EDGE TOTAL INTELLIGENCE INC.

Condensed Consolidated Interim Financial Statements

For the Three and Six months Ended June 30, 2025, and 2024
Unaudited - Expressed in United States Dollars

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Edge Total Intelligence Inc.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025, and 2024

(Unaudited - Expressed in United States dollars)

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)

		June 30, 2025		December 31, 2024
ASSETS				
Current Assets				
Cash	$	**857,533**	$	778,296
Accounts receivable		**132,250**		49,743
Prepaid expenses (Note 4)		**1,046,264**		755,080
Total current assets		**2,036,047**		1,583,119
Property and equipment		**17,749**		14,709
Right of use assets (Note 5)		**90,233**		55,580
Intangible assets (Note 6)		**1,962,205**		2,252,058
TOTAL ASSETS	$	**4,106,234**	$	3,905,466
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (Notes 7, 22)	$	**418,453**	$	697,483
Deferred revenue (Note 8)		**627,676**		1,258,693
Lease liabilities (Note 9)		**56,660**		51,857
Promissory note payable (Note 10)		**617,263**		617,838
Convertible debt (Notes 11, 22)		**790,963**		570,382
Derivative liability (Notes 12, 22)		**90,492**		833,949
Total current liabilities		**2,601,507**		4,030,202
Lease liabilities (Note 9)		**39,083**		9,260
Promissory note payable (Note 10)		**2,005,561**		2,002,555
Warrant liability (Note 13)		**270,896**		242,645
TOTAL LIABILITIES	$	**4,917,047**	$	6,284,662
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 14)	$	**22,231,942**	$	19,127,669
Contributed surplus (Note 14)		**12,971,535**		12,538,518
Warrants (Note 14)		**1,075,288**		707,192
Accumulated deficit		**(37,466,083)**		(35,006,557)
Accumulated other comprehensive income		**376,505**		253,982
		(810,813)		(2,379,196)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$	**4,106,234**	$	3,905,466

Going concern (Note 1)
Subsequent events (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 and six months ended June 30, 2025, and 2024

(Unaudited - Expressed in United States dollars)

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Revenues				
Revenue (Note 15)	**$ 408,390**	$ 792,994	**$ 1,172,612**	$ 1,558,410
Cost of sales (Note 6)	**218,467**	132,689	**437,095**	439,143
Gross profit	**189,923**	660,305	**735,517**	1,119,267
Operating expenses				
Selling and marketing expenses	**485,745**	380,817	**759,944**	729,566
Administrative expenses (Note 16)	**803,932**	454,649	**1,551,443**	859,780
Research and development expenses	**373,025**	426,653	**718,796**	964,753
Other expenses (Notes 6, 17)	**87,858**	18,503	**165,930**	47,345
Share-based expenses (Note 14)	**159,442**	130,395	**286,301**	437,514
Total operating expenses	**1,910,002**	1,411,017	**3,482,414**	3,038,958
Operating loss	**(1,720,079)**	(750,712)	**(2,746,897)**	(1,919,691)
Finance costs (Note 18)	**(182,224)**	(117,912)	**(361,121)**	(230,576)
Bad debt (Note 19)	**-**	-	**(10,740)**	-
Change in fair value of derivative liability (Note 12)	**238,952**	502,043	**743,457**	97,554
Foreign exchange gain (loss)	**(84,278)**	14,148	**(84,225)**	14,111
Net loss	**(1,747,629)**	(352,433)	**(2,459,526)**	(2,038,602)
Other comprehensive loss				
Foreign currency translation gain	**116,416**	8,096	**122,523**	22,764
Net loss and comprehensive loss	**$ (1,631,213)**	$ (344,337)	**$ (2,337,003)**	$(2,015,838)
Net loss per share (Note 20)				
Basic and diluted	**$ (0.03)**	$ (0.01)	**$ (0.05)**	$ (0.07)
Weighted average number of common shares outstanding				
Basic and diluted	**53,183,674**	28,465,000	**52,151,122**	28,452,912

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 six months ended June 30, 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 Comprehesive 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	-	-	-	-	-	(2,038,602)	22,764	(2,015,838)
Share-based compensation expense	-	-	-	437,514	-	-	-	437,514
Share-based options exercised	200,000	-	92,627	(85,158)	-	-	-	7,469
Balance June 30, 2024	**28,465,000**	**26,570**	**$ 15,651,614**	**$ 11,653,968**	**$ -**	**$ (32,663,694)**	**$ 344,904**	**$ (5,013,208)**
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	-	-	-	-	-	(2,459,526)	122,523	(2,337,003)
Converson of MVS Shares (Note 14)	63,000	(63)	-	-	-	-	-	-
Share-based compensation expense (Note 14)	-	-	-	433,017	-	-	-	433,017
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 June 30, 2025	**53,183,674**	**26,507**	**$ 22,231,942**	**$ 12,971,535**	**$ 1,075,288**	**$ (37,466,083)**	**$ 376,505**	**$ (810,813)**

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 six months ended June 30, 2025, and 2024

(Unaudited - Expressed in United States dollars)

		June 30, 2025		June 30, 2024
Operating activities				
Net loss for the period	$	(2,459,526)	$	(2,038,602)
Items not involving cash:				
Depreciation of property and equipment		3,974		7,290
Amortization of right of use assets (Note 5)		31,129		33,653
Amortization of intangible assets (Note 6)		289,853		169,719
Change in fair value of derivative liability (Note 12)		(743,457)		(97,554)
Bad debt (Note 19)		10,740		-
Finance costs		361,034		139,103
Share-based compensation expense (Note 14)		286,301		437,514
Unrealized foreign exchange gain loss		(15,797)		-
Change in non-cash working capital (Note 21)		(1,131,963)		714,890
Cash flows used in operating activities	$	(3,367,712)	$	(633,987)
Financing activities				
Private placement		3,488,644		-
Shares and warrant issuance costs (Note 14)		(78,882)		-
Interest payment		(104,729)		-
Lease payments on right to use assets (Note 9)		(36,200)		(47,570)
Stock options and warrants exercised		62,607		7,469
Cash flows provided by (used in) financing activities	$	3,331,440	$	(40,101)
Investing activities				
Acquisition of fixed assets		(7,014)		-
Cash flows used in investing activities	$	(7,014)	$	-
Effect of foreign exchange rates on cash		122,523		22,763
Change in cash		79,237		(651,325)
Cash, beginning of period		778,296		993,284
Cash, end of period	$	857,533	$	341,959

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

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 six months ended June 30, 2025, the Company incurred negative cash flows from operating activities of $3,367,712; an accumulated deficit of $ 37,466,083; and an excess of current assets over current liabilities of $565,460.

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.

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 preparation

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 preparation of 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 August 28, 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%

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.

In addition to the accounting policies applied in the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2024 and 2023, the Company has established a deferred share plan under which Deferred Share Units ("DSUs") are granted to non-executive directors of the Company as part of long-term incentive compensation. DSUs are classified as equity settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a redemption event. As such, the Company recognizes the expense based on the quoted market price of the Company's common shares at the grant date and a corresponding increase in equity for the eventual redemption when the DSUs are issued.

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.

(Unaudited - Expressed in United States dollars)

3. 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.

4. Prepaid expenses

		June 30, 2025		December 31, 2024
Prepaid insurance	**$**	**35,094**	$	1,342
Advance paid to service providers		**10,981**		36,797
Security deposit		**2,982**		2,982
Consulting services		**156,873**		21,166
Strategic consulting advisory fees and incentive stock options		**826,875**		678,781
Other prepaid expenses		**13,459**		14,012
	$	**1,046,264**	$	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 been 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:

		June 30, 2025		December 31, 2024
Retainer fees for corporate strategy, capital markets, debt, equity and mergers and acquisitions	**$**	**583,133**	**$**	**623,503**
Incentive stock options		**243,742**		**55,278**
	$	**826,875**	**$**	**678,781**

During the three and six months ended June 30, 2025, the Company amortized strategic consulting fees $129,647 and $187,221 respectively (both three and six months ended June 30, 2024 – $Nil).

(Unaudited - Expressed in United States dollars)

5. Right of use assets

During the period ended June 30, 2025, the Company signed a second lease for office space. The first lease has a remaining lease term of eight months (Note 22) and the second lease has a remaining lease term of two years eight months.

The following table provides movements in the carrying value of right of use assets as at:

		June 30, 2025		December 31, 2024
Opening balance	**$**	**55,580**	$	128,344
Addition		**65,782**		-
Amortization		**(31,129)**		(72,764)
Ending balance	**$**	**90,233**	$	55,580

6. Intangible assets

Intangible assets - Cost		**Software development costs**		**Blockchain technology**		**Total intangible assets**
Balance, June 30, 2025 and December 31, 2024	**$**	**5,491,425**	**$**	**1,369,687**	**$**	**6,861,112**

Intangible assets - Accumulated amortization		**Software development costs**		**Blockchain technology**		**Total intangible assets**
Balance, December 31, 2024	**$**	**4,537,262**	**$**	**71,792**	**$**	**4,609,054**
Amortization		159,026		130,827		289,853
Balance, June 30, 2025	**$**	**4,696,288**	**$**	**202,619**	**$**	**4,898,907**
Net book value December 31, 2024	$	954,163	$	1,297,895	$	2,252,058
Net book value June 30, 2025	**$**	**795,137**	**$**	**1,167,068**	**$**	**1,962,205**

The amortization of intangible assets for the three and six months ended June 30, 2025 and 2024 is as follows:

		For three months ended				**For six months ended**		
		June 30, 2025		June 30, 2024		**June 30, 2025**		June 30, 2024
Amortization of software development costs in:								
Cost of sales	**$**	**79,513**		(12,108)	**$**	**159,026**	$	169,719
Other expense items (Note 17)		**66,589**		-		**130,827**		-
	$	**146,102**	$	(12,108)	**$**	**289,853**	$	169,719

Except for intangible asset Blockchain technology $1,167,068 (December 31, 2024 - $1,297,895) located in Canada, all other non-current assets are located in the US.

(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:

		June 30, 2025		December 31, 2024
Accounts payable and accrued expenses	**$**	**388,160**	$	667,190
State taxes		**8,624**		8,624
Sales tax payable		**21,669**		21,669
	$	**418,453**	$	697,483

Included in accounts payable and accrued liabilities as at June 30, 2025, is an amount of $120,644 (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:

		June 30, 2025		December 31, 2024
Opening balance	**$**	**1,258,693**	$	902,087
Billings		**531,594**		3,373,345
Revenue recognized		**(1,162,611)**		(3,016,739)
Ending balance	**$**	**627,676**	$	1,258,693

9. Lease liabilities

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

		June 30, 2025		December 31, 2024
Opening balance	**$**	**61,117**	$	132,381
Additions to lease liabiltiies		**65,783**		-
Lease payments		**(36,200)**		(82,884)
Accretion		**5,043**		11,620
Present value of lease liability	**$**	**95,743**	$	61,117
Current portion		**56,660**		51,857
Non-current portion		**39,083**		9,260
Total lease liability	**$**	**95,743**	$	61,117

(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:

		June 30, 2025		December 31, 2024
Less than 1 year	**$**	**55,800**	$	56,400
1-2 years		**24,805**		9,400
3-5 years		**16,810**		-
Total lease payments	**$**	**97,415**	$	56,400

As at June 30, 2025, one of the lease term expires on February 28, 2026 and the other lease term expires on February 28, 2028. 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

		June 30, 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		**107,160**		195,727
Interest paid		**(104,729)**		(177,889)
Total notes payable	**$**	**2,622,824**	$	2,620,393
Current portion		**617,263**		617,838
Non-current portion		**2,005,561**		2,002,555
	$	**2,622,824**	$	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.

(Unaudited - Expressed in United States dollars)

10. Promissory note payable (continued)

Principal repayment dates		**Principal repayments**
April 1, 2025	$	17,263
September 30, 2025		600,000
September 30, 2026		2,005,561
Total note payable	**$**	**2,622,824**

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 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.

(Unaudited - Expressed in United States dollars)

10. Promissory note payable (continued)

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 June 30, 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	$ 17,263
September 30, 2025	600,000
September 30, 2026	2,005,561
Total notes payable	**$ 2,622,824**

(Unaudited - Expressed in United States dollars)

11. Convertible debt

		June 30, 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		**220,581**		211,822
Change in fair value of debt due to debt modifications		**-**		(109,413)
Balance at the end of the period	**$**	**790,963**	$	570,382
Current portion	**$**	**790,963**	$	570,382
Non-current potion		**-**		-
	$	**790,963**	$	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 agreement 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.

On January 23, 2023, the Company completed partial repayments totaling $100,000 to certain party related 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 modification 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.

(Unaudited - Expressed in United States dollars)

11. Convertible debt (continued)

(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 (Note 22).

12. Derivative liability

		June 30, 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)		**(743,457)**		93,645
Change in fair value of derivatives due to modification of convertible debt (Note 11)		**-**		76,193
Embedded derivative relating to modification of loan payable (Note 10)		**-**		381,207
Balance at the end of the period	**$**	**90,492**	$	833,949
Current portion	**$**	**90,492**	$	833,949
Non-current potion		**-**		-
	$	**90,492**	$	833,949

This conversion options related to the related party payable (Note 22), loan payable till the amendment on December 31, 2024 and thereafter 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.

12. Derivative liability (continued)

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.

13. Warrant liability

		June 30, 2025		December 31, 2024
Beginning balance	**$**	**242,645**	$	300,000
Decrease in fair value		**-**		(57,355)
Accretion		**28,251**		-
Ending balance	**$**	**270,896**	$	242,645
Current portion		**-**		-
Non-current potion		**270,896**		242,645
	$	**270,896**	$	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%.

(Unaudited - Expressed in United States dollars)

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").

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
Share issuance costs	-		(65,809)
Conversion of MVS Shares (c)	63,000		-
Balance June 30, 2025	**53,183,674**	**$**	**22,231,942**

(a) On January 20, 2025, the Company closed a non-brokered private placement offering 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.

(Unaudited - Expressed in United States dollars)

14. Share capital (continued)

(a) Authorized **(continued)**

Multiple Voting Shares (continued)
The following is the MVS transaction during the six months ended June 30, 2025:

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 June 30, 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, June 30, 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:

	June 30, 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 June 30, 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 June 30, 2025, the company had 10,602,599 warrants issued and outstanding.

(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 share price offered 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**	$ 0.76
Granted	500,000	0.48
Balance, June 30, 2025	**6,853,000**	**$ 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	1.6
March 9, 2027	1,168,000	1,168,000	0.62	1.7
November 25, 2027	225,000	131,250	0.92	2.4
December 6, 2027	860,000	860,000	0.75	2.4
February 18, 2028	1,450,000	1,450,000	1.03	2.6
February 20, 2028	75,000	25,000	0.53	2.6
October 26, 2028	200,000	133,333	0.60	3.3
January 9, 2029	75,000	31,250	0.60	3.5
January 10, 2029	1,675,000	1,116,667	0.62	3.5
November 15, 2029	300,000	100,000	0.99	4.4
December 6, 2029	75,000	37,500	0.75	4.4
January 9, 2030	100,000	33,333	0.60	4.5
May 7, 2030	250,000	83,332	0.39	4.9
	6,853,000	**5,569,665**		**2.8**

(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.

On May 7, 2025, the Company granted a total of 250,000 stock options at an exercise price of C$0.39 to a former director, an officer and a board member of the Company, which expires 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.

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:

	June 30, 2025
Expected life (in years)	3 - 5
Grant date market price (in CAD)	0.39 - 0.60
Expected volatility	80% - 85%
Risk-free interest rate	2.62% - 2.90%
Dividend yield	0%

The share-based expenses incurred during the three and six months ended June 30, 2025 in relation to the stock options granted amounted to $159,442 and $286,301 respectively (three and six months ended June 30, 2024 - $130,395 and S437,514 respectively).

(d) Deferred share units

On May 2025, the Company issued a total of 1,402,153 DSUs to the chief executive officer of the company. The DSUs will be vested one year after the grant date. Subject to the terms of the Plan, the settlement of the DSUs will be in cash (or, at the election of the Company, in shares or a combination of cash and shares)

The total fair value of the DSUs issued was $354,584 (C$483,743) and was determined using the share price on the grant date. The share price on the grant date was C$0.345.

(Unaudited - Expressed in United States dollars)

15. Revenue

The Company’s disaggregated revenues for the three and six months ended June 30, 2025 and 2024 are as follows:

	For the Three Months ended		For the six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Subscription software licenses	**$ 408,390**	792,994	**$ 1,158,612**	$ 1,558,410
Professional consulting services	**-**	-	**14,000**	-
	$ 408,390	$ 792,994	**$ 1,172,612**	$ 1,558,410

The Company’s revenue by geographic segments for the three and six months ended June 30, 2025 and 2024 are as follows:

	For the Three Months ended		For the six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
United States	**$ 326,500**	727,626	**$ 1,024,678**	$ 1,421,967
International	**81,890**	65,368	**147,934**	136,443
	$ 408,390	$ 792,994	**$ 1,172,612**	$ 1,558,410

16. Expenses

Included in administrative expenses for the three and six months ended June 30, 2025 are employee wages and benefits of $101,705 and $217,786 respectively (three and six months ended June 30, 2024 - $106,818 and $227,372 respectively), consulting fees for the three and six months ended June 30, 2025 of $369,337 and $616,417 respectively (three and six months ended June 30, 2024 - $30,500 and $56,000 respectively), accounting and other professional fees for the three and six months ended June 30, 2025 of $142,149 and $251,224 respectively (three and six months ended June 30, 2024 - $101,284 and $77,363 respectively) and digital marketing expenses for the three and six months ended June 30, 2025 of $48,741 and $141,960 respectively (three and six months ended June 30, 2024 -$30,450 and $68,516 respectively).

17. Other expenses

The following table provides a breakdown of the Company’s other expenses for the three and six months ended June 30, 2025 and 2024:

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Other expenses:				
Depreciation and amortization	**$ 21,268**	$ 17,553	**$ 35,103**	$ 40,943
Amortization of intangible assets (Note 6)	**66,590**	-	**130,827**	-
Other miscellaneous expenses	**-**	950	**-**	6,402
	$ 87,858	$ 18,503	**$ 165,930**	$ 47,345

(Unaudited - Expressed in United States dollars)

18. Finance costs

The breakdown of the Company's finance costs for the three and six months ended June 30, 2025 and 2024 is as follows:

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Interest and accretion on lease liabilities (Note 9)	**$ 3,332**	3,134	**$ 5,043**	$ 7,123
Interest and accretion on promissory note payable (Note 10)	**53,868**	45,838	**107,159**	91,178
Interest and accretion on loan payable	**-**	14,875	**-**	29,475
Interest and accretion on convertible debt (Note 11)	**110,899**	54,065	**220,581**	102,502
Accretion on warrant liability (Note 13)	**14,125**	-	**28,251**	-
Interest -Miscellaneous	**-**	-	**87**	298
Finance costs	**$ 182,224**	$ 117,912	**$ 361,121**	$ 230,576

19. Bad debt

During the three and six months ended June 30, 2025, the Company incurred bad debt of $Nil and $10,740 respectively (three and six months ended June 30, 2024 - $Nil and $Nil respectively).

20. Net loss per share

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

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Net loss	**$ (1,747,629)**	$ (352,433)	**$ (2,459,526)**	$ (2,038,602)
Weighted average number of SVS common shares - basic and diluted	**53,183,674**	28,465,000	**52,151,122**	28,452,912
Loss per share - basic and diluted	**$ (0.03)**	$ (0.01)	**$ (0.05)**	$ (0.07)

Note (i): At June 30, 2025, 26,507 MVS shares, 6,853,000 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.

(Unaudited - Expressed in United States dollars)

21. Change in non-cash working capital

The following are the changes in non-cash working capital for six months ended June 30, 2025 and 2024:

	For the six months ended June 30, 2025	June 30, 2024
Accounts receivable	**$ (93,246)**	$ 51,229
Prepaid expenses	**(91,982)**	77,773
Accounts payable and accrued liabilities	**(315,718)**	48,072
Deferred revenue, current	**(631,017)**	537,816
	$ (1,131,963)	$ 714,890

22. Related-party transactions

Included in accounts payable and accrued liabilities (Note 7) is an amount of $120,644 (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:

	June 30, 2025	December 31, 2024
Convertible debt (Note 11)	**$ 790,963**	$ 570,382
Derivative liability	**90,492**	833,949
	$ 881,455	$ 1,404,331

Related party transactions during the period

The Company has an existing lease arrangement for office space with a company controlled by an executive employee of the Company that was renewed on March 1, 2023 for a three-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 and six months ended June 30, 2025 and 2024, the Company paid $14,100 and $28,200 respectively 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 six months ended June 30, 2025 and 2024.

	For the six months ended June 30, 2025	June 30, 2024
Salaries, bonus, and short-term employment benefits	**$ 268,039**	$ 245,845
Administrative expenses - consulting, accounting and corporate administration fees	**150,177**	-
Share-based expenses	**43,362**	-
	$ 461,578	$ 245,845

(Unaudited - Expressed in United States dollars)

22. Related-party transactions (continued)

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 six months ended June 30, 2025, $7,236 (six months ended June 30, 2024 - $Nil) share issuance costs were paid to a related party.

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 six months ended June 30, 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 major U.S. financial institutions and the Company’s concentration of credit risk for cash and maximum exposure thereto as at June 30, 2025 is $857,533 (December 31, 2024 - $778,296).

The Company has estimated its forward-looking expected credit loss of $Nil at June 30, 2025 and December 31, 2024.

24. Financial instruments and risk management (continued)

Credit risk (continued)

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 six months ended June 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 June 30, 2025, net of the provision is as follows:

	Under 30	30-60 days	Over 60 days	Total
Accounts receivable aging	$ 29,116	$ 37,500	$ 65,634	$ 132,250

The Company was exposed to concentration of credit risk relating to one customer that represented significant percentage of trade accounts receivable as at June 30, 2025 and December 31, 2024. During the six months ended June 30, 2025, one customer accounted for 28% (December 31, 2024 - 0%) of total trade 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 promissory note payable and 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 $97,299 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 is dependent on the Company's ability to generate sales, manage its expenditure based on sales, and continued support from its lenders.

(Unaudited - Expressed in United States dollars)

24. Financial instruments and risk management (continued)

Liquidity risk (continued)

At June 30, 2025, the Company has $4,198,879 (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 accured liabilties	$ 418,453	$ -	$ -	$ -	$ 418,453
Convertible debt	-	-	790,963	-	790,963
Lease payments	18,167	38,493	22,657	16,426	95,743
Promissory note payable	-	617,263	2,005,561	-	2,622,824
Warrant liability	-	-	270,896	-	270,896
Total	**$ 436,620**	**$ 655,756**	**$ 3,090,077**	**$ 16,426**	**$ 4,198,879**

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 events

On July 2, 2025, the Company granted 500,000 incentive stock options to a consultant of the Company exercisable at $0.52 per share and will expire five years from the date of grant. The Options will vest evenly quarterly over a period of twelve months.

On July 2, 2025, the Company granted 250,000 incentive stock options to a director of the Company exercisable at $0.52 per share and will expire five years from the date of grant. The Options will vest evenly quarterly over a period of twelve months.

On July 3, 2025, the Company also announced the cancellation of an aggregate of 1,050,000 incentive stock options previously granted to certain employees, directors and officers. These cancelled options had an exercise price of $1.03 per share and were set to expire on February 18, 2028. These options were voluntarily surrendered by the holders for no consideration. The director receiving the new grant above was not among those whose options were cancelled.

On July 7, 2025, the Company granted 250,000 incentive stock options to an advisor of the Company exercisable at $0.58 per share and will expire five years from the date of grant. The Options will vest evenly quarterly over a period of twelve months.