

FREQUENCY EXCHANGE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2025 and 2024

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT’S RESPONSIBILITY FOR INTERIM FINANCIAL REPORT

The accompanying unaudited condensed consolidated interim financial report of Frequency Exchange Corp. (the “Company”) has been prepared by and is the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of this financial report.

FREQUENCY EXCHANGE CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

	Note	March 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash	4	\$ 133,889	\$ 335,630
Trade and other receivables	5	26,322	35,699
Prepaid expenses and deposits		10,065	49,598
Inventory	6	64,584	41,910
Amounts due from related party	13	39,708	39,708
		274,568	502,545
Non-current assets			
Equipment	7	2,970	3,465
Intangible assets	8	90,194	98,409
Total assets		\$ 367,732	\$ 604,419
LIABILITIES			
Current liabilities			
Trade and other payables	9	\$ 335,075	\$ 386,746
Deferred revenue	10	-	13,924
Notes payable	11	603,686	596,684
		938,761	997,354
Non-current liabilities			
CEBA loan payable	12	52,251	51,343
Total liabilities		991,012	1,048,697
Equity (deficit)			
Share capital	14	7,487,903	7,400,139
Share subscriptions	14	-	103,526
Share-based payments reserve	15	1,671,899	1,646,608
Deficit		(9,783,082)	(9,594,551)
Total equity (deficit)		(623,280)	(444,278)
Total liabilities and equity		\$ 367,732	\$ 604,419

Nature of operations and going concern (Note 1)

Events after the reporting period (Note 20)

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

FREQUENCY EXCHANGE CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

THREE MONTHS ENDED MARCH 31

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

	Note	2025	2024
Sales	16	\$ 275,483	\$ 133,264
Cost of sales		(88,035)	(36,896)
Gross profit		187,448	96,368
Operating expenses			
Accounting and audit		49,661	21,700
Advertising and marketing		48,118	106,966
Consulting		8,400	12,056
Depreciation and amortization	7&8	8,709	7,827
Investor relations		600	600
Legal fees (recovery)		(1,242)	423
Management fees	13	96,000	97,100
Office and general		76,622	47,167
Regulatory and transfer agent		3,122	4,026
Research and development		-	880
Share-based payments	15	10,797	236,484
Wages and benefits		66,398	52,745
Travel		163	2,303
		(367,348)	(590,277)
Loss from operations		(179,900)	(493,909)
Interest and other income		19	296
Loan interest	11&12	(8,650)	(11,491)
Net loss and comprehensive loss		\$ (188,531)	\$ (505,104)
Basic and diluted loss per common share		\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		47,419,375	42,075,518

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

FREQUENCY EXCHANGE CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

	Note	Number of Shares	Share capital	Share-based payments reserve	Share subscription proceeds	Deficit	Total equity
Balance, December 31, 2023		41,517,724	\$ 6,587,203	\$ 1,303,619	\$ -	\$ (8,413,294)	\$ (522,472)
Exercise of options	14	731,653	221,592	(148,427)	-	-	73,165
Private placement subscription proceeds	14	-	-	-	100,000	-	100,000
Share-based payments	15	-	-	236,484	-	-	236,484
Loss for the period		-	-	-	-	(505,104)	(505,104)
Balance, March 31, 2024		42,249,377	\$ 6,808,795	\$ 1,391,676	\$ 100,000	\$ (8,918,398)	\$ (617,927)

	Note	Number of Shares	Share capital	Share-based payments reserve	Share subscription proceeds	Deficit	Total equity
Balance, December 31, 2024		47,336,555	\$ 7,400,139	\$ 1,646,608	\$ 103,526	\$ (9,594,551)	\$ (444,278)
Private placement	14	414,102	103,526	-	(103,526)	-	-
Share issuance costs	14	-	(15,762)	14,494	-	-	(1,268)
Share-based payments	15	-	-	10,797	-	-	10,797
Loss for the period		-	-	-	-	(188,531)	(188,531)
Balance, March 31, 2025		47,750,657	\$ 7,487,903	\$ 1,671,899	\$ -	\$ (9,783,082)	\$ (623,280)

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

FREQUENCY EXCHANGE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31
(Unaudited – Prepared by Management)
(EXPRESSED IN CANADIAN DOLLARS)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (188,531)	\$ (505,104)
Items not affecting cash:		
Depreciation and amortization	8,709	7,827
Loan interest	8,650	11,491
Gain on debt modification	(740)	-
Share-based payments	10,797	236,484
Changes in non-cash working capital items:		
Trade and other receivables	9,377	(21,193)
Prepaid expenses and deposits	39,533	(2,549)
Inventory	(22,674)	4,666
Trade and other payables	(51,670)	73,131
Deferred revenue	(13,924)	(24,489)
Amounts due from related parties	-	60,307
Net cash used in operating activities	(200,473)	(159,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	103,526	-
Share issuance costs	(1,268)	-
Proceeds from exercise of options	-	73,165
Interest paid	-	(510)
Share subscriptions received	(103,526)	100,000
Net cash provided by financing activities	(1,268)	172,655
Change in cash during the period	(201,741)	13,226
Cash, beginning of the period	335,630	131,898
Cash, end of the period	\$ 133,889	\$ 145,124

Supplemental cash flow information

There are no significant non-cash transactions during the period ended March 31, 2025 and 2024.

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

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN

Frequency Exchange Corp. (the “Company”) was incorporated on August 15, 2019 under the Business Corporations Act (British Columbia). The Company’s head office and principal address is Suite 2050, 1055 West Georgia Street, Vancouver BC, V6E 3P3. The registered and records office is Suite 2501, 550 Burrard Street, Vancouver BC V6C 2B5. The Company is focused on the development and global commercialization of a wearable Frequency Delivery System providing specialized programs designed for health and wellness as well as performance enhancement. The Company’s common shares are listed on the TSX Venture Exchange (TSX-V) under the trading symbol “FREQ”.

Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses since inception in the amount of \$9,783,082 and has not yet achieved profitable operations. The Company’s ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, shareholders and other investors and/or to commence profitable operations in the future. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the consolidated financial statements. These adjustments could be material.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements were authorized for issue on May 20, 2025 by the directors of the Company.

Statement of compliance

These unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2024, which have been prepared in accordance with IFRS as issued by the IASB.

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024****(Unaudited – Prepared by Management)****(EXPRESSED IN CANADIAN DOLLARS)**

2. BASIS OF PREPARATION (cont'd...)**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, FREmedica. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Significant estimates and assumptions

In preparing these consolidated financial statements, management has made judgments and estimates and used assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

CEBA loan

Management estimates the fair value of the CEBA loan at initial recognition which requires determining the effective interest rate.

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF PREPARATION (cont'd...)**Significant estimates and assumptions (cont'd...)***Share-based payments*

The determination of the fair value of stock options and agent's warrants using option pricing models, require the input of highly subjective assumptions, including forfeiture rate, expected time to exercise in years, expected dividend yield, and expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

Revenue and deferred revenue

Revenue is recognized when the goods are delivered and have been activated by the customers. The critical assumptions and estimates used in determining the total revenue to be recognized for each reporting period, is based on an estimate when performance obligation is satisfied over time.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

Significant judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Convertible notes

Management estimates the fair value of the convertible notes which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model.

Going concern

The going concern assessment requires management's judgment on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out in the Company's audited annual consolidated financial statements for the year ended December 31, 2024 were consistently applied to all the periods presented unless otherwise noted below.

New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2025 that impacted the Company's financial statements.

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED MARCH 31, 2025 AND 2024

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

4. CASH

During the period ended March 31, 2025, there is a cash balance of \$89,450 (December 31, 2024 - \$84,324) with non-banking financial institutions.

5. TRADE AND OTHER RECEIVABLES

	March 31, 2025	December 31, 2024
Trade receivables, net of allowance	\$ 13,387	\$ 11,158
Goods and services taxes recoverable	12,935	24,541
	<u>\$ 26,322</u>	<u>\$ 35,699</u>

The Company anticipates full recovery of its receivables and therefore no allowance has been recorded against these amounts as at March 31, 2025 (December 31, 2024 - \$nil).

6. INVENTORY

As at March 31, 2025, the Company's inventory consisted of finished goods with a value of \$64,584 (December 31, 2024 - \$41,910). For the period ended March 31, 2025, the total amount of inventory recognized as a cost of sales was \$662 (2024 - \$6,322).

7. EQUIPMENT

	Computer
Cost	
Balance at December 31, 2023	\$ 11,390
Acquisition	3,960
Balance at December 31, 2024 and March 31, 2025	<u>\$ 15,350</u>
Accumulated depreciation	
Balance at December 31, 2023	\$ 11,390
Depreciation	495
Balance at December 31, 2024	11,885
Depreciation	495
Balance at March 31, 2025	<u>\$ 12,380</u>
Net amount	
Balance at December 31, 2024	\$ 3,465
Balance at March 31, 2025	<u>\$ 2,970</u>

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED MARCH 31, 2025 AND 2024

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

8. INTANGIBLE ASSETS

		License		Trademark		Website		Certification		Total
Cost										
Balance at December 31, 2023	\$	150,000	\$	11,134	\$	15,041	\$	-	\$	176,175
Additions		-		-		-		3,097		3,097
Balance at December 31, 2024 and March 31, 2025	\$	150,000	\$	11,134	\$	15,041	\$	3,097	\$	179,272
Accumulated depreciation										
Balance at December 31, 2023	\$	45,000	\$	1,842	\$	2,454	\$	-	\$	49,296
Amortization		30,000		557		752		258		31,567
Balance at December 31, 2024		75,000		2,399		3,206		258		80,863
Amortization		7,500		139		189		387		8,215
Balance at March 31, 2025	\$	82,500	\$	2,538	\$	3,395	\$	645	\$	89,078
Net amount										
Balance at December 31, 2024	\$	75,000	\$	8,735	\$	11,835	\$	2,839	\$	98,409
Balance at March 31, 2025	\$	67,500	\$	8,596	\$	11,646	\$	2,452	\$	90,194

9. TRADE AND OTHER PAYABLES

		March 31, 2025		December 31, 2024
Trade payables	\$	310,862	\$	346,845
Other payables		24,213		39,901
	\$	335,075	\$	386,746

10. DEFERRED REVENUE

		March 31, 2025		December 31, 2024
Balance, beginning of the period	\$	13,924	\$	37,063
Deferred revenue recognized		(13,924)		(135,156)
Revenue deferred		-		37,063
Balance, end of the period	\$	-	\$	37,063

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

11. NOTES PAYABLE

- a) On November 9, 2021, the Company issued a convertible note of \$200,000 to a company controlled by a director of the Company. The convertible note was secured by the inventory of the Company, had a maturity date of February 2, 2023, and bore interest at a rate of 15% per annum, payable on maturity. The debentures were convertible at any time following the maturity date at the holder's option into common shares of the Company at \$0.195 per share.

On February 2, 2023, the Company rolled over the convertible note of \$200,000 together with accrued interest of \$57,341 to two promissory notes totaling \$257,341. Both promissory notes bore interest at 8% per annum, payable on maturity, and are secured by 200 units of the product inventory of the Company. The promissory notes had a maturity of August 2, 2023, which were subsequently changed to on demand. As at March 31, 2025, the Company accrued interest of \$44,502 on the notes (December 31, 2024 - \$43,582).

- b) On November 9, 2021, the Company issued a convertible note of \$200,000 to a third party. The convertible note was secured by the inventory of the Company, had a maturity date of February 2, 2023, and bore interest at a rate of 15% per annum, payable on maturity. The debentures were convertible at any time following the maturity date at the holder's option into common shares of the Company at \$0.195 per share.

On February 2, 2023, the Company rolled over the convertible note of \$200,000 together with accrued interest of \$57,341 to a new convertible promissory note of \$257,341. The convertible note is secured with 200 units of the product inventory of the Company, had a maturity date of earlier of August 2, 2023, which were subsequently extended to September 30, 2025, and bore interest at a rate of 8% per annum, payable on maturity. The convertible note is convertible at any time following the maturity date at the holder's option into common shares of the Company at \$0.10 per share. As at March 31, 2025, the Company accrued interest of \$44,502 on the notes (December 31, 2024 - \$38,420).

12. CEBA LOAN PAYABLE

During the year ended December 31, 2021, the Company opened a Canada Emergency Business Account ("CEBA") and received loans totaling \$60,000 funded by the Government of Canada. The loan is interest-free until December 31, 2023. The Company did not repay the loan on December 31, 2023 and as a result, the loan is converted to a 3 year term loan at an interest rate of 5% per annum. The Company initially measured the loan at a fair value of \$48,226, using a discount rate of 12%, resulting in a loan benefit of \$11,774 recognized in net loss as other income in 2023.

		March 31, 2025	December 31, 2024
Balance, beginning of the period	\$	51,343	\$ 48,226
Interest expense		908	3,117
Balance, ending of the period	\$	52,251	\$ 51,343

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

13. RELATED PARTY TRANSACTIONS

Related parties include key management personnel, the Board of Directors, close family members and entities that are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, and consist of directors and officers of the Company. The compensation paid or payable to key management personnel during the three months ended March 31 is as follows:

		2025		2024
Management fees	\$	96,000	\$	97,100
Share-based payments		722		154,012
Total	\$	96,722	\$	251,112

The Company has entered into two management consulting agreements with the CEO and the President of the Company, each with a monthly fee of \$10,000 and expense allowance of \$1,000.

The Company has entered into an agreement with Varshney Capital Corp. (“VCC”), a company with a director in common, for administrative services for a monthly fee of \$7,500 plus taxes. During the period ended March 31, 2025, the Company paid \$22,500 (2024 - \$22,500) for administrative fees to VCC.

Amounts due from related parties of \$39,708 as at March 31, 2025 (December 31, 2024 - \$39,708) are trade receivables which are unsecured, non-interest bearing and have contractual maturities of 30 days. In addition, amounts due to related parties of \$nil as at March 31, 2025 (December 31, 2024 - \$72,488) are trade payables which are unsecured, non-interest bearing and have contractual maturities of 30 days.

FREmedica has an agreement with Waveforce, a company with common directors of the Company, whereby FREmedica licenses the technology from Waveforce, which entitles a 30% royalty. The royalty was reduced to 10% effective February 2, 2022 upon completion of the RTO Transaction. During the period ended March 31, 2025, the Company incurred royalty expense of \$11,341 (2024 - \$9,997).

On July 6, 2022, FREmedica entered into an agreement with Frequency Warehouse Inc. (“Warehouse”) whereby FREmedica acquired an exclusive, royalty-bearing, non-transferable license from Warehouse to build a membership subscription program (including finished products, modules, and components) which delivers frequency packages through a wearable frequency emitter. In consideration for the license granted, FREmedica paid Warehouse a one-time license fee of \$150,000 and agreed to pay a royalty equal to 10% of annual gross revenue pertaining to the sale of the membership and any fees collected for additional frequency services being offered through the membership. Warehouse is controlled by Waveforce, which has directors and officers in common with the Company. The transaction, therefore, is considered a non-arm’s length transaction. During the period ended March 31, 2025, the Company incurred royalty expense of \$11,124 (2024 - \$3,885).

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024****(Unaudited – Prepared by Management)****(EXPRESSED IN CANADIAN DOLLARS)**

14. SHARE CAPITAL**Authorized share capital**

The Company is authorized to issue an unlimited number of common shares and preferred shares with no par value.

Issued share capital

At March 31, 2025, the Company had 47,750,657 common shares and nil preferred shares outstanding (December 31, 2024 – 47,336,555 common shares and nil preferred shares).

Escrowed shares

Upon completion of the Company's Initial Public Offering ("IPO") in 2020 and pursuant to an escrow agreement dated March 6, 2020, 4,000,000 common shares issued to directors and officers of the Company prior to the IPO were placed into escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the final Exchange bulletin (the "Initial Release") upon completion of a Qualifying Transaction, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. As at March 31, 2025, nil common shares remained in escrow (December 31, 2024 - 600,000).

In addition, 16,965,582 common shares held by the former shareholder of FREmedica, directors and promoters are also subject to escrow in which 10% of escrowed securities was released on February 2, 2022 and 15% every 6 months thereafter. As at March 31, 2025, nil common shares remained in escrow (December 31, 2024 – 2,427,858).

Share issuances

During the three months ended March 31, 2025, the Company:

- a) completed a private placement of 414,102 units at a price of \$0.25 per unit for gross proceeds of \$103,526. Each unit consists of one common share and one common share purchase warrant. Each warrant allows the holder to acquire one additional common share for a period of 24 months at an exercise price equal to \$0.40 per share. \$14,494 of proceeds was allocated to the warrants based on the residual method. The Company incurred regulatory fees of \$1,269 in connection with the private placement.

During the year ended December 31, 2024, the Company:

- a) completed a private placement of 5,087,178 units at a price of \$0.15 per unit for gross proceeds of \$763,077. Each unit consists of one common share and one common share purchase warrant. Each warrant allows the holder to acquire one additional common share for a period of 24 months at an exercise price equal to \$0.25 per share. \$136,359 of proceeds was allocated to the warrants based on the residual method. The Company paid a cash commission of \$9,000, issued 60,000 agent's warrants, and incurred legal and other expenses of \$18,853 in connection with the private placement. The agent's warrants were valued at \$7,521 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 2.93%, an expected life of 2 years, annualized volatility of 246.57% and a dividend rate of 0%).

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024****(Unaudited – Prepared by Management)****(EXPRESSED IN CANADIAN DOLLARS)**

14. SHARE CAPITAL (cont'd...)**Share issuances (cont'd)**

- b) issued 731,653 common shares at \$0.10 per share from the exercise of options for gross proceeds of \$73,165. Accordingly, \$148,427 was transferred from share-based payments reserve to share capital.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended March 31, 2025 was based on the loss attributable to shareholders of \$188,531 (2024 - \$505,104) and a weighted average number of shares outstanding of 47,419,375 (2024 – 42,075,518).

At March 31, 2025, 4,663,347 stock options (2024 – 4,188,347) and 10,299,451 warrants (2024 – 4,738,171) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

15. SHARE-BASED PAYMENTS**Stock options**

The Company has adopted a rolling stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED MARCH 31, 2025 AND 2024

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

15. SHARE-BASED PAYMENTS (cont'd)**Stock options (cont'd)**

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, December 31, 2023	3,545,000	\$ 0.10
Stock options granted	2,600,000	0.20
Exercised	(731,653)	0.10
Forfeited	(100,000)	0.15
Expired	(625,000)	0.10
Balance, December 31, 2024	4,688,347	0.15
Forfeited	(25,000)	0.15
Balance, March 31, 2025	4,663,347	\$ 0.15
Exercisable at March 31, 2025	4,463,346	\$ 0.15
Weighted average fair value of options granted during the period	\$ 0.15	(2024- \$0.18)

The options outstanding and exercisable at March 31, 2025 have exercise prices ranging from \$0.10 to \$0.20 (2024 - \$0.10 to \$0.20) and a weighted average remaining contractual life of 2.17 years (2024 – 3 years).

The fair value calculated for stock options granted during the period ended March 31, 2025 was \$nil (2024 - \$353,128) using the Black-Scholes Option Pricing Model. For the period ended March 31, 2025, the Company recognized share-based payment expense of \$10,797 (2024 - \$236,484) based on the vesting provisions of stock options granted.

The following weighted average assumptions were used for the Black-Scholes Option Pricing Model valuation of stock options granted:

	2025	2024
Risk-free interest rate	3.34%	3.34%
Expected life of options	3 years	3 years
Annualized volatility	137.36%	137.36%
Share prices	0.19	0.07
Forfeiture rate	Nil	Nil
Dividend rate	Nil	Nil

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED MARCH 31, 2025 AND 2024

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

15. SHARE-BASED PAYMENTS (cont'd...)**Warrants**

Warrants are issued as private placement incentives and measured using the residual method. Agents' warrants and bonus warrants are measured at fair value on the date of the grant as determined using the Black-Scholes Option Pricing Model.

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2024	8,344,418	\$ 0.39
Warrants granted	5,087,178	0.25
Agent's warrants granted	60,000	0.25
Warrants expired	(3,606,247)	0.70
Balance, December 31, 2024	9,885,349	0.20
Warrants granted	414,102	0.40
Balance, March 31, 2025	10,299,451	\$ 0.23

The warrants outstanding at March 31, 2025 have exercise prices ranging from \$0.15 to \$0.40 (2024- \$0.15 to \$0.25) and a weighted average remaining contractual life of 0.94 (2024- 1.41) years.

16. SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of directors which have been identified as the chief operating decision maker assesses the financial performance and position of the Company and makes strategic decisions. The Company has one operating and reportable segment, the sale of wearable devices. All of the Company's non-current assets are based in Canada. The Company's revenue and operations by geographical regions are outlined below.

	Canada	United States	International	Total
	\$	\$	\$	\$
Three months ended March 31, 2024				
Revenue	34,707	98,557	-	133,264
Three months ended March 31, 2025				
Revenue	17,052	225,723	32,708	275,483

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024****(Unaudited – Prepared by Management)****(EXPRESSED IN CANADIAN DOLLARS)**

17. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity and convertible notes. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through advances from related parties. Future financings are dependent on the willingness of the related parties to advance funds to the Company and market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations. There was no change in the Company's approach to capital management from the prior year.

18. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade receivables, trade and other payables, amounts due to related party, notes payable, and CEBA loan payable. The carrying amount of cash, trade receivables, trade and other payables, amounts due to related parties, notes payable, and CEBA loans payable, carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, foreign currency exchange risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and trade and other receivables. The credit risk relating to cash balances is limited because the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The amounts reported for trade receivables in the consolidated statements of financial position are net of allowances for credit losses and bad debts and the net carrying value represents the Company's maximum exposure to credit risk. Trade receivables credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Payment terms with customers are generally 30 days from invoice date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. The Company's trade payables which have contractual maturities of 30 days or are due on demand. Amounts due to related party and notes payable within the next 12 months. The CEBA loan payable has a maturity date on December 31, 2026.

FREQUENCY EXCHANGE CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2025 AND 2024**

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

18. FINANCIAL INSTRUMENTS (cont'd...)*Currency risk*

The Company operates primarily in Canadian dollars and as such is not significantly affected by the fluctuations of the Canadian dollar with other currencies. The Company is, however, subject to currency risk due to its online sales to customers in foreign jurisdictions.

Interest rate risk

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The Company's convertible notes bear interest at fixed rates. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

19. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at March 31, 2025 and December 31, 2024, the Company has no financial assets or liabilities recorded at FVTPL or FVOCI.

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to March 31, 2025, the Company issued 260,000 common shares on the exercise of 260,000 stock options at an exercise price of \$0.10 per share for total gross proceeds of \$26,000.