SALTIRE

Management Discussion and Analysis

As at and for the 6-month period ended June 30, 2025

Introduction: The following discussion of performance, financial condition, and future prospects should be read in conjunction with the audited financial statements ("Financial Statements") of Saltire Capital Ltd. (the "Corporation", "our", or "we") for the period ended June 30, 2025, and the accompanying notes thereto.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of **August 7, 2025**. The Financial Statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. Unless otherwise noted herein, all references to "$" are to the currency of the United States.

Readers are encouraged to review the Corporation's public information filings available on its profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document may contain certain "forward-looking statements" (as defined under applicable Canadian securities laws). These forward-looking statements relate to future events or future performance including with respect to the Corporation's objectives and priorities for fiscal year 2025 and beyond, and strategies or further actions with respect to the Corporation, a Qualifying Acquisition (as defined herein) and the Corporation's business operations, financial performance and condition.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, changes in market interest rates, and the risks and uncertainties discussed in the section entitled "Risk Factors" in the Corporation's final prospectus dated March 28, 2022 (the "Final Prospectus"), available on SEDAR at www.sedar.com.

The forward-looking statements contained in this MD&A are presented for the purpose of assisting investors in understanding the business and strategic priorities and objectives of the Corporation as at the periods indicated and may not be appropriate for other purposes. The forward-looking statements contained in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that the Corporation considers reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward looking statements. Circumstances affecting the Corporation may change rapidly. Except as may be expressly required by applicable law, the Corporation does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Saltire Capital Ltd. ("Saltire", or the "Company" or "Corporation") (formerly FG Acquisition Corp.) was incorporated on October 25, 2021, under the laws of the province of British Columbia, Canada. The Company was a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "Qualifying Acquisition").

On September 25, 2024, the Company announced the completion of its Qualifying Acquisition of Strong/MDI Screen Systems, Inc. ("MDI"). Concurrently with the closing of Qualifying Acquisition, the Company effected a name change from FG Acquisition Corp. to Saltire Capital Ltd. The Company's registered office is located at 510 West Georgia Street, Suite 1800, Vancouver, Birth Columbia, Canada.

FGAC Investors LLC and CG Investments VII Inc. (together, the "Sponsors") were the sponsors of the Corporation.

MDI is a leading manufacturer and distributor of premium large format projection screens to the cinema industry in North America and around the globe. MDI has contractual relationships to supply screens to IMAX Corporation, AMC Entertainment Holdings, and Cinemark Holdings, Inc. and many of the other major cinema operators worldwide. It also manufactures innovative screen support structures custom-built to adapt to virtually any venue requirement, with a unique self-standing modular construction that allows for easy assembly and adjustable size. MDI also sells to non-cinema customers, such as theme parks, immersive attractions, and other entertainment venues as well as for use in training simulators. Some of these other customer verticals include the largest theme park operators in the world, immersive venues such as the Illuminarium and the immersive Van Gogh exhibits. MDI is also a subcontractor on several large government projects providing its projection screen technology for use in military training simulators. MDI is also a subcontractor on several large government projects providing its projection screen

Saltire intends to build and grow a portfolio of profitable and cash-flow generating private equity investments that would not otherwise be available to public market investors through its proprietary origination process. Saltire's business objective is to maximize its intrinsic value on a per share basis over the long-term by seeking to achieve superior investment performance commensurate with reasonable risk. The Company's model is to hold for the long-term, investing primarily in private businesses, targeting those businesses that Saltire Partners, Inc. (the "Manager") believes are under-valued, where the Company can act as a catalyst or exert significant influence or control (each, a "Portfolio Company" and collectively, the "Portfolio Companies"). Saltire intends to be in a position to exert significant influence or control over each Portfolio Company. However, depending on the circumstances of any particular investment opportunity, the Company's investment in a Portfolio Company may range from a minority ownership position to a significant influence position including, in some instances, control. Although Saltire intends to primarily invest in private companies, the Company may, in certain circumstances if the opportunity arises, also make investments in public companies that it believes are appropriate targets for take-private transactions.

Saltire intends to support the growth and development of its Portfolio Companies through active ownership, leveraging the Manager's industry experience and business contact network. Active ownership will be an integral part of Saltire's investment strategy, and the support extended to Portfolio Companies may be provided by way of board representation, board observer rights, strategic, financial, governance and capital market support, and/or preparing the Portfolio Company for potential corporate transactions. The Company will seek to hold investments until it believes market valuations materially exceed inherent underlying valuation of the business, using traditional valuation metrics appropriate for each industry. In so doing, Company intends to be a permanent capital partner for the companies it invests in. Accordingly, Saltire's principal form of return will be through aggregating and compounding cash flows over the long-term.

Management Agreement

Concurrently with Qualifying Acquisition closing, the Company entered into a management agreement (the "Management Agreement") with the Manager, pursuant to which the Manager will provide management services to the Company. The Company's unique structure includes a 20% ownership position in the Manager, a stand-alone investment manager that will seek to develop, through organic growth and selected strategic acquisitions, a strong and differentiated asset management platform.

Pursuant to the Management Agreement, the Manager will be appointed as the manager of Saltire and, subject to the overriding supervision and direction of the Board and approval, where applicable, of the Investment Committee, will be granted the exclusive authority to manage the operations and business of the Company, including the power and authority to negotiate, settle the terms of, enter into and execute on behalf of the Company, material contracts and agreements. The Manager will provide the services of appropriately qualified individuals to serve as senior officers of the Company, including the Executive Chairman, Chief Executive Officer, Chief Financial Officer and Chief Investment Officer.

The term of the Management Agreement will continue until the winding-down or dissolution of the Company unless terminated by the Manager at an earlier date. Any changes to the Management Agreement will be negotiated between the Manager and the Investment Committee and will be subject in any event to the approval of the Investment Committee. The Manager has the right, at any time, upon 120 days' written notice, to terminate the Management Agreement for any reason. The Management Agreement will automatically terminate on the earlier of (i) the date of the termination of the Manager as the manager of the Company, or (ii) the date of winding-up of the Company. Notwithstanding the foregoing, the Manager may not be removed unless the Manager is in material breach or default of the provisions of the Management Agreement (as determined by the Investment Committee) and, if capable of being cured, any such breach or default has not been cured within 60 days' notice of such breach or default to the Manager. The Investment Committee will be responsible for determining whether a material breach has occurred and, upon such occurrence, providing notice to the Manager of same.

In consideration for the duties performed by the Manager pursuant to the terms of the Management Agreement, the Company shall pay the Manager a management fee of 2.0% of the net assets of the Company calculated at book value in the professional judgement of the Company's management, plus all applicable taxes (the "Management Fee"). The Management Fee will only be incurred after the Company reaches a market capitalization of $200 million and will be calculated and payable on the last business day of each month. For the purpose of calculating the Management Fee, the value of the Company's interest in the Manager will not be included in the calculation of net assets. Expenses incurred by the Manager in the normal course will be reimbursed by the Company without any required approval, while those expenses that are incurred by the Manager out of the ordinary course of business will only be reimbursed upon approval of the Investment Committee.

In addition to the Management Fee, the Company and Manager will mutually agree on a performance fee after reaching $200 million in market capitalization, which fee will be approved by the Investment Committee.

OPERATIONS OVERVIEW

MDI is a leading global manufacturer and distributor of premium large format projection screens and coatings. MDI supplies cinema screens to IMAX Corporation ("IMAX"), AMC Entertainment Holdings ("AMC"), and Cinemark Holdings, Inc. ("Cinemark"), and other cinema operators worldwide. MDI also manufactures innovative screen support structures custom built to adapt to virtually any venue requirement, MDI also manufactures specially designed screens, haptic flooring and other solutions for theme parks, immersive applications such as interactive dark rides, 3D/4D theme park rides, flying theaters and motion simulators.

MDI's registered office is currently located at 2300-550 ST Burrard, Vancouver, British Columbia, Canada and its screen manufacturing facility is located in a leased facility located at 1440 Raoul-Charette, Joliette Quebec, Canada. MDI currently has approximately 90 employees.

Key Trends Driving MDI's Markets

The following trends positively impact the outlook for the entertainment industry:

Resilient Industry Across Technology Innovations and Economic Cycles – Theatrical moviegoing remains one of the most convenient and affordable forms of out-of-home entertainment and has demonstrated long-term resilience to competition for consumer leisure spending, as well as to inflationary and recessionary pressures. Notably, the North American box office grew during six of the last eight recessions. A theatrical release offers heightened exposure, elevates perceived content quality, and drives greater audience engagement. It also enhances downstream performance on streaming platforms, thereby increasing the overall revenue potential of film releases. MDI believes that sustained demand for out-of-home entertainment will continue to support favourable trends in the cinema exhibition and theme park industries. Continued box office growth in recent years reflects the growing volume and appeal of film releases, with several 2024 titles achieving record-setting results.

Blockbuster Studio Releases – According to CNBC, analysts expect U.S. box office performance to continue improving and surpass pre-pandemic levels by 2026, driven by a strong pipeline of Hollywood blockbuster releases. Independent theatres often align major equipment and screen upgrades with the release of high-profile films, leveraging anticipated audience demand to maximize impac

Premium Auditoriums and Upgrades from Xenon to Laser Projection – MDI believes the cinema exhibition industry will continue transitioning from xenon to laser projection over the coming decade, as exhibitors seek to enhance the quality of the theatrical experience. Several major operators, including Cinemark and IMAX, have publicly committed to all-laser projection strategies. AMC, for example, has announced plans to install laser projection systems in 3,500 of its U.S. auditoriums by 2026, a commitment already reflected in its 2025 order activity. In parallel, regional and international exhibitors have also begun upgrading their auditoriums. MDI expects this ongoing upgrade cycle to support increased demand for screen replacements.

Growing Market for Premium Immersive Entertainment – MDI believes that the market for premium immersive entertainment is expanding, and that its products are well positioned to serve this growth. The theatrical exhibition industry continues to recover and trend upward following the COVID-19 pandemic, while the broader immersive entertainment sector is gaining momentum. High-profile examples such as the Illuminarium, the Sphere, and the Van Gogh immersive exhibitions highlight increasing consumer interest in experiential formats. MDI is well positioned to participate in this emerging segment and offer complementary products alongside its core screen business.

Consolidating Industry – The cinema exhibition industry was consolidating via mergers and acquisitions pre-COVID-19. MDI expects consolidation of the supplier side of the cinema exhibition industry to accelerate post-COVID-19. MDI believes there are opportunities to expand via consolidation in the future.

Competitive Strength

MDI believes the following strengths and attributes position MDI for growth:

Partnerships with Industry Leaders – MDI believes its longstanding reputation for quality and customer service has established it as a trusted supplier to leading cinema operators. MDI supplies projection screens to all major North American exhibitors, including AMC, IMAX, Cinemark, and Regal, as well as numerous regional operators. As of late 2024 and into 2025, MDI has renewed—or is in the process of renewing—multi-year agreements with each of these key partners.
MDI believes it supplies the majority of large-format projection screens used by major operators in North America and holds exclusive supply agreements with both AMC and Cinemark. Additionally, MDI believes it supplies substantially all projection screens used by IMAX globally. As theatres face increasing pressure to differentiate themselves from at-home viewing, MDI is well positioned to benefit from the growing demand for premium entertainment experiences.

The table below includes the top cinema companies in North America, all of which are MDI's customers:

Circuits	Screens	Sites	Customer	Exclusive
AMC Entertainment Holdings, Inc.[1]	7,325	558	✓	✓
Regal Cinemas (Cineworld Group PLC)[2]	5,774	425	✓	
Cinemark Holdings, Inc.[1]	4,303	308	✓	✓
Cinepolis[3]	4,317	516	✓	
Cineplex Entertainment LP [4]	1,631	158	✓	
Marcus Theaters Corp.[1]	993	79	✓	✓

1) Represents the quantity in the United States as of March 2024 for which MDI is the exclusive supplier of screen products.
2) Represents the quantity in the United States as of April 2024.
3) Represents the quantity in the United States and Mexico as of February 2023.
4) Represents the quantity in Canada as of March 2024.

Innovator in the Industry – MDI continues to innovate through the development of immersive projection solutions, including its Eclipse line of curvilinear screens—available in both fixed and moveable formats—featuring proprietary coatings designed to maximize viewer engagement in media-based attractions and immersive environments. MDI's technology has been featured in high-profile installations such as Van Gogh: The Immersive Experience, known for its integration of art, light, sound, and movement to deliver a fully immersive experience. MDI also supplied screen products to Illuminarium Intermediate (Cayman), LLC in Atlanta, Georgia, and is actively engaged in additional projects involving immersive screens, projection flooring, and other applications utilizing its advanced optical coatings. Eclipse screens are also deployed in theme park attractions and military simulation environments, underscoring their versatility and technical performance..

World-Class and Scalable Manufacturing and Research & Development ("R&D") – MDI manufactures its screens in the Joliette Plan, which it leases on a long-term basis from FG Holdings Quebec Inc. FG Holdings Quebec, Inc., is a wholly owned subsidiary of Fundamental Global Inc. The Joliette Plant is unique with two 90-foot-high screen coating towers which allows MDI to produce and finish large screens to precise specifications. The Joliette Plant also includes polyvinyl chloride ("PVC") welding operations with programmable automations and areas dedicated to the manufacture of MDI's paints and coatings used on all its screens, as well as dedicated in-house chemists and R&D capabilities. MDI believes that its quality control procedures, in-house paint and coating capabilities and the quality standards for the products that it manufactures contribute significantly to its reputation for high performance and reliability.

Growth Strategy

MDI's growth strategy is as follows:

Increase Sales Efforts to Grow MDI's Customer Base and Increase its Share of its Customers' Businesses – MDI has leveraged its long-standing industry reputation and relationships to increase market share. MDI intends to continue to increase its sales efforts to grow its customer base and increase the share of its existing customers' businesses.

Geographic Expansion – Although MDI believes that it is a market leader in North America, it also believes it has a significant opportunity to expand its projection screen business in the European and Asian markets. MDI operates outsourced warehousing and finishing facilities in China and Belgium to better serve the local markets and may pursue similar strategies in other markets to better serve its customers and open additional growth opportunities.

Strategic Acquisitions and Industry Partnerships – MDI believes the cinema equipment market is highly fragmented and that it can materially increase its revenues and scope through selected acquisitions and/or increased strategic partnerships with other players in the industry.

Diversify Screen Business into Theme Parks and Other Non-Cinema Applications – Over the past several years, MDI implemented plans to diversify our business beyond cinema, including its Eclipse immersive product line, Seismos flooring, and other products targeted to theme parks and immersive exhibits. MDI's Eclipse curvilinear screen utilizes our proprietary coatings for maximum viewer engagement in media-based attractions and immersive projection environments. In addition, the innovation of immersive art experiences reflects the market opportunity evidenced by the success of the nationwide tour of Van Gogh; The Immersive Experience, for which MDI provided the projection screens. MDI believes that it is uniquely positioned to benefit from the growing popularity of premium immersive attractions.

Capitalize on Laser Upgrade Cycle – Cinema operators have begun upgrading from Xenon lamp projectors to Laser projectors which MDI expects will drive additional demand for its screens. Laser projectors offer better quality than lamp alternatives, require less frequent bulb replacement, and consume up to 80% less energy, lowering overall operating costs for the exhibitor. Cinemark, IMAX, AMC as well as regional and international exhibitors have initiated auditorium upgrades to enhance their premium experience. MDI expects this upgrade cycle to drive increased demand for screen replacement. MDI has developed relationships with many of the leading players in the industry, one example of which is its preferred commercial relationship with Barco, Inc. (f/k/a Cinionic, Inc.), the world's leading provider of laser projection solutions.

Challenges and Negative Trends

MDI's business and the operations of its customers were severely impacted by the COVID-19 pandemic. While the pandemic has subsided, operators could be impacted if similar events were to occur in the future. The continued growth and adoption of streaming and changes to the theatrical window may negatively impact the cinema exhibition industry in the future. Inflationary pressures and disruptions in MDI's supply chain could impact the availability of certain products that MDI sells to its customers, as well as the cost of materials, labour and freight, which could pose challenges to MDI's ability to maintain or increase margins.

While international trade negotiations and tariffs have introduced uncertainty, their direct impact on MDI's products and purchased components has been limited to date. The introduction of 25% tariffs on Canadian imports into the U.S., effective March 4, 2025, and their subsequent temporary suspension have contributed to a more volatile trade environment in our primary market, which accounts for approximately 59% of MDI's revenue. MDI engaged proactively with all major cinema clients following the U.S. tariff announcement. In all cases, clients—including key partners such as AMC and Cinemark—reaffirmed their commitment to MDI based on the Company's strong value proposition in quality, pricing, and service. To mitigate potential impacts, MDI has temporarily agreed to share a portion of tariff-related costs with select major clients, while also leveraging favourable CAD/USD exchange rates and working with logistics experts to optimize tariff code classifications. Management continues to closely monitor trade developments and remains focused on preserving customer relationships while minimizing operational disruptions

Certain larger exhibitors in the cinema industry carry high levels of debt on their balance sheets. For example, Cineworld Group Plc, the parent company of Regal Cinemas and one of the largest cinema operators emerged from Chapter 11 bankruptcy proceedings during 2023 to restructure its balance sheet and alleviate their debt burden. Financial stress at MDI's customers in general could impact its business by reducing overall exhibitor purchasing and payment on accounts receivable. The flow of new releases to the theatrical exhibition markets has been impacted by the COVID-19 pandemic, as well as the Hollywood writers' and actors' guild strikes, which caused film production to be temporary halted or delayed and new film releases were postponed, resulting in a temporary reduction in the volume of new films available for theatrical exhibition, which could impact the timing or amount of order volume from MDI's customers.

Outlook

Management continues to focus on enhancing operating leverage through higher-margin cinema screen sales while maintaining cost discipline across both subsidiary and holding company levels. The project pipeline for Q3 remains active, particularly in the immersive and non-cinema segments, with several theme park and simulation-related projects expected to advance to fulfillment stages in the second half of the year.

Management Discussion and Analysis

As at and for the 6-month period ended June 30, 2025

SELECTED FINANCIAL INFORMATION & RESULTS OF OPERATIONS

The following table summarizes Saltire's recent results of operations as of the dates indicated below. The selected financial information set out below for the period ended June 30, 2025 and 2024 including as at December 31, 2024 (where applicable) have been derived from MDI's Combined Carve-out Financial Statements which were prepared in accordance with IFRS. Historical financials and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that MDI believes are important in evaluating the operating performance of the business and making results more comparable from year to year. See "Non-IFRS Measures".

As at	**June 30, 2025**	December 31, 2024
		$
Total Assets	**16,117,458**	14,912,631
Total Liabilities	**38,850,802**	25,514,760
Equity Deficit		
Common shares - Strong Global	**19,779,550**	19,779,550
Common shares - Fox Hat	**4,870,000**	4,870,000
Share Capital	**4,335,590**	4,335,590
Preferred shares	**6,500,000**	7,500,000
Accumulated OCI	**(22,427)**	(282,262)
Retained deficit	**(58,252,522)**	(46,816,295)
Contributed surplus (share based)	**56,465**	11,288
Total Equity Deficit	**(22,733,344)**	(10,602,129)

For 6-months ended	**June 30, 2025**	June 30, 2024
	$	$
Revenues	**9,252,014**	7,474,129
Gross profit	**3,783,412**	3,013,032
Operating income	**1,179,645**	1,275,862
(Loss) Income before taxes	**(10,923,700)**	1,312,944
Net (loss) income	**(11,391,050)**	1,026,984
Comprehensive (loss) income	**(11,131,215)**	887,963
EBITDA	**(10,302,062)**	1,815,563
Adjusted EBITDA	**1,031,115**	1,841,538

(1) Reconciliation of Non-IFRS Measures

EBITDA and Adjusted EBITDA are both non-IFRS measures that MDI uses to monitor and assess its operating performance and to better compare results from operations on a relative basis from year to year. See "Cautionary Note Regarding Non-IFRS Measures and Industry Metrics".

Management Discussion and Analysis

As at and for the 6-month period ended June 30, 2025

The following table provides the reconciliation of net (loss) income to EBITDA and EBITDA to Adjusted EBITDA:

For 6-months ended	**June 30, 2025**	June 30, 2024
	$	$
Net (loss) income	**(11,391,050)**	1,026,984
Interest expense	**355,569**	246,857
Income tax expense	**467,350**	285,960
Depreciation and amortization	**266,069**	255,762
EBITDA	**(10,302,062)**	1,815,563
Stock-based compensation	**45,177**	25,975
Fair valuation of Warrants	**11,288,000**	-
Adjusted EBITDA	**1,031,115**	1,841,538

Revenue

For the six months ended June 30, 2025, revenue was $9.25 million, an increase of $1.78 million or 23.8% compared to $7.47 million in the same period in 2024.

This increase was driven primarily by a 35% increase in cinema-related revenue, which now accounts for approximately 86% of total revenue, up from 79% in the prior year period. The cinema revenue uplift reflects strong order flow from key customers — most notably IMAX and AMC, who continued auditorium upgrades following Q1's momentum. Several large-format screen shipments were completed in Q2, including high-margin Eclipse and laser-compatible screen systems.

In contrast, non-cinema revenue declined by approximately 19%, largely due to the timing of immersive project deliverables in Q2, including delayed activity in the theme park segment. Management expects some of this work to shift into Q3.

Gross Profit

Gross profit for the six months ended June 30, 2025, was $3.78 million, compared to $3.01 million for the same period in 2024, an increase of $770K or 25.6%.

Gross margin improved to 40.9% for the 6-months ended June 30, 2025, from 40.3% for the same period in 2024 as a result of operational improvements carried over from Q1'25, including reduced raw material waste and improved factory throughput from stabilized evening shift capacity. The increase was further supported by a favorable product mix — including a higher concentration of Eclipse and IMAX-compatible screens — as well as pricing discipline with legacy customers.

Operating Income

Operating income for the six months ended June 30, 2025, was $1.18 million, compared to $1.28 million in the prior year, representing a decline of $96K or 7.5%.

While gross profit improved, the decline reflects an increase in administrative and listing-related costs, which rose to support Saltire's ongoing public company operations. Notably, G&A expenses grew due to additional payroll, legal and audit services, and other regulatory compliance measures implemented since the RTO. These costs are expected to normalize in future quarters as one-time legal and onboarding expenses subside.

Net (Loss) Income

The Company reported a net loss of $11.39 million for the six months ended June 30, 2025, compared to net income of $1.03 million in the same period in 2024.

The swing was entirely attributable to the non-cash remeasurement loss of $11.29 million on warrant liabilities. No such fair value gain or loss was recognized in the comparative period. The loss reflects updated inputs applied to the Black-Scholes model as of June 30, 2025, including an increased risk-free rate, higher market volatility, and share price movement during the period. Excluding this item, the Company's underlying operating profitability remained consistent year-over-year.

Adjusted EBITDA

Adjusted EBITDA for the six months ended June 30, 2025, was $1.03 million, a decline of $810K or 44% compared to $1.84 million in the same period in 2024.

The reduction was primarily due to the previously noted rise in administrative costs associated with being a public entity. Adjusted EBITDA excludes non-cash expenses such as stock-based compensation ($45K) and the $11.29 million warrant fair value loss, which do not reflect the underlying operating performance of the business.

Despite the decline, the Company maintained positive adjusted EBITDA and believes current cost structures are scalable and expected to improve with top-line growth.

Material accounting policies

The condensed consolidated interim financial statements for the period ended June 30, 2025 were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2024, and as such, should be read in conjunction with them. These financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS® Accounting Standards have been omitted or condensed.

Financial Condition, Liquidity and Capital Resources

Overview

During the past several years, MDI has primarily met its working capital and capital resource needs from operating cash flows and credit facilities. MDI's primary cash requirements involve operating expenses, working capital, capital expenditures, and other general corporate activities.

In response to the COVID-19 pandemic and related closures of cinemas, theme parks and entertainment venues, we took decisive actions to conserve cash, reduce operating expenditures, delay capital expenditures, and manage working capital.

MDI believes that its existing sources of liquidity, including cash and cash equivalents, operating cash flow, credit facilities, receivables and other assets are sufficient to meet projected capital needs for at least the next twelve months.

Credit Facility

On November 20, 2024, the Company entered into a demand credit agreement with National Bank of Canada, providing a revolving credit facility of up to US$12.0 million, with an option to increase the limit by an additional US$3.0 million subject to lender approval. The facility offers loans in USD or CAD, with variable interest rates determined by the type of loan drawn (e.g., US Base Rate, SOFR, Prime Rate, or CORRA, plus a margin). Full repayment, including interest and fees, is due at the end of the three-year term.

The credit facility is secured by first-ranking liens on the Company's assets, including intellectual property and capital securities. As of June 30, 2025, the Company was in compliance with debt covenants and had approximately C$7 million in principal outstanding, with an interest rate of 6.45%.

Management Discussion and Analysis

As at and for the 6-month period ended June 30, 2025

Analysis of Cash Flows

For 6-months ended	**June 30, 2025**	June 30, 2024
	$	$
Net cash (used in) provided by operating activities	**(139,598)**	600,876
Net cash used in investing activities	**(255,866)**	(62,052)
Net cash used in financing activities	**(200,204)**	(703,763)
Net change in cash	**(595,668)**	(164,939)
Cash at beginning of the period	**1,236,079**	648,806
Cash at end of the period	**640,411**	483,867

Operating Activities

Cash (used in) provided by operating activities during the 6-months ended was $(139,598), compared to $600,876 in the same prior period. This decrease was mainly due to a $1.28 million increase in trade and other receivables, reflecting higher sales volume and timing of collections from U.S.-based customers, along with higher prepaid balances and payroll disbursements in Q2.

Investing Activities

Cash used in investing activities during the 6-months ended was $(255,866), compared to $(62,052) in the same prior period. This was mainly reflective of $55.8K of capital expenditures and a $200K SAFE investment made during the quarter.

Financing Activities

Cash used in financing activities during the 6-months ended was $(200,204) compared to $(703,763) in the same prior period. This was primarily driven by the $1 million redemption of preferred shares in Q1'25, partially offset by $1.04 million of proceeds from a revolving credit facility draw. The drawdown was undertaken primarily to support working capital needs at MDI and to fund public company expenses and advisory costs at the holding company level, including legal, governance, and audit services.

Off-Balance Sheet Arrangements, Commitments and Contingencies

MDI has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on MDI's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Liquidity risk

The Company faces liquidity risk, which could arise if it is unable to meet financial obligations when due. The Company manages this risk through working capital management, cash flow monitoring, and the potential issuance of additional share capital or debt. If unexpected events affect the Company's ability to fund key activities such as customer acquisition, research, and development, or administrative costs, additional liquidity measures may be required. There is no assurance that satisfactory financing will be available, which could materially impact the Company's operations or financial condition.

Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

Market risk

The Company is exposed to market risk, which includes foreign currency risk, interest rate risk, and other price risk:

- **Foreign Currency:** Risk: The Company's exposure to foreign currency risk arises from financial instruments denominated in US dollars. A ±1% fluctuation in exchange rates would not significantly impact the financial statements.

- **Interest Rate Risk:** The Company has a revolving line of credit of $6.8 million, bearing variable interest at 6.45%. A 1% increase in the interest rate would result in an annual increase of approximately $68K in interest expense.

- **Other Price Risk:** The Company faces price risk due to its reliance on the valuation of Anthem shares related to a note receivable. Changes in the market price of these shares could impact the Company's financial results.

Related Party and Contractual Arrangements

The Company continues to lease its 80,000 square-foot manufacturing facility near Montreal, Quebec from FG Holdings Quebec, under a long-term lease agreement considered to be at market terms. FG Holdings Quebec is affiliated with a former Sponsor and remains a related party.

The Company also continues to operate under the Management Agreement entered into on September 25, 2024, whereby the Manager is authorized to provide management services and bind the Company within delegated authority.

Additionally, under the Transition Services Agreement entered into with Strong Technical Services, Inc. on the same date, the Company continues to receive transitional support services. The Service Provider is affiliated with Fundamental Global Inc., which is also a related party to the Company

Key management personnel

Key management personnel are those people who have the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly including external directors of the Company. Compensation expense for the Company's key management personnel for the period ended:

	3 months ended		*6 months ended*	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
	$	$	**$**	$
Salaries and benefits	**131,816**	48,125	**285,348**	111,446
Share-based compensation	**-**	8,859	**45,177**	18,260
	131,816	56,984	**330,525**	129,706

Note receivable

On November 25, 2024, the Company entered into an Asset Purchase Agreement with Pioneer Garage Limited to acquire a promissory note (the "Note") issued by The Fox Hat Equities Ltd. The Note had a principal balance of CAD $2,000,000 as of the acquisition date, bears 11.4% simple interest payable monthly, and matures on February 21, 2027.

The Note may be extinguished at the Company's discretion through the receipt of 975,000 Class A Preferred Shares of Anthem GP Ltd. To secure this option, a Securities Pledge Agreement was executed on January 13, 2025.

The acquisition was settled via issuance of 487,000 common shares of the Company, valued at USD $10.00 per share, for a total consideration of USD $4.87 million. At initial recognition, the Note was recorded at this fair value. As at December 31, 2024, the Note was remeasured to a fair value of USD $2.81 million, based on the value of the underlying Anthem shares, resulting in a fair value loss of USD $2.06 million recognized in profit or loss.

As at June 30, 2025, the fair value remained unchanged, as no material movements were observed in valuation inputs or underlying share value. The Note continues to be classified as a current asset, reflecting the Company's ability to demand settlement through share conversion at any time. The transaction was negotiated on terms consistent with related party transactions.

Warrant liabilities

As a result of the reverse takeover transaction, the Company assumed warrant liabilities consisting of 5,750,000 IPO Warrants, 4,350,000 Sponsors' Warrants, and 1,500,000 out-of-the-money (OTM) Warrants. These Warrants are classified as financial liabilities measured at fair value through profit or loss, as they do not meet the IFRS equity classification criteria. The Warrants had a combined fair value of $24.37 million as at June 30, 2025, compared to $13.08 million at December 31, 2024, resulting in a fair value gain of $11.288 million for the 6-months ended.

The fair value decline was primarily due to a reduction in the Company's share price and an increase in estimated volatility. All Warrants were valued using option pricing models and are classified as Level 2 in the fair value hierarchy. The IPO and Sponsors' Warrants were valued using a standard option pricing model, while the OTM Warrants were valued using the Black-Scholes model. The IPO and Sponsors' Warrants have an exercise price of $11.50 and expire five years after the transaction date, while the OTM Warrants have an exercise price of $15.00 and expire ten years post-transaction.

At June 30, 2025, there were 11.6 million Warrants outstanding with a weighted average remaining term of 4.89 years.

Investment in SAFE

On April 24, 2025, the Company invested a total of $500,000 in Sound Tech Connect Corp. via two Simple Agreements for Future Equity ("SAFE" or "SAFEs") amounting to a non-cash component of $300,000 and a cash component of $200,000 respectively. Both SAFEs are subject to a post-money valuation cap of $5 million and are classified as financial assets measured at fair value through profit or loss. As at June 30, 2025, the investment was independently valued at $500,000 using a Level 3 fair value methodology. The valuation incorporated unobservable inputs, including financing scenario probabilities and a discount rate reflective of early-stage venture risk. The resulting fair value did not result in a gain or loss in the period.

Capital

As at June 30, 2025, 5,771,237 common shares, 650,000 preferred shares, 11,600,000 warrants are issued and outstanding with all warrants classified as liabilities on the statement of financial position.

Subsequent Events

On August 5, 2025, the Company completed the acquisition of SanStone Investments Limited ("Sanstone") through 4718239 Nova Scotia Limited ("NSL"), a wholly owned subsidiary of Saltire incorporated on May 27, 2025 for the sole purpose of acquiring Sanstone and had no operations or balances as at June 30, 2025, for a total purchase price of C$70 million, partially settled by issuing 1,246,071 common shares at C$11.78 per share. Additional shares may be issued under certain conditions. To fund the transaction, the Company drew US$50.1 million under a US$100 million senior secured loan agreement with Sagard Holdings Manager LP and a syndicate of lenders. In connection with the financing, the Company issued 1,504,812 common share purchase warrants to Sagard Credit Partners II, LP, each exercisable at C$14.5228 and expiring on December 1, 2030. The Company also launched a brokered private placement of up to 424,448 common shares at C$11.78 per share, with an over-allotment option for 63,667 shares. The private placement is expected to close on or about August 12, 2025.