

Unaudited condensed interim consolidated financial statements of

Martello Technologies Group Inc.

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

Martello Technologies Group Inc.

“Notice to Reader”

The accompanying condensed unaudited interim consolidated financial statements of Martello Technologies Group Inc. for the three and six months ended September 30, 2025 and 2024 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company’s external auditors.

Dated: November 13, 2025

“Jim Clark”

Jim Clark
Chief Executive Officer

“Nick Lungu”

Nick Lungu
Vice President Finance, Interim Chief Financial Officer

Martello Technologies Group Inc.

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

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of loss and comprehensive loss
For the three and six months ended September 30, 2025 and 2024

Unaudited

(In Canadian dollars)

	Notes	September 30, September 30,		September 30, September 30,	
		2025	2024	2025	2024
		(3 months ended)		(6 months ended)	
Income					
Sales	5,6	\$ 2,999,303	\$ 3,639,585	\$ 6,087,196	\$ 7,436,847
Cost of goods sold	6	466,249	509,076	927,059	1,005,352
Gross margin		2,533,054	3,130,509	5,160,137	6,431,495
Expenses					
Research and development	7	1,373,617	1,390,046	2,879,449	2,717,253
Sales and marketing	7	1,153,359	1,377,072	2,531,468	2,705,980
General and administrative	7	717,614	944,141	1,874,271	1,851,068
Depreciation	13	12,433	58,513	57,138	121,834
Amortization		447,127	427,438	890,872	848,341
Impairment of intangible assets	10	5,907,037	-	5,907,037	-
		9,611,187	4,197,210	14,140,235	8,244,476
Loss from operations		(7,078,133)	(1,066,701)	(8,980,098)	(1,812,981)
Other income (expense)					
Interest income		687	2,556	1,429	5,519
Interest expense	12	(421,990)	(411,214)	(856,580)	(772,214)
Accretion of long-term debt	12	(54,842)	(46,785)	(109,352)	(90,355)
Gain on Fed Dev Loan		-	103,573	-	103,573
Revaluation of forward contract	4	(7,306)	14,430	54,837	11,434
Foreign exchange gain	17	101,845	112,052	298,772	108,981
Other income/expense		7,250	27,482	6,822	27,713
Loss before income tax		(7,452,489)	(1,264,607)	(9,584,170)	(2,418,330)
Income tax recovery (expense)		(2,292)	12,918	(2,292)	128,257
Net loss		(7,454,781)	(1,251,689)	(9,586,462)	(2,290,073)
Other comprehensive income (loss) that may be reclassified to net income (loss):					
Cumulative translation adjustment		(233,302)	62,815	(34,111)	7,833
Pension plan settlement		-	84,371	-	84,371
Total comprehensive loss		(7,688,083)	(1,104,503)	(9,620,573)	(2,197,869)
Weighted average shares outstanding	14	583,707,430	543,707,430	583,707,430	543,707,430
Net loss per share, basic and diluted	8	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.00)

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of financial position As at September 30, 2025 and March 31, 2025

Unaudited

(In Canadian dollars)

	Note	September 30, 2025	March 31, 2025
Assets			
Current assets			
Cash		\$ 1,998,575	\$ 6,577,858
Short-term investment		109,607	108,391
Trade and other accounts receivable	9	4,202,307	4,841,734
Investment tax credits and grants receivable	7	275,519	298,464
Prepaid expenses		1,664,177	542,247
Inventories		38,200	38,200
Total current assets		8,288,385	12,406,894
Intangible assets	10	-	6,517,402
Equipment and leasehold improvements		45,577	54,689
Right-of-use assets	13	301,209	250,335
Total assets		8,635,171	19,229,320
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11,17	1,990,836	2,716,719
Foreign exchange forward contract liability	4	-	54,837
Current portion of deferred revenue	5	4,082,948	4,616,454
Current portion of long-term debt	12,17	240,000	180,000
Current portion of lease obligation	13,17	55,311	120,129
Total current liabilities		6,369,095	7,688,139
Deferred revenue	5	2,290,174	2,545,091
Long-term debt	5	12,339,248	11,915,674
Lease obligation	13,16	310,593	180,287
Total liabilities		21,309,110	22,329,191
Shareholders' equity			
Share capital	14	61,597,108	61,598,108
Contributed surplus	14	4,095,181	4,047,676
Warrants	14	2,319,977	2,319,977
Accumulated other comprehensive income		(701,468)	(667,357)
Deficit		(79,984,737)	(70,398,275)
Total shareholders' deficiency		(12,673,939)	(3,099,871)
Total liabilities and equity		8,635,171	19,229,320

Approved by the Board on November 13, 2025 and signed on its behalf by:

Original signed "Colley Clarke" Director

Original signed "Don Smith" Director

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of changes in shareholders' (deficiency) for the six months ended September 30, 2025 and 2024

(In Canadian Dollars)

	Notes	Shares outstanding #	Share capital \$	Warrants \$	Contributed surplus \$	Accumulated other comprehensive			Total shareholders' equity (deficiency) \$
						Other \$	Cumulative translation adjustment \$	Deficit \$	
Balance at April 1, 2024		543,707,430	59,616,608	2,319,977	3,990,745	985,001	(1,471,636)	(64,702,012)	738,683
Net loss for the period		-	-	-	-	-	-	(2,290,073)	(2,290,073)
Pension plan settlement		-	-	-	-	84,371	-	-	84,371
Other comprehensive income		-	-	-	-	-	7,833	-	7,833
Total comprehensive loss for the period		-	-	-	-	84,371	7,833	(2,290,073)	(2,197,869)
Less: Transaction costs attributable to share issuance		-	(8,500)	-	-	-	-	-	(8,500)
Share-based compensation	14	-	-	-	39,042	-	-	-	39,042
Balance as at September 30, 2024		543,707,430	59,608,108	2,319,977	4,029,787	1,069,372	(1,463,803)	(66,992,085)	(1,428,644)
Balance at April 1, 2025		583,707,430	61,598,108	2,319,977	4,047,676	1,073,595	(1,740,952)	(70,398,275)	(3,099,871)
Net loss for the period		-	-	-	-	-	-	(9,586,462)	(9,586,462)
Other comprehensive income		-	-	-	-	-	(34,111)	-	(34,111)
Total comprehensive loss		-	-	-	-	-	(34,111)	(9,586,462)	(9,620,573)
Less: Transaction costs attributable to share issuance		-	(1,000)	-	-	-	-	-	(1,000)
Share-based compensation	14	-	-	-	47,505	-	-	-	47,505
Balance as at September 30, 2025		583,707,430	61,597,108	2,319,977	4,095,181	1,073,595	(1,775,063)	(79,984,737)	(12,673,939)

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of cash flows

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

(in Canadian Dollars)

	Note	September 30, 2025	September 30, 2024
Operating activities			
Net loss from continuing operations before income tax		\$ (9,584,170)	\$ (2,418,330)
Items not affecting cash:			
Depreciation	12	57,138	121,834
Amortization of intangible assets	10	890,872	848,341
Amortization of debt issuance cost		13,541	13,541
Impairment of intangible assets	10	5,907,037	-
Increase in fair value of hedge liability	4	(54,837)	(11,434)
Accretion of long-term debt	12	109,352	90,355
Gain on issuance of FedDev Loan	12	-	(103,573)
Share-based compensation	14	47,505	39,042
Deferred share units compensation		124,794	29,116
Defined benefit plan expense		-	10,405
Lease interest expense	13	74,492	35,284
Gain on termination of lease		-	(16,919)
Accrued interest expense	12	765,280	715,780
Accrued interest on guaranteed investment contract		(1,217)	(2,164)
Unrealised foreign exchange gain		(479,655)	(169,272)
Net change in operating components of working capital	15	(2,264,973)	(2,469,947)
Total cash flows used in operating activities		(4,394,841)	(3,287,941)
Investing activities			
Additions to equipment and leasehold improvements		(6,830)	(13,879)
Total cash flows used in investing activities		(6,830)	(13,879)
Financing activities			
Common stock issuance costs		(1,000)	(8,500)
Proceeds from long-term debt	12	-	250,000
Repayment of long-term debt	12	(90,000)	-
Repayment of lease obligations	13	(101,986)	(133,331)
Total cash flows provided by (used in) financing activities		(192,986)	108,169
Net change in cash		(4,594,657)	(3,193,651)
Cash, beginning of period		6,577,858	7,613,668
Effects of currency translation on cash		15,374	40,966
Cash, end of period		1,998,575	4,460,983

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

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

1. Corporate information

Martello Technologies Group Inc. (the "Corporation") is a provider of digital experience monitoring (DEM) solutions. The Corporation's common shares are traded on the TSX Venture Exchange ("TSXV") under the trading symbol MTLO.

2. Basis of preparation and accounting policies

The condensed interim consolidated financial statements have been prepared under the going concern assumption and using the historical cost basis, except for foreign exchange forward contracts which are measured at fair market value.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and should be read in conjunction with the Corporation's most recent annual audited consolidated financial statements, which are for the year ended March 31, 2025.

Significant accounting policies

The significant accounting policies used in preparing these condensed interim consolidated financial statements are the same as those disclosed in note 2.2 of the Corporation's annual audited consolidated financial statements for the year ended March 31, 2025.

Going Concern

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

For the six months ended September 30, 2025, the Company reported loss from operations of \$7,078,133; net cash flows used in operating activities of \$4,394,841 and an accumulated deficit of \$79,984,737.

Existing funds on hand, when combined with operational cash flow, are not sufficient to meet the Company's short-term liquidity requirements. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from operations, secure additional financing, and achieve profitable operations in the future. Management has developed plans to address these matters, which could include the issuance of new public equity, cost reduction initiatives, supplemented with operating cash inflows from operations. While these actions are expected to improve the Company's financial position, there remains a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Significant judgments and estimates

The preparation of the Corporation's condensed interim consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at each reporting date. The outcome of these uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgments, estimates and assumptions applied in the preparation of these condensed interim consolidated financial statements are the same as those disclosed in note 3 to the 2025 annual audited consolidated financial statements.

4. Fair value measurement

The carrying amounts of the Corporation's cash, short-term investments, trade and other receivables, investment tax credits and grants receivable, foreign exchange contract, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The line of credit is a demand instrument at a variable rate and therefore the carrying amount approximates fair value. The

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Fair value measurement (continued)

market interest rates that would apply to the Corporation's long-term debt is not significantly different from the effective interest rates used to amortize these debts. Therefore, the carrying amounts are comparable to fair values.

Long-term debt is measured using observable interest rates at initial recognition and is categorized within Level 2 of the fair value hierarchy. The fair value of foreign exchange forward contracts were \$Nil at September 30, 2025 (March 31, 2025 – net liability of \$54,837). The fair value is estimated using a market approach with forward exchange rates observable at the end of the reporting period and contract forward rates as inputs. Forward contracts are categorized within Level 2 of the fair value hierarchy. The hierarchy is described in Note 20 of March 31, 2025 annual financial statements.

5. Revenue

The geographic location of revenues, based on the location of its customers, is as follows:

	3 Months Ended		6 Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Canada	1,366,537	1,375,545	2,701,042	2,767,492
Europe	946,111	1,446,497	1,962,304	2,875,668
United States	531,697	665,955	1,109,986	1,450,624
Australia	97,629	6,311	198,074	226,699
Asia	51,014	47,899	101,159	94,882
Latin America	6,315	97,378	14,631	21,482
Total revenue	2,999,303	3,639,585	6,087,196	7,436,847

The Corporation's revenue can be analyzed by type and by basis of their recognition as follows for the three months periods ended:

	3 Months Ended		6 Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Revenue at a point in time				
Hardware	-	-	-	1,919
Training and professional services	56,915	19,963	63,569	53,145
Revenue recognized over time				
Subscription licenses	2,713,613	3,301,500	5,527,789	6,733,805
Maintenance and support	207,778	274,706	450,142	560,988
Term licenses	20,997	43,416	45,696	86,990
Total revenue	2,999,303	3,639,585	6,087,196	7,436,847

At each reporting date, there are no unfulfilled performance obligations extending beyond a year for which the Corporation has not collected funds or deposits.

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Revenue (continued)

Deferred revenue is comprised of the following:

	September 30, 2025 \$	March 31, 2025 \$
Current:		
Subscription licenses	3,512,534	3,726,848
Maintenance and support	508,747	806,753
Term licenses	61,667	82,853
Long-term:		
Subscription licenses	2,064,266	2,243,176
Maintenance and support	202,806	256,941
Term licenses	23,102	44,974
Total deferred revenue	6,373,122	7,161,545

The following table summarized the contract acquisition cost activity during the year:

	September 30, 2025 \$	March 31, 2025 \$
Balance, beginning of year	99,416	169,344
Additions	307,827	523,421
Amortization	(273,763)	(593,349)
Balance, end of year	133,480	99,416

Amortization of contract acquisition costs is recorded in Sales and marketing expense on the condensed interim consolidated statements of loss and comprehensive loss.

6. Operating segment information

The Corporation has assessed that it operates in two operating segments, those being Modern Workplace Optimization and Mitel. These operating segments engage in business activities from which they earn revenues from subscription and perpetual software licenses, hardware, maintenance and support, and training and professional services.

	Modern Workplace Optimization \$	Mitel \$	Total \$
Three months ended September 30, 2025			
Revenue at a point in time			
Training and professional services	56,915	-	56,915
Revenue recognized over time			
Subscription licenses	1,226,564	1,487,049	2,713,613
Maintenance and support	206,118	1,660	207,778
Term licenses	20,997	-	20,997
Total revenue	1,510,594	1,488,709	2,999,303

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Operating segment information (continued)

	Modern Workplace Optimization	Mitel	Total
Six months ended September 30, 2025	\$	\$	\$
Revenue at a point in time			
Training and professional services	63,569	-	63,569
Revenue recognized over time			
Subscription licenses	2,543,468	2,984,321	5,527,789
Maintenance and support	446,823	3,319	450,142
Term licenses	45,696	-	45,696
Total revenue	3,099,556	2,987,640	6,087,196

	Modern Workplace Optimization	Mitel	Total
Three months ended September 30, 2024	\$	\$	\$
Revenue at a point in time			
Training and professional services	19,963	-	19,963
Revenue recognized over time			
Subscription licenses	1,737,227	1,564,274	3,301,500
Maintenance and support	266,596	8,110	274,706
Term licenses	43,416	-	43,416
Total revenue	2,067,201	1,572,384	3,639,585

	Modern Workplace Optimization	Mitel	Total
Six months ended September 30, 2024	\$	\$	\$
Revenue at a point in time			
Hardware	-	1,919	1,919
Training and professional services	53,145	-	53,145
Revenue recognized over time			
Subscription licenses	3,476,317	3,257,488	6,733,805
Maintenance and support	545,424	15,563	560,988
Term licenses	86,990	-	86,990
Total revenue	4,161,877	3,274,970	7,436,847

Sales and gross margin for the three months ended are as follows:

	Modern Workplace Optimization	Mitel	Total
Three months ended September 30, 2025	\$	\$	\$
Sales	1,510,594	1,488,709	2,999,303
Cost of goods sold	410,969	55,280	466,249
Gross margin	1,099,625	1,433,429	2,533,054

	Modern Workplace Optimization	Mitel	Total
Six months ended September 30, 2025	\$	\$	\$
Sales	3,099,556	2,987,640	6,087,196
Cost of goods sold	817,392	109,667	927,059
Gross margin	2,282,164	2,877,973	5,160,137

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Operating segment information (continued)

	Modern Workplace Optimization	Mitel	Total
Three months ended September 30, 2024	\$	\$	\$
Sales	2,067,201	1,572,384	3,639,585
Cost of goods sold	454,486	54,590	509,076
Gross margin	1,612,715	1,517,794	3,130,509

	Modern Workplace Optimization	Mitel	Total
Six months ended September 30, 2024	\$	\$	\$
Sales	4,161,877	3,274,970	7,436,847
Cost of goods sold	911,138	94,214	1,005,352
Gross margin	3,250,739	3,180,756	6,431,495

7. Additional disclosures related to the statements of loss and comprehensive loss

- i. Research and development expense for the three and six months ended September 30, 2025, is net of investment tax credits recognized of -\$164,128 and -\$41,553, respectively (September 30, 2024: \$17,309 and -\$7,789).

The Corporation has investment tax credits receivable of \$275,519 as of September 30, 2025 (March 31, 2025 – \$298,464) which are earned as a result of qualifying Crédit d'Impôt Recherche expenditure in France and qualifying Scientific Research and Experimental Development expenditures in Canada. The investment tax credits are recognized when the expenditures are made, and their realization is reasonably assured.

On December 20, 2024, the Corporation entered into a contribution agreement with the National Research Council of Canada ("NRC") to support the application of Generative AI to enhance unified communications as a service (uCaaS) using Vantage DX. Under the terms of the agreement, NRC committed to contribute up to \$70,000 toward eligible costs incurred by the Corporation between December 2, 2024, and May 31, 2025. As of September 30, 2025, the Corporation had received the full \$70,000 under this agreement, including \$15,000 received during the period ended June 30, 2025, and \$55,000 received in the period ended March 31, 2025.

On December 5, 2024, the Corporation entered into a contribution agreement with the National Research Council of Canada ("NRC") to support a strategic review of technology platform options and potential markets. Under the terms of the agreement, NRC committed to contribute up to \$65,000 toward eligible costs incurred by the Corporation through May 31, 2025. As of September 30, 2025, the Corporation had received the full \$65,000 under this agreement, including \$13,000 received during the period ended June 30, 2025 and \$52,000 received in the period ended March 31, 2025.

- ii. For the three and six months ended September 30, 2025 the total staff expenses are \$2,149,264 and \$5,305,246, respectively (September 30, 2024 - \$2,706,602 and 5,228,340)

8. Loss per share

Basic loss per share amounts are calculated by dividing net loss by the weighted average number of common shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects.

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Loss per share (continued)

As at September 30, 2025 and 2024, all instruments were anti-dilutive.

The share options could potentially dilute basic net loss per share in the future but have not been included in diluted loss per share because their effect was anti-dilutive. Total share options at September 30, 2025 and 2024 were 28,881,000 and 33,224,143, respectively.

9. Trade and other accounts receivable

The aging analysis of trade and other accounts receivable is as follows:

	Total \$	Neither past due nor impaired \$	Past due but not impaired			
			< 30 days \$	30-60 days \$	60-90 days \$	over 90 days \$
September 30, 2025	4,202,307	3,450,142	636,131	91,603	-	24,431
March 31, 2025	4,841,734	3,893,691	777,411	170,558	-	74

There were no movements in the expected credit losses as of September 30, 2025 and March 31, 2025.

10. Intangible assets

Intangible assets

A continuity of the intangible assets for the year ended September 30, 2025 is as follows:

	March 31, 2025 \$	Acquisition of subsidiary \$	Impairment \$	Translation Adjustments \$	September 30, 2025 \$
Cost					
Customer relationships	7,539,764	-	-	400,217	7,939,981
Technology	7,266,550	-	-	374,307	7,640,857
Brand	1,178,234	-	-	62,542	1,240,775
Total	15,984,548	-	-	837,065	16,821,613

	March 31, 2025 \$	Amortization \$	Impairment \$	Translation Adjustments \$	September 30, 2025 \$
Accumulated amortization					
Customer relationships	5,353,754	531,234	1,743,618	311,374	7,939,981
Technology	4,088,093	359,638	2,956,467	236,660	7,640,857
Brand	25,299	-	1,206,952	8,525	1,240,775
Total	9,467,146	890,872	5,907,037	556,558	16,821,613
Net book value	6,517,402				-

Intangible assets are evaluated for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be impairment. Impairment is determined by assessing if the carrying value of a CGU, including intangible assets, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to dispose and the value in use.

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Intangible assets (continued)

At September 30, 2025 management assessed the recoverable amount of its intangible assets.

Modern Workplace Optimization

Management reviewed the recoverable amount of intangible assets for the CGU and determined that an impairment charge was required. The recoverable amount was assessed primarily by reference to a value-in-use ("VIU") calculation. The VIU was based on discounted cash flow projections reflecting management's assessment of expected operating results over a five-year period, including projected revenue growth rates of -39.2% to 2.0%, reflecting renewal of Vantage DX and Legacy products. A discount rate (WACC) of 19.3% per annum was applied, reflecting interest rates, equity risk, and size risk premiums. Cash flows beyond the five-year period were extrapolated using a terminal growth rate of 3%. The assumptions used were validated against pricing, independent market data, and actual sales results to date.

The impairment charge of \$5,907,037 was recognized, with fair value less costs of disposal considered using a market-based approach. The CGU falls within Level 3 of the fair value hierarchy, as not all inputs are observable in the market. For valuation purposes, a range of revenue multiples from comparable transactions was applied.

11. Accounts payable and accrued liabilities

	September 30, 2025	March 31, 2025
	\$	\$
Trade payables	286,106	227,962
Accrued key management compensation	565,865	885,933
Accrued professional fees	250,272	365,789
Salaries, benefits, and vacation payable	613,070	847,935
Commissions payable	20,857	30,682
Taxes payable	62,157	69,722
Other payables	192,510	288,696
Total	1,990,836	2,716,719

12. Debt

	September 30, 2025	March 31, 2025
	\$	\$
FedDev loan - Jobs and Growth; advanced to support the commercialization of the Corporation's activities; non-interest bearing, unsecured and repayable in increasing monthly payments between April 2025 and March 2031. The incremental borrowing rate is 13.85%.	1,606,049	1,586,697
Wesley Clover International Loan: US 5,292,031 subordinated term loan advanced in three tranches in August 2022, May 2023 and Aug 2023, interest accrued at US Prime plus 8.75% until July 23, 2025 and at 12% fixed rate thereafter, to be paid at loan maturity on Aug 28, 2028. The effective interest rate is 15.10%.	10,973,199	10,508,977
Total debt	12,579,248	12,095,674
Amounts due within one year	(240,000)	(180,000)
Long-term debt	12,339,248	11,915,674

On July 23, 2025, the Company executed an amendment to its loan agreement with Wesley Clover International, extending the maturity date from August 28, 2026 to August 28, 2028. As part of the amendment, the interest rate was revised to a fixed rate of 12%.

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13. Right-of-use assets

Right-of-use asset:	\$	
Balance at March 31, 2025		250,335
Additions		90,790
Depreciation for the period		(40,843)
Foreign exchange translation		927
Balance at September 30, 2025		301,209

Lease obligation:	\$	
Balance at March 31, 2025		300,416
Additions		90,790
Interest expense		74,492
Payments		(101,986)
Foreign exchange translation		2,192
Balance at September 30, 2025		365,904

For the three and six months ended September 30, 2025, the Corporation recognized \$4,296 and \$40,843, respectively (September 30, 2024 - \$48,521 and \$101,196) as depreciation on right-of-use assets, and \$65,543 and 74,492, respectively (September 30, 2024 - \$15,957 and \$35,284) as interest expense on the lease liability.

For the three and six months ended September 30, 2025, the Corporation recognized variable non-lease payment of \$24,506 and \$49,012 respectively (September 30, 2024 - \$26,140 and \$53,841).

The Company's lease for the office space in France commenced in January 2019 and expires in September 2025. The incremental borrowing on this lease is 3.18%. The Company entered into a new lease agreement on September 19, 2025, which will commence on October 1, 2025, for a term of one year.

The Corporation originally entered into a 5-year lease agreement for office premises located in Kanata, Ontario, Canada, commencing on March 1, 2017 and expiring on February 28, 2022. This lease was subsequently renewed, extending the maturity date to February 28, 2028, with an incremental borrowing rate of 14.08%. On July 14, 2025, the Corporation signed an agreement with the same lessor to lease a new office space at the existing rental rate. This new agreement extends the lease term to July 31, 2030. This lease modification resulted in an addition of \$90,790 in right-of-use asset and in lease obligation.

The Corporation has applied judgment in the process of applying IFRS 16 and determining the appropriate lease term on a lease-by-lease basis, which has a significant effect on the measurement of the lease liability and right-of-use assets recognized. Management considers many factors including any events that create an economic incentive to exercise a renewal option including expected future performance and past business practice. The Corporation has also exercised judgment in determining the incremental borrowing rate based on the term, security, the lessee entity's economic environment, credit rating, level of indebtedness and asset specific adjustments.

14. Equity instruments

i. Warrants

During the six months ended September 30, 2025 and 2024 no warrants were issued and no warrants expired.

At September 30, 2025 and 2024 the Corporation had no outstanding warrants.

ii. Share-based payments

The Corporation has a stock option plan (the "Plan") open to certain members of management, employees and consultants. Unless otherwise determined by the Board of Directors, options issued

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Equity instruments (continued)

under the Plan vest over a three-year period and have expiry dates which are 5 years from issuance. The maximum number of common shares reserved for issuance of options that may be granted under the Plan is 10% of the total outstanding common shares of the Corporation, calculated on a fully diluted basis.

The following table summarizes the continuity of options issued under the Plan:

	Option exercise price \$	Total #
Balance outstanding at March 31, 2024	0.05-0.33	29,254,412
Granted	0.05	8,735,000
Forfeited	0.05- 0.33	(7,188,269)
Expired	0.33	(740,476)
Balance outstanding at March 31, 2025	0.05-0.21	30,060,667
Granted	0.05	220,000
Expired	0.05-0.21	(1,399,667)
Balance outstanding at September 30, 2025	0.05-0.135	28,881,000

Options exercisable:

At September 30, 2025	0.05-0.135	16,392,268
At March 31, 2025	0.05-0.21	11,281,927

Grant date	Option exercise price \$	Number exercisable #	Remaining life Years
June 30, 2021	0.135	20,000	0.75
January 13, 2022	0.060	500,000	1.29
May 2, 2022	0.050	1,500,000	1.59
January 12, 2023	0.050	5,935,629	2.28
February 14, 2023	0.050	156,666	2.38
May 29, 2023	0.050	5,349,980	2.66
November 21, 2023	0.050	543,330	3.15
February 14, 2024	0.050	66,666	3.38
June 25, 2024	0.050	2,319,997	3.74
November 19, 2024	0.050	-	4.14
February 19, 2025	0.050	-	4.39
June 16, 2025	0.050	-	4.71
Weighted average	0.050		2.55
Total		16,392,268	

At September 30, 2025, the fair value of share-based compensation to be recognized as an expense in future periods totaled \$63,405 (March 31, 2025 – \$114,373).

In determining the amount of share-based compensation, the Corporation uses the Black-Scholes option pricing model to establish the fair value of options granted. There were 220,000 options granted in the six months ended September 30, 2025 (September 30, 2024 – 6,960,000). The fair value of options granted in the six months ended September 30, 2025, was established by applying the following assumptions:

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Equity instruments (continued)

	September 30, 2025
Fair market value on grant date	\$0.01
Exercise price	\$0.05
Risk-free interest rate	2.79%
Expected life in years	3.5
Expected dividend yield	0%
Volatility	247.17%
Fair value of options issued in the periods	\$0.009576

Volatility was determined by using the historical volatility of the Corporation's common shares over a 3.5-year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero-coupon Canada government bonds with a remaining term equal to the expected life of the options.

15. Supplementary cash flow information

The net change in the operating components of working capital is as follows:

	Note	September 30, 2025	September 30, 2024
		\$	\$
Net change in operating components of working capital:			
Trade and other accounts receivable	9	742,770	(621,302)
Investment tax credits and grants receivable	7	36,833	9,293
Prepaid expenses		(1,057,107)	7,938
Inventories		-	923
Accounts payable and accrued liabilities	11	(881,176)	(1,143,438)
Deferred revenue	5	(1,106,293)	(723,361)
Total		(2,264,973)	(2,469,947)

16. Related party transactions and balances

During the period the Corporation entered into the following transactions with related parties in the normal course of operations.

- i. For the three and six months ended September 30, 2025, the Corporation paid rent to WCI, which is reflected in the results as depreciation of right-of-use assets of \$-15,390 and \$1,957, respectively (September 30, 2024 – \$17,346 and \$34,693) and rent expense of \$24,506 and \$49,494, respectively (September 30, 2024 – \$23,870 and \$45,528).
- ii. On August 22, 2022, the Corporation obtained a subordinated loan from Wesley Clover International (WCI), a related party. Between August 2022 and August 2023, a total of US \$5,292,031 was advanced under this loan amendment. On July 23, 2025, the Corporation executed an amendment to extend the loan's maturity date from August 28, 2026 to August 28, 2028 and revising the interest rate to a fixed rate of 12% on the outstanding balance. All other terms remained unchanged.
- iii. The WCI loan bears interest of US Prime plus 8.75% until July 23, 2025 and a fixed rate of 12% thereafter, with interest payable at maturity. For the three and six months ended September 30, 2025, interest expense of \$348,607 and 765,280 respectively was accrued (September 30, 2024 – \$383,040 and \$715,780) and recorded in the consolidated statement of loss and comprehensive loss.
- iv. The chairman of Wesley Clover International Corporation is a shareholder of the Corporation.

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Related party transactions and balances (continued)

- v. Included in accounts payable and accrued liabilities are balances as at September 30, 2025 totaling \$565,865 (March 31, 2025 - \$885,933) due to key management personnel for compensation, earned vacation pay and DSU expenses.
- vi. The remuneration of directors and key management personnel for the three and six months ended September 30, 2025 was as follows:

	3 Months ended		6 Months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Salaries, wages and bonuses	511,393	628,859	1,148,478	1,148,551
Other employee benefits	19,498	17,364	40,816	31,765
Share-based compensation	(45,708)	30,936	168,747	79,736
Total	485,183	677,158	1,358,041	1,260,051

17. Financial risk management objectives and policies

There have been no significant changes to the nature and magnitude of risk exposures and to management's objectives and processes for managing them since the prior period.

Credit risk

The Corporation's largest customer, which is included in the Monitoring - Mitel UC segment reporting, accounted for revenue of \$1,434,747 and \$2,879,208 approximately 47% of total revenue, for the three and six months ended September 30, 2025 (for the three and six months ended September 30, 2024 - \$1,516,039 and \$3,160,585, 42%). At September 30, 2025 the account receivable from this customer totaled \$1,603,237 (March 31, 2025- \$1,851,686). The Corporation maintains strict credit policies and limits in respect to counterparties.

Liquidity risk

The following table summarizes the maturities of financial instruments by fiscal year on an undiscounted basis, including interest payments, as at September 30, 2025:

Maturities of Financial Instruments

	2026	2027	2028	2029	Thereafter	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,990,836	-	-	-	-	1,990,836
Lease obligation	51,675	103,350	103,350	103,350	147,800	509,525
Debt liabilities	90,000	300,000	420,000	16,102,873	1,066,672	17,979,545
Total	2,132,511	403,350	523,350	16,206,223	1,214,472	20,479,905

Foreign currency risk

For the three and six months ended September 30, 2025, 99% of revenue were in foreign currencies (September 30, 2024 – 99% of revenue). For the three and six months ended September 30, 2025, 22% and 28% of expenses were in foreign currencies (September 30, 2024 – 32% and 55%).

The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities where revenue and/or expense transactions are denominated in a currency other than the Canadian dollar (Martello's functional currency). The Corporation's net exposure to the USD and EUR is denominated in CAD and is summarized in the following table:

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Financial risk management objectives and policies (continued)

	September 30, 2025	March 31, 2025	September 30, 2025	March 31, 2025
	USD	USD	EUR	EUR
Cash and restricted cash	1,603,857	2,839,985	128,114	381,530
Trade and other accounts receivable	3,186,530	2,760,195	434,235	296,201
Accounts payable and accrued liabilities	(177,454)	(209,471)	(364,163)	(1,102,060)
Foreign exchange forward contract liability	-	(54,837)	-	-
Long-term debt	(10,998,022)	(10,547,343)	-	-
Net exposure	(6,385,089)	(5,211,471)	198,186	(424,329)

A 10% change of the US\$ against the CAD\$ at September 30, 2025 would have increased or decreased net loss by \$618,690 (March 31, 2025: \$563,580).

18. Capital management

Management defines capital as total shareholders' equity. The Board of Directors has not established capital benchmarks or other targets. There have been no changes in the Corporation's approach to capital management during the six months ended September 30, 2025. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

19. Commitments

On August 24, 2021, the Company entered into a consumption commitment agreement with Microsoft to utilize \$4 million of eligible Azure services over a four-year period. Under the terms of the agreement, if total usage is below the committed amount at maturity, the remaining balance may be prepaid and consumed within 12 months following the end of the term. As of July 31, 2025, the Company had utilized \$3,274,765 of its \$4,000,000 Microsoft Azure Consumption Commitment (MACC), leaving an unspent balance of \$725,235. The MACC expired on July 31, 2025. During August and September 2025, the Company incurred additional Azure usage of \$125,443, reducing the unspent balance to \$599,792 as of September 30, 2025.

20. Subsequent events

After the reporting period, the Group approved a workforce reduction plan as part of its ongoing cost optimization initiatives. The implementation of this plan, communicated to affected employees after the reporting date, will result in termination benefits recognized in the subsequent quarter.

In accordance with IAS 10 – Events after the Reporting Period, this is considered a non-adjusting subsequent event, as the decision and related conditions arose after the end of the reporting period. Pursuant to IAS 19 – Employee Benefits, the estimated termination cost of approximately \$2,398,278 will be recognized as an expense in the next reporting period, when the Group can no longer withdraw the offer of those benefits.