total Intelligence Inc.

Condensed Consolidated Interim Statements of Financial Position

As at,

(Unaudited - Expressed in United States dollars)

	March 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash	\$ 2,186,285	\$ 778,296
Accounts receivable	253,391	49,743
Prepaid expenses (Note 4)	1,421,649	755,080
Total current assets	3,861,325	1,583,119
Property and equipment	12,784	14,709
Right of use assets (Note 5)	43,670	55,580
Intangible assets (Notes 6)	2,108,307	2,252,058
TOTAL ASSETS	\$ 6,026,086	\$ 3,905,466
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 7, 22)	\$ 582,676	\$ 697,483
Deferred revenue (Note 8)	808,188	1,258,693
Lease liabilities (Note 9)	48,728	51,857
Promissory note payable (Note 10)	617,836	617,838
Convertible debt (Notes 11, 22)	680,064	570,382
Derivative liability (Notes 12, 22)	329,444	833,949
Warrant liability (Note 13)	-	-
Total current liabilities	3,066,936	4,030,202
Lease liabilities (Note 9)	-	9,260
Promissory note payable (Note 10)	2,004,060	2,002,555
Warrant liability (Note 13)	256,770	242,645
TOTAL LIABILITIES	\$ 5,327,766	\$ 6,284,662
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 14)	\$ 22,231,942	\$ 19,127,669
Contributed surplus (Note 14)	12,849,455	12,538,518
Warrants (Note 14)	1,075,288	707,192
Accumulated deficit	(35,718,454)	(35,006,557)
Other Comprehensive Income	260,089	253,982
	698,320	(2,379,196)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 6,026,086	\$ 3,905,466

Going concern (Note 1)

Subsequent event (Note 25)

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

Approved by the Board of Directors

"Seth Kay"

Seth Kay - Director

"Jim Barrett"

Jim Barrett - CEO and Director

Edge Total Intelligence Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

	March 31, 2025	March 31, 2024
Revenues		
Revenue (Note 15)	\$ 764,222	\$ 765,416
Cost of sales (Note 16)	218,628	306,454
Gross profit	545,594	458,962
Operating expenses		
Selling and marketing expenses	274,199	348,749
Administrative expenses (Note 16)	747,511	405,131
Research and development expenses	345,771	538,100
Other expenses (Note 17)	78,072	28,842
Share-based expenses (Note 14)	126,859	307,119
Total operating expenses	1,572,412	1,627,941
Operating loss	(1,026,818)	(1,168,979)
Finance costs (Note 18)	(178,897)	(112,664)
Bad debt (Note 19)	(10,740)	-
Change in fair value of derivative liability (Note 12)	504,505	(404,489)
Foreign exchange gain (loss)	53	(37)
Loss before income taxes	(711,897)	(1,686,169)
Income tax expense	-	-
Net loss	(711,897)	(1,686,169)
Other comprehensive loss		
Foreign currency translation gain	6,107	14,668
Net loss and comprehensive loss	\$ (705,790)	\$ (1,671,501)
Net loss per share (Note 20)		
Basic and diluted	\$ (0.01)	\$ (0.06)
Weighted average number of common shares outstanding		
Basic and diluted	51,116,263	28,440,824

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

Edge Total Intelligence Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

For the three months ended March 31, 2025 and 2024

(Unaudited - 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, 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	-	-	-	-	-	(1,686,169)	14,668	(1,671,501)
Share-based compensation expense	-	-	-	307,154	-	-	-	307,154
Share-based options exercised	200,000	-	90,074	(82,810)	-	-	-	7,264
Balance March 31, 2024	28,465,000	26,570	\$ 15,649,061	\$ 11,525,956	\$ -	\$ (32,311,261)	\$ 336,808	\$ (4,799,436)
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)
Net loss and comprehensive loss	-	-	-	-	-	(711,897)	6,107	(705,790)
Conversion of MVS Shares (Note 14)	63,000	(63)	-	-	-	-	-	-
Share-based compensation expense (Note 14)	-	-	-	310,937	-	-	-	310,937
Private Placement (Note 14)	9,433,000	-	3,091,789	-	396,855	-	-	3,488,644
Warrants exercised (Note 14)	150,000	-	78,293	-	(15,686)	-	-	62,607
Share and warrant issuance costs	-	-	(65,809)	-	(13,073)	-	-	(78,882)
Balance March 31, 2025	53,183,674	26,507	\$ 22,231,942	\$ 12,849,455	\$ 1,075,288	\$ (35,718,454)	\$ 260,089	\$ 698,320

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

Edge Total Intelligence Inc.

Condensed Consolidated Interim Statements of Cash Flow For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

	March 31, 2025	March 31, 2024
Operating activities		
Net loss for the period	\$ (711,897)	\$ (1,686,169)
Items not involving cash:		
Depreciation of property and equipment	1,925	5,479
Amortization of right of use assets (Note 5)	11,910	17,911
Amortization of intangible assets (Note 6)	143,751	181,827
Change in fair value of derivative liability (Note 12)	(504,505)	404,489
Bad debt (Note 19)	10,740	-
Finance costs	178,810	67,026
Share-based compensation expense (Note 14)	126,859	307,119
Change in non-cash working capital (Note 21)	(1,262,191)	294,332
Cash flows used in operating activities	\$ (2,004,598)	\$ (407,986)
Financing activities		
Private Placement	3,488,644	-
Share issuance costs (Note 14)	(78,882)	-
Interest payment	(51,789)	-
Lease payments on right to use assets (Note 9)	(14,100)	(20,557)
Stock options and warrants exercised	62,607	7,264
Cash flows provided by (used in) financing activities	\$ 3,406,480	\$ (13,293)
Effect of foreign exchange rates on cash	6,107	14,703
Change in cash	1,407,989	(406,576)
Cash, beginning of period	778,296	993,284
Cash, end of period	\$ 2,186,285	\$ 586,708

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

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - 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") 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") 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 condensed consolidated interim 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 three months ended March 31, 2025, the Company incurred negative cash flows from operating activities of \$2,004,598; an accumulated deficit of \$35,718,454; and an excess of current assets over current liabilities of \$794,389.

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 Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - 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 condensed consolidated interim 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 condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2024 and 2023.

Authorization

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 29, 2025.

Functional and presentation currency

These condensed consolidated interim 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%

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

2. Basis of preparation (continued)

Functional and presentation currency (continued)

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.

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 condensed consolidated interim 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.

Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the audited annual consolidated financial statements for the years ended December 31, 2024 and 2023.

3. Summary of material accounting policies

The preparation of these condensed consolidated interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the years ended December 31, 2024 and 2023.

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

4. Prepaid expenses

	March 31, 2025	December 31, 2024
Prepaid insurance	\$ 24,534	\$ 1,342
Advance paid to service providers	-	36,797
Security deposit	2,982	2,982
Consulting services	250,192	21,166
Strategic consulting advisory fees and incentive stock options	1,112,222	678,781
Other prepaid expenses	31,719	14,012
	\$ 1,421,649	\$ 755,080

In 2024, 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 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 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.

During the three months ended March 31, 2025, the Company engaged an additional strategic consulting advisor for a term of twelve months, amounting to \$300,771 of prepaid advisory fees.

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

	March 31, 2025	December 31, 2024
Retainer fees for corporate strategy, capital markets, debt, equity and mergers and acquisitions	\$ 872,809	\$ 623,503
Incentive stock options	239,413	55,278
	\$ 1,112,222	\$ 678,781

During the three months ended March 31, 2025, the Company amortized strategic consulting fees of \$57,574 (March 31, 2024 - \$Nil).

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

5. Right of use assets

The Company entered into a lease for office space (Note 22) 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:

		March 31, 2025		December 31, 2024
Opening balance	\$	55,580	\$	128,344
Amortization		(11,910)		(72,764)
Ending balance	\$	43,670	\$	55,580

6. Intangible assets

		Software development costs		Blockchain technology		Total intangible assets
Intangible assets - Cost						
Balance, March 31, 2025 and December 31, 2024	\$	5,491,425	\$	1,369,687	\$	6,861,112

		Software development costs		Blockchain technology		Total intangible assets
Intangible assets - Accumulated amortization						
Balance, December 31, 2024	\$	4,537,262	\$	71,792	\$	4,609,054
Amortization		79,513		64,238		143,751
Balance, March 31, 2025	\$	4,616,775	\$	136,030	\$	4,752,805

Net book value December 31, 2024	\$	954,163	\$	1,297,895	\$	2,252,058
Net book value March 31, 2025	\$	874,650	\$	1,233,657	\$	2,108,307

Except for intangible asset Blockchain technology \$1,233,657 (December 31, 2024 - \$1,297,895) located in Canada, all other non-current assets are located in the US.

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

7. Accounts payable and accrued liabilities

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

		March 31, 2025		December 31, 2024
Accounts payable and accrued expenses	\$	552,383	\$	667,190
State taxes		8,624		8,624
Sales tax payable		21,669		21,669
	\$	582,676	\$	697,483

Included in accounts payable and accrued liabilities as at March 31, 2025, is an amount of \$354,157 (December 31, 2024 - \$436,582) due to related parties (Note 22).

8. Deferred revenue

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

		March 31, 2025		December 31, 2024
Opening balance	\$	1,258,693	\$	902,087
Billings		313,717		3,373,345
Revenue recognized		(764,222)		(3,016,739)
Ending balance	\$	808,188	\$	1,258,693

9. Lease liabilities

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

		March 31, 2025		December 31, 2024
Opening balance	\$	61,117	\$	132,381
Lease payments		(14,100)		(82,884)
Accretion		1,711		11,620
Present value of lease liability	\$	48,728	\$	61,117
Current portion		48,728		51,857
Non-current portion		-		9,260
Total lease liability	\$	48,728	\$	61,117

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

9. Lease liabilities (continued)

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

	March 31, 2025	December 31, 2024
Less than 1 year	\$ 51,700	\$ 56,400
1-3 years	-	9,400
Total lease payments	\$ 51,700	\$ 65,800

As at March 31, 2025, 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.

10. Promissory note payable

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

Principal Payments

	March 31, 2025	December 31, 2024
Principal balance at the beginning of the period	\$ 2,620,393	\$ 3,011,682
Repayments on the promissory note payable	-	(400,000)
Gain on debt modification	-	(9,127)
Interest and accretion	53,292	195,727
Interest paid	(51,789)	(177,889)
Total notes payable	\$ 2,621,896	\$ 2,620,393
Current portion	617,836	617,838
Non-current portion	2,004,060	2,002,555
	\$ 2,621,896	\$ 2,620,393

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.

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

10. Promissory note payable (continued)

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 period 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;
- 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 13) 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 11) and the related derivative liability (Note 12) 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 (C\$0.62) to \$0.44 (C\$0.63) per share; and
- e) The terms of loan payable to ConnertonA LLC was amended to bring its terms identical to convertible debt (Notes 11 and 12) 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) per share.

The change in terms of the promissory note payable to the Lender did not result in an extinguishment of the old payable 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.

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

10. Promissory note payable (continued)

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 March 31, 2025 the Company was in compliance with the minimum cash balance covenant.

Maturity of the promissory note payable is as follows:

Principal repayment dates	Principal repayments
April 1, 2025	\$ 17,838
September 30, 2025	600,000
September 30, 2026	2,004,058
Total notes payable	\$ 2,621,896

11. Convertible debt

	March 31, 2025	December 31, 2024
Balance at the beginning of the period	\$ 570,382	\$ 211,855
Loan payable reclassified as convertible debt	-	256,118
Interest and accretion	109,682	211,822
Change in fair value of debt due to debt modifications	-	(109,413)
Balance at the end of the period	\$ 680,064	\$ 570,382
Current portion	\$ 680,064	\$ 570,382
Non-current portion	-	-
	\$ 680,064	\$ 570,382

(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. The holders have the right to convert the principal and any unpaid interest into SVS shares at a price of \$0.48 (C\$0.62) per share.

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

11. Convertible debt (continued)

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

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.

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 12). 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 12) 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 (C\$0.62) to \$0.44 (C\$0.63) 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.

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

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, 2024 - \$Nil) (Note 22).

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

12. Derivative liability

	March 31, 2025	December 31, 2024
Balance at the beginning of the period	\$ 833,949	\$ 282,904
Change in fair value of derivatives relating to convertible debt (Note 11)	-	93,645
Change in fair value of derivatives due to modification of convertible debt (Note 11)	(504,505)	76,193
Embedded derivative relating to modification of loan payable (Note 10)	-	381,207
Balance at the end of the period	\$ 329,444	\$ 833,949

This conversion options related to the related party payable (Note 22), loan payable following the amendment on December 31, 2024 and convertible debt (Note 11) 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 Condensed Consolidated Interim Financial Statements

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13. Warrant liability

	March 31, 2025	December 31, 2024
Beginning balance	\$ 242,645	\$ 300,000
Decrease in fair value	-	(57,355)
Accretion	14,125	-
Ending balance	\$ 256,770	\$ 242,645
Current portion	-	242,645
Non-current portion	256,770	-
	\$ 256,770	\$ 242,645

In conjunction with the promissory note payable described in Note 10, 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 period 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%.

14. 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 Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

14. 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, 2024	43,537,674	19,127,669
Warrants exercised (b)	150,000	78,293
Private Placement (a)	9,433,000	3,091,789
Broker warrants, issued as share issuance cost for private placement	-	-
Share issuance costs	-	(65,809)
Conversion of MVS Shares (c)	63,000	-
Balance March 31, 2025	53,183,674	\$ 22,231,942

- (a) On January 20, 2025, the Company closed a non-brokered private placement offering of 9,433,000 units of the Company at a price per Unit of C\$0.53 for aggregate gross proceeds of C\$4,999,490. Each unit consisted of one SVS and one half of one SVS purchase warrant. Each whole SVS purchase 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. The company incurred a total amount of \$65,809 share issuance costs related to the private placement.
- (b) During the period ended March 31, 2025, the Company issued 150,000 shares on the exercise of 150,000 warrants for gross cash proceeds of \$62,607 and the fair value associated \$15,686 was transferred from warrants to share capital.
- (c) On February 25, 2025, the company issued 63,000 shares on conversion of 63 MVS shares.

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 (C\$2.50 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 (C\$2,500) per MVS in priority to holders of SVS and any other shares of the Resulting Issuer ranking subordinate to the MVS.

Edge Total Intelligence, Inc.

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For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

14. Share capital (continued)

(a) Authorized (continued)

Multiple Voting Shares (continued)

The following are the Multi Voting Share transactions:

On February 25, 2025, 63 MVS shares were converted at the option of the holder to SVS shares per the terms of MVS conversion. At March 31, 2025, the Company had 26,507 MVS shares issued and outstanding.

(b) Warrants

Information about outstanding warrants is summarized in the table below:

	Number of warrants	Weighted Average Exercise Price in CAD
Balance, December 31, 2024	6,036,100	\$ 0.60
Warrants issued	4,716,499	0.67
Warrants exercised	(150,000)	0.60
Balance, March 31, 2025	10,602,599	\$ 0.63

On January 20, 2025, in connection with the non-brokered private placement offering, the Company issued 4,716,499 SVS purchase warrant. Each SVS purchase 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. The fair value allocated to the warrants issued was \$396,855 was determined using the Black Scholes option pricing model at the time of issuance using the following assumptions:

	March 31, 2025
Expected life (in years)	2
Grant date market price (in CAD)	\$ 0.67
Expected volatility	88.97%
Risk-free interest rate	2.86%
Dividend yield	0%

During the period ended March 31, 2025, 150,000 warrants were exercised at the exercise price of \$0.44 (C\$ 0.60). The fair value of \$15,686 was transferred from warrants to share capital.

As at March 31, 2025, the company had 10,602,599 warrants issued and outstanding.

Edge Total Intelligence, Inc.

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For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

14. Share capital (continued)

(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 table below:

	Number of options	Weighted Average Exercise Price in CAD
Balance, December 31, 2024	6,353,000	\$ 0.77
Granted	250,000	0.58
Balance, March 31, 2025	6,603,000	\$ 0.75

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	1.8
March 9, 2027	1,168,000	1,168,000	0.62	1.9
November 25, 2027	225,000	75,000	0.92	2.7
December 6, 2027	860,000	-	0.75	2.7
February 20, 2028	75,000	6,250	0.53	2.9
February 18, 2028	1,450,000	1,450,000	1.03	2.9
October 26, 2028	200,000	133,333	0.60	3.6
January 9, 2029	75,000	12,500	0.60	3.8
January 10, 2029	1,675,000	1,116,667	0.62	3.8
November 15, 2029	300,000	100,000	0.99	4.6
December 6, 2029	75,000	18,750	0.75	4.7
January 9, 2030	100,000	33,333	0.60	4.8
	6,603,000	4,513,833	\$ 0.75	3.0

Edge Total Intelligence, Inc.

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For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

14. Share capital (continued)

(c) Stock-based compensation (continued)

On January 9, 2025, the Company granted a total of 175,000 stock options at an exercise price of C\$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 February 20, 2025, the Company granted 75,000 stock options to a consultant of the Company at an exercise price of C\$0.53. These stock options expire on February 20, 2028 and vest 1/12th each month over one year.

The total fair value of the share-based compensation issued was \$60,529 (C\$86,781) and were determined using the Black Scholes option pricing model at the time of issuance using the following assumptions:

	March 31, 2025
Expected life (in years)	3 - 5
Grant date market price (in CAD)	0.53 - 0.60
Expected volatility	80% - 83%
Risk-free interest rate	2.62% - 2.90%
Dividend yield	0%

The share-based expenses incurred during the three months ended March 31, 2025 in relation to the stock options granted amounted \$126,859 (three months ended March 31, 2024 - \$307,119) (Note 4).

15. Revenue

The Company's disaggregated revenues for the three months ended March 31, 2025 and 2024 are as follows:

	For the three months ended	
	March 31, 2025	March 31, 2024
Subscription software licenses	\$ 750,222	\$ 765,416
Professional consulting services	14,000	-
	\$ 764,222	\$ 765,416

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

15. Revenue (continued)

The Company's revenue by geographic segments for the three months ended March 31, 2025 and 2024 are as follows:

	For the three months ended			March 31,	
				2025	2024
United States	\$	684,178	\$		694,342
International		80,044			71,074
	\$	764,222	\$		765,416

16. Expenses

The amortization of intangible assets (Note 6) for the three months ended March 31, 2025 and 2024 is as follows:

	For the three months ended			March 31,	
				2025	2024
Amortization of software development costs in:					
Cost of sales	\$	79,513	\$		727,303
Other expense items		64,238			-
	\$	143,751	\$		727,303

Included in administrative expenses for the three months ended March 31, 2025 are employee wages and benefits of \$116,081 (three months ended March 31, 2024 - \$116,233) and digital marketing expenses of \$Nil (March 31, 2024 - \$38,066).

17. Other expenses

The following table provides a breakdown of the Company's other expenses for the three months ended March 31, 2025 and 2024:

	For the three months ended			March 31,	
				2025	2024
Other expenses:					
Depreciation and amortization	\$	13,835	\$		23,390
Amortization of intangible assets		64,237			-
Other miscellaneous expenses		-			5,452
	\$	78,072	\$		28,842

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

18. Finance costs

The breakdown of the Company's finance costs for the three months ended March 31, 2025 and 2024 is as follows:

	For the three months ended	
	March 31, 2025	March 31, 2024
Interest and accretion on lease liabilities (Note 9)	\$ 1,711	\$ 3,989
Interest and accretion on promissory note payable (Note 10)	53,292	45,340
Interest and accretion on loan payable	-	14,600
Interest and accretion on promissory note payable	-	48,437
Interest and accretion on convertible debt (Note 11)	109,682	-
Accretion on warrant liability (Note 13)	14,125	-
Interest -Miscellaneous	87	298
Finance costs	\$ 178,897	\$ 112,664

19. Bad debt

During the three months ended March 31, 2025, the Company incurred bad debt of \$10,740 (three months ended March 31, 2024 - \$Nil).

20. Net loss per share

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

	For the three months ended	
	March 31, 2025	March 31, 2024
Net loss	\$ (711,897)	\$ (1,686,169)
Weighted average number of SVS common shares - basic and diluted	51,116,263	28,440,824
Loss per share - basic and diluted	\$ (0.01)	\$ (0.06)

Note (i): At March 31, 2025, 26,507 MVS shares, 6,603,000 stock options and 10,602,599 warrants (December 31, 2024 - 26,570 MVS shares, 6,353,000 stock options and 6,036,100 warrants) were excluded from the diluted weighted average number of shares calculation as their effect would have been antidilutive.

Edge Total Intelligence, Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

(Unaudited - Expressed in United States dollars)

21. Change in non-cash working capital

The following are the changes in non-cash working capital for three months ended March 31, 2025 and 2024:

	For the three months ended	
	March 31, 2025	March 31, 2024
Accounts receivable	\$ (214,388)	\$ (58,481)
Prepaid expenses	(482,491)	100,379
Accounts payable and accrued liabilities	(114,807)	(138,960)
Deferred revenue, current	(450,505)	391,394
	\$ (1,262,191)	\$ 294,332

22. Related-party transactions

Included in accounts payable and accrued liabilities (Note 8) is an amount of \$354,157 (December 31, 2024 - \$436,582) that are due to related parties. Related party payables balances are included under convertible debt (Note 11) and the derivative liability associated with the convertible debt (Note 12) consist of the following balances:

	March 31, 2025	December 31, 2024
Loans payable:		
Convertible debt (Note 11)	\$ 680,064	\$ 570,382
Derivative liability related to:		
Convertible debt (Note 12)	329,444	833,949
	\$ 1,009,508	\$ 1,404,331

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 5). The Company is required to make monthly payments of \$4,700 under the terms of the lease. During the three months ended March 31, 2025 and 2024, the Company paid \$14,100 under this arrangement.

Edge Total Intelligence, Inc.

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22. Related-party transactions (continued)

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 three months ended March 31, 2025 and 2024.

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

	For the three months ended	
	March 31, 2025	March 31, 2024
Salaries, bonus, and short-term employment benefits	\$ 145,202	\$ 245,845
Administrative expenses - consulting, accounting and corporate administration fees	60,090	-
Share-based expenses	22,371	-
	\$ 227,663	\$ 245,845

Additionally, during the three months ended March 31, 2025, \$ 7,236 (three months ended March 31, 2024 - \$Nil) share issuance costs were paid to a related party.

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

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 10) and management (Note 12); 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.

Edge Total Intelligence, Inc.

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22. Related-party transactions (continued)

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

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 C\$0.90 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.

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.

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23. 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 \$22,231,942 (December 31, 2024 - \$19,127,669).

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 three months ended March 31, 2025. The Company is not subject to externally imposed capital requirements but is subject to debt covenants, which is discussed in Note 10.

24. 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 March 31, 2025 is \$2,186,285 (December 31, 2024 - \$778,296).

The Company has estimated its forward-looking expected credit loss of \$Nil at March 31, 2025 and December 31, 2024.

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 three months ended March 31, 2025, the Company determined there was no single customer that was likely unable to meet its payment obligations (December 31, 2024 - \$Nil). The Company's trade accounts receivable balance as at March 31, 2025, net of the provision is as follows:

	Under 30	30-60 days	Over 60 days	Total
Accounts receivable aging	\$ 187,706	\$ 59,928	\$ 5,757	\$ 253,391

Edge Total Intelligence, Inc.

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24. Financial instruments and risk management (continued)

Credit risk (continued)

The Company was exposed to concentration of credit risk relating to one customer that represented significant percentage of trade accounts receivable as at March 31, 2025 and December 31, 2024. During the three months ended March 31, 2025, one customer accounted for 88% (December 31, 2024 27%) of total receivables respectively.

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 \$8,940 in the net loss for the period.

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 March 31, 2025, the Company has \$4,190,134 (December 31, 2024 - \$4,192,020) of liabilities net of deferred revenues and derivative liability 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	\$ 582,676	\$ -	\$ -	\$ -	\$ 582,676
Convertible debt	-	-	680,064	-	680,064
Lease payments	12,766	35,962	-	-	48,728
Promissory note payable	-	617,836	2,004,060	-	2,621,896
Warrant liability	-	-	256,770	-	256,770
Total	\$ 595,442	\$ 653,798	\$ 2,940,894	\$ -	\$ 4,190,134

Edge Total Intelligence, Inc.

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24. Financial instruments and risk management (continued)

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.

25. Subsequent event

On May 7, 2025, the Company granted a total of 250,000 stock options to a director, a former director and to the CFO at an exercise price of C\$0.39. The stock options will expire on May 7, 2030 with one third vesting immediately, one third vesting on May 7, 2026 and the other one third on May 7, 2027.