wishpond

Wishpond Technologies Ltd.
Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2025

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsubsection 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 condensed interim consolidated financial statements of Wishpond Technologies Ltd. have been prepared by and are the responsibility of the Company's management.

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

Vancouver, British Columbia

August 26, 2025

Wishpond Technologies Ltd.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	$	$	$	$
Revenue (Note 5)	3,710,437	5,828,709	7,800,078	11,878,972
Cost of sales	1,183,155	1,885,961	2,547,071	3,807,302
Gross profit	**2,527,282**	**3,942,748**	**5,253,007**	**8,071,670**
Operating expenses				
General and administrative expenses (Note 6)	2,334,588	2,777,029	4,720,626	5,785,727
Depreciation and amortization	417,435	410,059	829,085	816,647
Sales and marketing	420,810	624,109	937,869	1,454,029
Stock-based compensation (Note 11 & 12)	37,785	166,120	7,749	375,192
Total operating expenses	3,210,618	3,977,317	6,495,329	8,431,595
Operating loss	**(683,336)**	**(34,569)**	**(1,242,322)**	**(359,925)**
Interest expense	40,797	40,186	75,515	78,719
Other expenses (Note 7)	34,585	48,908	81,331	152,582
Loss before income taxes	**(758,718)**	**(123,663)**	**(1,399,168)**	**(591,226)**
Net loss for the period	**(758,718)**	**(123,663)**	**(1,399,168)**	**(591,226)**
Other comprehensive (income) loss				
Exchange difference on translation of foreign operations	(12,737)	5,759	3,477	3,568
Total comprehensive loss for the period	**(745,981)**	**(129,422)**	**(1,402,645)**	**(594,794)**
Weighted average number of common shares outstanding				
Basic and diluted	54,928,230	54,126,992	54,906,601	54,074,846
Loss per share – Basic and diluted	**$(0.01)**	**$(0.00)**	**$(0.03)**	**$(0.01)**

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

Wishpond Technologies Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

	As at June 30, 2025	As at December 31, 2024
	$	$
Assets		
Current		
Cash	606,084	1,126,318
Accounts and other receivables (Note 8)	117,257	257,672
Prepaid expenses	170,604	195,918
Current tax asset	37,745	37,745
Total current assets	**931,690**	**1,617,653**
Property and equipment	14,330	12,766
Intangible assets (Note 10)	7,530,786	7,942,362
Goodwill (Note 10)	3,916,669	3,916,669
Other assets	3,701	-
Deferred tax asset	128,487	128,487
Total assets	**12,525,663**	**13,617,937**
Liabilities and shareholders' equity		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	1,584,308	2,070,579
Deferred revenue	1,118,494	1,390,060
Credit facility (Note 13)	2,373,397	1,295,990
Total current liabilities	**5,076,199**	**4,756,629**
Other liabilities	-	19,543
Total liabilities	**5,076,199**	**4,776,172**
Shareholders' equity		
Share capital (Note 11)	21,949,049	21,939,111
Contributed surplus	3,958,968	3,958,562
Accumulated other comprehensive income	44,715	48,192
Accumulated deficit	(18,503,268)	(17,104,100)
Total shareholders' equity	**7,449,464**	**8,841,765**
Total shareholders' equity and liabilities	**12,525,663**	**13,617,937**

Nature of operations and going concern (Note 1)
Events after the reporting period (Note 17)

Approved by the Directors:

"Ali Tajskandar"	*"Olivier Vincent"*
Director	Director

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

Wishpond Technologies Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

	Number of shares	Share capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Contributed surplus	Total Shareholders' equity
	#	$	$	$	$	$
Balance at January 1, 2024	**53,983,620**	**21,417,798**	**35,315**	**(16,275,112)**	**4,138,618**	**9,316,619**
Stock-based compensation	-	-	-	-	375,192	375,192
Common shares issued for RSUs and PSUs	175,000	122,500	-	-	(122,500)	-
Foreign currency translation of subsidiary	-	-	(3,568)	-	-	(3,568)
Net loss for the period	-	-	-	(591,226)	-	(591,226)
Balance at June 30, 2024	**54,158,620**	**21,540,298**	**31,747**	**(16,866,338)**	**4,391,310**	**9,097,017**
Balance at January 1, 2025	54,880,495	21,939,111	48,192	(17,104,100)	3,958,562	8,841,765
Stock-based compensation	-	-	-	-	7,749	7,749
Common shares issued from exercise of options	51,904	2,688	-	-	(93)	2,595
Common shares issued for RSUs and PSUs	12,500	7,250	-	-	(7,250)	-
Foreign currency translation of subsidiary	-	-	(3,477)	-	-	(3,477)
Net loss for the period	-	-	-	(1,399,168)	-	(1,399,168)
Balance at June 30, 2025	**54,944,899**	**21,949,049**	**44,715**	**(18,503,268)**	**3,958,968**	**7,449,464**

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

Wishpond Technologies Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

	For the three months ended		For the six months ended	
	June 30, 2025	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
	$	$	$	$
Cash flows provided by (used in)				
Operating activities				
Net loss for the period	(758,718)	(123,663)	(1,399,168)	(591,226)
Adjustments to net loss for non-cash items:				
Depreciation and amortization	417,435	410,059	829,085	816,647
Stock-based compensation	37,785	166,120	7,749	375,192
Unrealized foreign exchange and others	12,673	(5,169)	(3,542)	27,607
Change in non-cash operating items:				
Accounts and other receivables	100,407	74,845	140,415	(50,063)
Prepaid expenses	39,062	(82,544)	25,314	(41,792)
Current tax asset	-	(6,321)	-	(6,321)
Other assets	(2,119)	-	(3,701)	-
Accounts payable and accrued liabilities	(497,304)	(275,023)	(486,271)	(266,261)
Deferred revenue	(110,349)	(110,187)	(271,566)	(133,712)
Other liabilities	-	-	(19,543)	-
Current tax liability	-	(75,629)	-	(75,629)
Net cash (used in) provided by operating activities	**(761,128)**	**(27,512)**	**(1,181,228)**	**54,442**
Investing activities				
Cash paid for earn-out consideration	-	-	-	(99,353)
Additions to equipment	(2,967)	-	(6,102)	-
Additions to intangible assets	(181,747)	(246,785)	(412,906)	(531,964)
Net cash used in investing activities	**(184,714)**	**(246,785)**	**(419,008)**	**(631,317)**
Financing activities				
Exercise of stock options	2,595	-	2,595	-
Net proceeds from (repayments to) the Credit Facility (Note 13)	662,003	(676,632)	1,152,922	326,717
Cash paid for interest	(40,797)	(40,186)	(75,515)	(78,719)
Net cash (used in) provided by financing activities	**623,801**	**(716,818)**	**1,080,002**	**247,998**
Net decrease in cash	(322,041)	(991,115)	(520,234)	(328,877)
Cash - beginning of the period	928,125	2,086,823	1,126,318	1,424,585
Cash - end of the period	**606,084**	**1,095,708**	**606,084**	**1,095,708**
Cash paid for:				
Interest expense	40,797	40,186	75,515	78,719
Income tax	-	75,629	-	75,629

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

1. Nature of operations and going concern

Wishpond Technologies Ltd. ("Wishpond" or the "Company") is a provider of marketing focused online business solutions.

The Company was incorporated under the British Columbia Business Corporations Act on June 20, 2018. The Company's common shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "WISH" as a Tier 1 technology issuer.

On January 1, 2023, the Company's wholly owned Canadian subsidiaries, being Wishpond Solutions Ltd., Wishpond Marketing Group Ltd., Invigo Media Ltd., Wishpond Technology Group Ltd., Winback Technologies Inc., Brax Technologies Inc., and Viral Loops Technologies Inc. (collectively the "Wishpond Canadian Subsidiaries") amalgamated as one company under the name Wishpond Technology Group Ltd. ("WTGL"), a wholly owned subsidiary of the Company, pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "BCBCA") (the "Amalgamation"). As a result of the Amalgamation, WTGL acquired all of the assets and liabilities of the Wishpond Canadian Subsidiaries immediately before the Amalgamation.

Subsequently, on January 3, 2023, WTGL was dissolved by way of voluntary dissolution under the BCBCA, and the Company acquired all of WTGL's assets and liabilities.

The accompanying condensed interim consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The accompanying condensed interim consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern.

2. Basis of presentation

<u>Statement of compliance</u>

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and Interpretations (collectively "IFRS Accounting Standards") using the accounting policies disclosed below.

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. These condensed interim consolidated financial statements should be read in conjunction with the Company's 2024 annual consolidated financial statements. The policies set out below are consistently applied to all the periods presented.

The Company's Board of Directors approved these condensed interim consolidated financial statements on August 26, 2025.

<u>Basis of consolidation</u>

The condensed interim consolidated financial statements of Wishpond include the accounts of the Company and entity controlled by the Company. Control is achieved when the Company has power over the investee, is exposed or has right to variable returns from its involvements with the investee and has the ability to use its power to affect its returns. The Company reassesses whether it controls any investee if facts and circumstances indicate that there are changes in one or more of the three elements of control listed above.

As of June 30, 2025 the following entity is controlled by the Company:

Entity	Parent	Country of incorporation	Effective interest
PersistIQ Inc.	Wishpond Technologies Ltd.	USA	100%

All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions have been eliminated.

Functional and presentation currency:

The Company's condensed interim consolidated financial statements are presented in Canadian dollars.

Each entity of the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The determination of functional currency is based on the primary economic environment in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity.

The functional currency of PersistIQ Inc. is the US dollar. The functional currency of Wishpond Technologies Ltd. before and after the Amalgamation is the Canadian dollar.

3. Material accounting policy information

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

a) Accounting standards that will become effective on future dates

On May 30, 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures. The amendments clarify the timing of recognition and derecognition of financial assets and liabilities, including confirmation that a financial liability is derecognized on the settlement date. The amendments also introduce an optional accounting policy to derecognize financial liabilities settled via electronic payment systems before settlement date, subject to specific conditions. Additional clarifications were made regarding the classification of financial assets, including those with environmental, social and corporate governance linked features. Enhanced disclosure requirements apply to financial instruments with contingent features and to equity investments classified at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, including partial early adoption of the classification-related amendments. The Company is evaluating the impact of these changes on its consolidated financial statements.

On April 9, 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements, which replaces IAS 1. The standard introduces new requirements for the structure and presentation of financial statements, including defined subtotals and enhanced disclosure principles. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The Company is evaluating the impact of IFRS 18 on its consolidated financial statements.

(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

4. Critical accounting estimates and judgments

The preparation of interim financial statements in accordance with IFRS Accounting Standards 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the December 31, 2024 audited annual consolidated financial statements.

5. Geographic information

Geographic sales based on customer location are detailed 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	2,396,899	4,277,595	5,104,885	8,748,978
Canada	530,878	803,325	1,136,654	1,590,513
Other	782,660	747,789	1,558,539	1,539,481
Total	**3,710,437**	**5,828,709**	**7,800,078**	**11,878,972**

For the three and six months ended June 30, 2025, the Company had one customer that accounted for $Nil and $1,753 or 0% of total revenues recognized ($158,857 and $426,837 or 3% and 4% of total revenues recognized for the three and six months ended June 30, 2024). Revenues from this customer consist of marketing email delivery services.

The Company had no other customers that accounted for more than 10% of total revenues for the three and six months ended June 30, 2025 or June 30, 2024.

6. General and administrative expenses

The following shows the details of general and administrative 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 $
Office and general	296,841	372,607	643,310	767,475
Professional fees	220,559	183,502	429,485	428,180
Salaries, wages, employee benefits	1,080,299	1,323,694	2,129,084	2,781,857
Software subscriptions	401,915	516,633	853,755	986,552
Subcontractor expenses	334,974	380,593	664,992	821,663
Total	**2,334,588**	**2,777,029**	**4,720,626**	**5,785,727**

(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

7. Other expenses

The following shows the details of 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
	$	$	$	$
Filing fees	15,798	24,000	36,583	40,406
Foreign currency (gains) losses	(9,266)	45,799	15,622	119,576
Miscellaneous expenses (income)	28,053	(20,891)	29,126	(7,400)
Total	**34,585**	**48,908**	**81,331**	**152,582**

8. Accounts and other receivables

	June 30, 2025	December 31, 2024
	$	$
Accounts receivable	201,042	378,517
Provision for expected credit losses	(123,165)	(160,225)
Other receivables	39,380	39,380
Accounts and other receivables	**117,257**	**257,672**

The Company evaluates credit losses on a periodic basis based on the aging and collectability of its receivables. The expected lifetime credit loss provision for accounts receivable is based on historical counterparty default rates and adjusted for relevant forward-looking information as required.

9. Accounts payable and accrued liabilities

	June 30, 2025	December 31, 2024
	$	$
Trade payables and accrued liabilities	1,132,234	1,218,295
Other payables	374,897	724,254
Sales tax payable	77,177	128,030
Accounts payable and accrued liabilities	**1,584,308**	**2,070,579**

(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

10. Intangible assets

Cost	Deferred development costs $	Customer relationships $	Software technology $	Goodwill $	Total $
As at January 1, 2024	5,040,338	157,000	7,411,300	3,916,669	16,525,307
Additions	1,010,031	-	-	-	1,010,031
As at December 31, 2024	**6,050,369**	**157,000**	**7,411,300**	**3,916,669**	**17,535,338**
Additions	412,906	-	-	-	412,906
As at June 30, 2025	**6,463,275**	**157,000**	**7,411,300**	**3,916,669**	**17,948,244**
Accumulated depreciation					
As at January 1, 2024	1,609,918	81,477	2,347,381	-	4,038,776
Depreciation for the period	592,866	25,392	1,019,273	-	1,637,531
As at December 31, 2024	**2,202,784**	**106,869**	**3,366,654**	**-**	**5,676,307**
Depreciation for the period	329,228	12,696	482,558	-	824,482
As at June 30, 2025	**2,532,012**	**119,565**	**3,849,212**	**-**	**6,500,789**
Net book value					
As at December 31, 2024	**3,847,585**	**50,131**	**4,044,646**	**3,916,669**	**11,859,031**
As at June 30, 2025	**3,931,263**	**37,435**	**3,562,088**	**3,916,669**	**11,447,455**

11. Share capital

a) Authorised

Unlimited common shares without par value.

The Company’s common shares are also authorised for issuance under the stock option plan and omnibus equity incentive plan (“Equity Incentive Plan”). The maximum aggregate number of common shares that may be reserved for issuance under the employee stock option plan at any point in time is 10% of the outstanding shares at the time, less any common shares reserved for issuance of share options granted under share compensation arrangements other than the Equity Incentive Plan.

b) Issued common shares

As at June 30, 2025, the issued share capital was comprised of 54,944,899 (December 31, 2024 - 54,880,495) common shares.

During the six months ended June 30, 2025, the Company undertook the following share transactions:

i. During the six months ended June 30, 2025, 12,500 RSUs vested and were issued as common shares of the Company.

ii. During the six months ended June 30, 2025, 51,904 stock options were exercised at an exercise price of $0.05 for total cash proceeds of $2,595.

(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

During the six months ended June 30, 2024, the Company undertook the following share transactions:

i. During the six months ended June 30, 2024, 100,000 RSUs vested and were issued as common shares of the Company.

ii. During the six months ended June 30, 2024, 75,000 PSUs were issued as common shares of the Company.

c) Options to purchase common shares

The Company has a stock option plan (the "Plan") which authorises the Board of Directors to grant incentive stock options to directors, officers, employees and consultants. At the grant date, the vesting provisions, term, exercise price and other terms and conditions of grants of options are determined by the Board.

d) Movement in share options

The changes in share options during the six months ended June 30, 2025 and the year ended December 31, 2024 were as follows:

	Number of Options	Weighted average exercise price $
January 1, 2024	2,803,050	1.83
Forfeited/expired	(310,000)	1.48
December 31, 2024	**2,493,050**	**1.87**
Granted	50,000	0.17
Exercised	(51,904)	0.05
Forfeited/expired	(245,565)	1.90
June 30, 2025	**2,245,581**	**1.87**

During the three months ended June 30, 2025, and June 30, 2024, the Company recognised $4,133 and $38,331 respectively, to stock-based compensation expense through the condensed interim consolidated statements of loss and comprehensive loss.

During the six months ended June 30, 2025, and June 30, 2024, the Company recognised a net reversal of $55,051 and an expense of $103,818 respectively, to stock-based compensation expense through the condensed interim consolidated statements of loss and comprehensive loss.

e) Fair value of share options granted

During the six months ended June 30, 2025, the Company granted the following options:

Grant date	Number of options granted	Exercise price	Vesting period (in years)	Expiry date
May 26, 2025	50,000	$0.17	4.0	May 26, 2030

The fair value of each option granted for the six months ended June 30, 2025 was estimated at the time of grant using the BSM with the following significant inputs:

(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

Exercise price	$0.17
Share price	$0.17
Risk-free interest rate	2.76%
Expected term	5 years
Volatility	68%
Expected dividend	$0
Grant date fair value	$0.10

During the six months ended June 30, 2024, the Company did not grant any new share options.

f) Share options outstanding at the end of the period

The following table summarises information concerning outstanding and exercisable options of the Company:

Expiry date	Options outstanding	Options exercisable	Exercise price $	Avg. remaining contractual length (years)
September 30, 2027	75,000	75,000	0.70	2.25
May 26, 2030	50,000	-	0.17	4.91
December 29, 2030	1,512,712	1,512,712	2.18	5.50
January 19, 2031	75,000	75,000	2.05	5.56
May 3, 2031	80,000	75,000	1.92	5.84
June 15, 2031	155,000	145,312	1.52	5.96
December 10, 2031	135,000	109,683	1.26	6.45
June 14, 2032	12,869	6,434	0.69	6.96
November 30, 2032	150,000	84,375	0.80	7.42

g) Restricted Share Units ("RSUs")

The changes in RSUs during the six months ended June 30, 2025 and the year ended December 31, 2024 were as follows:

	June 30, 2025 Number of RSUs	December 31, 2024 Number of RSUs
Balance outstanding, beginning of period	62,500	365,000
Units granted	-	-
Units forfeited	-	(80,625)
Units vested	(12,500)	(221,875)
Balance outstanding, end of period	**50,000**	**62,500**

During the three months ended June 30, 2025 and June 30, 2024, the Company recognized an expense of $1,241 and a net reversal of $692, respectively, of stock-based compensation expense through the condensed interim consolidated statements of loss and comprehensive loss related to RSUs.

During the six months ended June 30, 2025, and June 30, 2024, the Company recognised $3,178 and $14,411 respectively, to stock-based compensation expense through the condensed interim consolidated statements of loss and comprehensive loss related to RSUs.

(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

h) Performance Share Units ("PSUs")

The changes in PSUs during the six months ended June 30, 2025 and the year ended December 31, 2024 were as follows:

	June 30, 2025 Number of PSUs	**December 31, 2024 Number of PSUs**
Balance outstanding, beginning of period	1,200,000	1,350,000
Units granted	-	1,200,000
Units forfeited	-	(750,000)
Units vested	-	(600,000)
Balance outstanding, end of period	**1,200,000**	**1,200,000**

On October 1, 2023, the Company granted an aggregate of 1,200,000 PSUs to certain officers of the Company. The PSUs vest on the one-year anniversary of their grant date and are subject to certain specific performance metrics as approved by the Board of Directors, with the potential to vest in a range from 800,000 to 1,200,000 PSUs, based on the level of achievement of the predetermined performance criteria.

On October 1, 2023, the Company granted an aggregate of 150,000 PSUs to certain employees of the Company. The PSUs vest on the one-year anniversary of their grant date based on the achievement of certain specific performance metrics approved by the board of directors of the Company.

On November 28, 2024, the Company granted an aggregate of 1,200,000 PSUs to certain officers of the Company. The PSUs vest on the one-year anniversary of their grant date and are subject to certain specific performance metrics as approved by the Board of Directors, with the potential to vest in a range from 800,000 to 1,200,000 PSUs, based on the level of achievement of the predetermined performance criteria.

During the three months ended June 30, 2025 and June 30, 2024, the Company recognized $32,411 and $128,481, respectively, of stock-based compensation expense through the condensed interim consolidated statements of loss and comprehensive loss related to PSUs.

During the six months ended June 30, 2025, and June 30, 2024, the Company recognised $59,622 and $256,963 respectively, to stock-based compensation expense through the condensed interim consolidated statements of loss and comprehensive loss related to PSUs.

(Expressed in Canadian Dollars except shares amounts or stated otherwise, unaudited)

12. Related party transactions

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's Board of Directors, officers, and certain members of the senior executive team.

	For the three months ended		For the six months ended	
	June 30, 2025 $	June 30, 2024 $	June 30, 2025 $	June 30, 2024 $
Salaries, wages, and benefits	277,159	410,663	630,876	844,247
Subcontractor fees	16,000	38,530	40,000	88,949
Director fees	15,000	15,000	30,000	30,000
Stock-based compensation	35,650	172,953	2,291	368,046
Total	**343,809**	**637,146**	**703,167**	**1,331,242**

Included in accounts and other receivables as at June 30, 2025 is $39,380 ($39,380 as at December 31, 2024) of receivables from the CEO. These receivables were primarily due to payroll taxes on stock issuance with respect to PSUs vested and issued. The balance was fully repaid subsequent to quarter-end on August 22, 2025.

On September 1, 2024, the Company entered into a related party sublease agreement for office space at a rate of $2,119 per month, shared with three other tenants. One of the tenants is the father of the Company's CEO. The lease term is one year, and the office space is utilized by local employees as a workspace. The transaction was reviewed and approved by independent members of the Board in accordance with the Company's related party transaction policy.

13. Credit facility

On September 29, 2021, the Company entered into a credit facility (the "Credit Facility") pursuant to the terms of a credit agreement entered into between the Company and a major Canadian bank that provides for a $6,000,000 secured revolving operating line based on recurring revenue of the Company. The interest rate on the credit facility is based on the Canadian Prime Rate plus 2.0% per annum and is secured against the assets of the Company.

On August 1, 2024, the Company successfully renewed its credit facility with a major Canadian bank that was previously renewed on August 11, 2023 and originally entered into on September 21, 2021. The renewed credit facility maintains the secured revolving operating line with a borrowing capacity of up to $6,000,000 based on recurring revenue, an interest rate equal to the Canadian Prime Rate plus 2.0% per annum and is secured against the Company's assets.

As at June 30, 2025, the Credit Facility balance payable was $2,373,397. There are no minimum repayment terms and any disbursement outstanding is repayable in full on demand by the Bank. The Credit Facility is renewed annually and subject to financial covenants based on the consolidated financial results of the Company. The Company was in compliance with all financial covenants and other terms and conditions under the Credit Facility as of June 30, 2025 and December 31, 2024.

The Company paid $40,797 and $75,515 in interest expense related to the Credit Facility for the three and six months ended June 30, 2025 ($40,186 and $78,719 for the three and six months ended June 30, 2024).

14. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimises the costs of capital under acceptable risks. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may attempt to: issue new shares, draw on it's credit facility, issue debt, acquire or dispose of assets or adjust the amount of cash and investments. The Company is not subject to any externally imposed capital requirements. Historically, the Company has not paid dividends.

15. Financial instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risks relate to its cash and accounts receivable. The Company's cash is deposited with a Canadian chartered bank and as a result management believes the risk of loss on these items to be remote. The Company establishes an estimate for expected credit losses on accounts receivable if it is determined that all or part of the outstanding balance is uncollectable. Collectability is reviewed regularly and an estimate is established or adjusted, as necessary.

Furthermore, the Company does not typically extend credit to its customers and customers are required to remit payment when invoices are provisioned. Customers are required to provide a pre-authorised method of payment upon entering into a service contract.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's management believes its existing working capital coupled with the cash that will be generated from its operations and available credit facility will enable the Company to meet its financial obligations. Furthermore, the Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

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. As of June 30, 2025, the Company had a credit facility balance of $2,373,397 ($1,295,990 as of December 31, 2024) with an interest rate equal to the Canadian Prime Rate plus 2.0% per annum.

Foreign currency risk

As a significant portion of the Company's sales are to customers located in the United States and are thus incurred in US Dollars, the Company is exposed to foreign currency fluctuations.

The Company manages its foreign currency risk through the use of foreign exchange contracts.

The Company holds cash balances in Canadian and U.S. dollars and a 10% movement in foreign exchange rates versus the U.S. dollar would result in an approximately $23,596 change in the Company's cash balance in the condensed interim consolidated statements of financial position as at June 30, 2025.

16. Contingencies

Management believes that adequate provisions have been recorded on the consolidated statements of financial position and statements of loss and comprehensive loss where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

17. Events after the reporting period

<u>Foreign exchange contracts</u>

On July 30, 2025, the Company entered into foreign exchange forward contracts to hedge against currency fluctuations. These contracts enable the Company to exchange a total of $300,000 USD to Canadian dollars at a rate of 1.371. The contracts are structured in three tranches of $100,000 USD each, with maturities on August 29, 2025, September 29, 2025, and October 31, 2025, respectively.

<u>Credit facility renewal</u>

On August 26, 2025, the Company renewed its revolving operating line with a major Canadian bank with a maximum limit of $5,000,000. The amended facility also includes a revised borrowing base calculation that reduces the Company's borrowing capacity compared to prior terms and resulted in non-compliance with an existing covenant at the renewal date. The lender has provided a cure period through October 2025. Management is implementing a liquidity plan that includes disciplined cash flow management and evaluating alternatives to enhance financial flexibility, which may include certain strategic asset divestitures or spin-offs. These conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.