



Martello Technologies Group, Inc.

Management's Discussion and Analysis of
Financial Condition and Results
of Operations ("MD&A")

For the three and nine months ended
December 31, 2025

February 12, 2026

The following Management Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) of Martello Technologies Group Inc. (“Martello” or the “Company”) was prepared by Management and approved by the Board of Directors of the Company (the “Board”) as of February 12, 2026, the effective date of this MD&A.

This MD&A is a discussion and analysis of the financial condition and results of operations of Martello for the three and nine months ended December 31, 2025, and 2024. This MD&A should be read in conjunction with the Company’s consolidated financial statements and accompanying notes for the period ended March 31, 2025, and the associated press release. All amounts in the MD&A are stated in Canadian dollars, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based on current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not facts but reflect the Company’s current assumptions and expectations regarding future results or events.

These forward-looking statements are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to risks and uncertainties related to:

- The performance of the Company’s business and operations;
- The intention to grow the business and operations of the Company;
- Future liquidity, financial capacity and availability of future financing opportunities;
- Economic conditions, including risks associated with currency exchange rates, interest rates, inflation, taxes and geopolitical events;
- The impact of a pandemic (e.g., COVID-19) on the global economy and markets, and on the Company’s operations, business and financial performance;
- Competition in a continuously evolving industry;
- Customer acceptance of new products;
- Operations in international markets;
- The Company’s ability to respond to rapid technological changes with new products and services;
- The Company’s ability to successfully realize value from acquisitions;
- The return on investment from research and development investments;
- The Company’s ability to protect and enforce its intellectual property, and risks of potential claims of intellectual property infringement by third parties;
- The Company’s ability to manage product and service lifecycles;
- The Company’s ability to execute on sales strategies, including developing existing and new channels to market;
- Effective management of open-source software adoption and compliance risks;
- Cybersecurity and privacy risks;
- Unplanned outages of the Company’s software and the broader IT ecosystems;
- The ability of the Company’s products to operate effectively with those of its customers; and
- The dependence of the Company’s business on Mitel Networks Corp. (“Mitel”) and its partners.

A more complete discussion of these and other risks can be found in “Risk Factors”.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions are reasonable, undue reliance should not be placed on the forward-looking statements, because there can be no assurance that the anticipated results or developments will be realized. Actual results can vary from the results projected and such variances may be material and adverse.

The Company does not undertake to update or revise any forward-looking statements, whether a result of new information, future events or otherwise, except as required by law.

COMPANY OVERVIEW

Martello's mission is to provide innovative SaaS-based experience monitoring software for enterprise communication and collaboration services, including Mitel, Microsoft and Zoom. Martello's solutions enable customers or their MSPs to proactively detect performance issues, troubleshoot and resolve problems faster, and uphold the toughest SLAs while keeping costs under control.

Martello has been actively working with Mitel for 15 years. Martello's Mitel Performance Analytics (MPA) solution monitors and manages thousands of Mitel deployments worldwide with millions of users. Mitel's installed base doubled in 2024 with its acquisition of Unify.

As of December 31, 2025, Martello had 28 active employees: 22 in Canada, 3 in the United States and 3 in Europe (65 active employees prior to the October 20, 2025 restructuring).

Products

Martello develops experience monitoring software purpose-built for enterprise collaboration services. The Company's solutions detect potential performance issues before they impact users, helping MSPs and enterprise IT teams to proactively resolve issues and optimize the user experience. Martello is actively evaluating new software as a service (SaaS) innovation opportunities and leveraging artificial intelligence (AI) to improve its enterprise collaboration monitoring offerings. Martello's products include:

Mitel

The Mitel business line includes the Mitel Performance Analytics product, software which is developed by Martello and sold by Mitel to its channel partners and enterprise customers to manage the performance of Mitel unified communications (UC) solutions. Martello and Mitel have entered into agreements regarding the use and resale of Martello software and services, and the Company's software is used in Mitel's own global network operations centre (NOC).

Modern Workplace Optimization

The Modern Workplace Optimization business line includes the following products:

- **Microsoft Experience Monitoring** solutions include Vantage DX, a SaaS-based digital experience monitoring solution purpose-built for Microsoft 365, Teams and Zoom, Gizmo, a legacy Microsoft 365 monitoring tool, and certain software products resold by Martello. On October 20, 2025, Martello announced the transition of Vantage DX to End of Sale status, in which the Company will continue to support existing customers and partners, but will cease marketing and selling the product to new customers and partners.
- **Other Legacy Software Products**, which include iQ and LiveMaps and tools to monitor IBM Domino Mail servers. Customers of these software products continue to use them and, in many cases, renew their subscriptions. Martello is no longer actively selling these products to net new Customers or in partnership arrangements. Certain legacy product customers have been converted to the newer Vantage DX platform.

Martello's product portfolio includes subscription-based offerings and software license sales, including the provision of licenses and maintenance and support for certain legacy software products. Martello also offers professional services in connection with the deployment of certain of its software products. Customers enter into an end-user licensing or master subscription agreement with Martello before using the Company's software.

Martello's products are developed internally and are not subject to material regulatory approvals. Martello follows industry best practices in its development methodology as appropriate, to ensure scalability, data security and standards compliance of its products and services. Martello has completed a SOC 2 Type 2 audit for its Vantage DX product.

The Company maintains an active product development and enhancement program for MPA, while providing support for Vantage DX and certain legacy product offerings.

Growth Strategy

Martello is pursuing the following growth strategy:

Retaining and Nurturing Vantage DX Customer Base

The Company is actively managing and supporting its existing Vantage DX accounts and continues to work with enterprise customers to deliver ongoing value, which can include selling additional user licenses to accommodate employee growth, and upselling customers to a higher Vantage DX service tier to gain access to additional features. Martello also continues to convert Legacy product customers to Vantage DX where appropriate.

Strengthening the Value Proposition of Mitel Performance Analytics (MPA)

Martello is focused on enhancing the value of MPA for Mitel partners and customers, driving increased demand, winning new partners and enterprise clients, and delivering incremental value to existing users. Working closely with Mitel, the Company is pursuing joint initiatives to expand awareness and adoption of MPA through targeted Mitel programs. These initiatives are designed to demonstrate the value of MPA as a core element of Mitel's service delivery and customer experience strategy.

Martello continues to collaborate with Mitel on product development to ensure that MPA evolves in step with Mitel's platform roadmap, adding features and capabilities that deliver tangible operational value to both Mitel and its partners. Recent enhancements have expanded MPA's coverage of the Mitel portfolio, including additional support for the MX-ONE platform. To drive MPA adoption and engage new partners, Martello is also pursuing new go-to-market models outside of Mitel's premium software assurance program.

Advancing Innovation Initiatives

As enterprise communications environments continue to evolve and become more software-driven, organizations are increasingly seeking greater visibility, assurance, and operational insight across their collaboration platforms and underlying infrastructure. Martello is actively evaluating opportunities to extend its technology and domain expertise into adjacent areas that align with these needs, including the application of advanced analytics and artificial intelligence (AI) to bring further value to the Mitel ecosystem.

The Company's experience in service assurance, performance monitoring, and real and synthetic user simulation provides a strong foundation from which to explore new innovation initiatives within and adjacent to the unified communications market. Management believes these capabilities can be leveraged to address emerging operational challenges faced by managed service providers and enterprise customers as systems grow more complex and data-intensive.

SIGNIFICANT DEVELOPMENTS

In the first three quarters of the 2026 fiscal year, the following significant developments occurred:

- On November 20, 2025, Martello announced a new loan agreement with Wesley Clover International for CAD\$2,000,000. Under the terms of the new loan agreement, Wesley Clover International advanced CAD\$2,000,000 to Martello at a fixed interest rate of 8% per annum. Interest accrues during the term of the loan and is to be paid at loan maturity, which is August 28, 2028.
- On October 20, 2025, Martello announced an operational restructuring in which its Vantage DX product would transition to End of Sale status. The restructuring was expected to result in a reduction of Martello's overall global workforce by approximately 50%. Chief Technology Officer Doug Bellinger chose to retire and transition into an advisory role.
- On July 23, 2025, Martello announced an amendment to the amended and restated loan agreement with Wesley Clover International. The amendment extends the maturity date of the loan by two years to August 28, 2028 and adjusts the interest rate from US Prime plus 8.75% per annum to a fixed rate of 12% per annum.

- On April 23, 2025, Martello announced the launch of unified experience management for Microsoft Teams and Zoom hybrid environments in Vantage DX.

In the first three quarters of the 2025 fiscal year, the following significant developments occurred:

- On November 20, 2024, Martello announced the grant of 1,000,000 stock options to Michael Contento, a director of the Company. The stock option grant is associated with Mr. Contento's appointment on November 4, 2024.
- On October 29, 2024, Martello announced the appointment of Michael Contento to the Company's Board, effective November 4, 2024.
- On June 27, 2024, Martello announced the grant of 5,500,000 stock options to Jim Clark and 1,000,000 stock options to Alec Saunders.
- On June 26, 2024, the Company announced the launch of the industry's first experience management solution for Copilot for Microsoft 365.
- On June 20, 2024, the Company announced the appointment of Nicolae (Nick) Lungu as Interim Chief Financial Officer, effective June 21, 2024.
- On June 3, 2024, the Company announced the resignation of Director Mike Galvin for personal reasons, effective May 31, 2024.
- On April 1, 2024, Jim Clark was appointed Chief Executive Officer and Director of Martello, and software industry executive Alec Saunders was appointed to the Company's Board of Directors, as announced on March 26, 2024.

Subsequent events

Management has determined that there are no events requiring adjustment or disclosure in the financial statements which occurred subsequent to the balance sheet date and through the issuance date.

BASIS OF PRESENTATION

The Company's consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Certain financial measures contained in this MD&A are non-IFRS measures and are discussed further in the "Non-IFRS Financial Measures" section below.

All amounts stated in this MD&A are in Canadian dollars unless otherwise indicated.

NON-IFRS FINANCIAL MEASURES

The Company's "EBITDA" and "Adjusted EBITDA" and Monthly Recurring Revenue ("MRR") are non-IFRS financial measures used by management that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on an adjusted basis.

EBITDA is a non-IFRS financial measure and is defined as net loss before interest income, interest expense, accretion of long-term debt, income tax, depreciation and amortization of intangible assets.

ADJUSTED EBITDA is a non-IFRS financial measure. The Company defines Adjusted EBITDA as earnings before interest, income taxes, depreciation and amortization ("EBITDA"), excluding share-based compensation expense, foreign exchange gain or loss, revaluation of forward contract, deferred stock unit plan expense, and employee termination costs related to restructuring activities arising from the End-of-Sale announcement.

MRR is a non-IFRS measure and represents average monthly recurring revenues earned in a fiscal quarter and is a common metric used by subscription software companies to indicate a normalized monthly revenue that is predictable and recurring soon. MRR is calculated as sales for the fiscal quarter, less revenue recognized at a point in time or that is non-recurring in nature divided by the number of months in the quarter.

These measures are used internally to evaluate our operating and financial performance. We believe that these non-IFRS financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate our operating results, underlying performance and prospects in a manner like management. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

FINANCIAL PERFORMANCE

Financial Highlights (in 000's)	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	(Three months ended)		(Nine months ended)	
Sales	\$ 2,988	3,718	9,075	11,155
Cost of Goods Sold	480	527	1,407	1,532
Gross Margin	2,508	3,191	7,668	9,622
<i>Gross Margin</i>	%	83.9%	85.8%	84.5%
Operating Expenses	5,557	4,175	19,697	12,420
Loss from operations	(3,049)	(985)	(12,029)	(2,798)
Other income/(expense)	(514)	(720)	(1,118)	(1,325)
Loss before income tax	(3,563)	(1,704)	(13,147)	(4,123)
Income tax recovery (expense)	(1)	(95)	(3)	33
Net loss	(3,564)	(1,799)	(13,151)	(4,089)
Total Comprehensive loss	\$ (3,285)	(2,099)	(12,905)	(4,297)
EBITDA (1)	\$ (3,112)	(765)	(10,784)	(1,459)
Adjusted EBITDA (1)	\$ (39)	(427)	(1,992)	(1,202)

(1) Non-IFRS measure. See "Non-IFRS Financial Measures".

Balance Sheet – Highlights

(in 000's)	December 31, 2025	March 31, 2025
Cash and short-term investment	\$ 3,478	6,686
Working capital	579	4,719
Total Assets	8,102	19,229
Total Liabilities	24,050	22,329
Share capital and contributed surplus	65,703	65,646
Warrants	2,320	2,320
Accumulated deficit and other comprehensive income	(83,971)	(71,066)
Shares issued and outstanding	# 583,707,430	583,707,430

Highlights for the three months ended December 31, 2025, as compared to the same period in 2024:

- Revenue for Q3 FY26 was \$2.99 million, representing a decrease of \$0.73 million (20%) compared to \$3.72 million in the same quarter of the prior year mainly driven by decline in renewal rates for legacy products.
- The revenue mix was diverse in Q3 FY26, including Modern Workplace Optimization (“MWO”) products which contributed 48% of revenues, and the Mitel segment which contributed 52% compared to 55% and 45% for same period last year, respectively. The Mitel segment continues to be a relatively stable source of revenue and margin.
- 98% of revenue was recurring in Q3 FY26 and remained consistent with Q3 FY25.
- Monthly Recurring Revenue (MRR) totaled \$0.98 million in Q3 FY26, a decrease of \$0.24 million (20%) compared to \$1.22 million in Q3 FY25. The decline was primarily driven by lower renewal rates on sunseting Legacy product offerings and a shift in the revenue mix related to Mitel’s software assurance program.
- Vantage DX MRR declined by 22% in Q3 FY26, primarily due to customer attrition.
- Gross margin as a percentage of revenue was 83.9% in Q3 FY2026, compared to 85.8% in Q3 FY2025. This decrease was primarily attributable to the MWO segment, where gross margin reflects a larger proportional decline in revenue compared to the reduction in cost of sales while the Mitel segment maintained consistent gross margin.
- Operating expenses for Q3 FY26 increased to \$5.56 million, up \$1.39 million from \$4.17 million in Q3 FY25. The increase was mainly attributable to termination costs associated with the workforce reduction actions, as part of the Vantage DX end of sale and operational restructuring in October 2025. These costs were partially offset by favourable variance in amortization expense following the write-off of intangible assets in the MWO segment in the prior quarter of FY26.
- Loss from operations was \$3.05 million, compared to a loss of \$0.98 million in Q3 FY25. Excluding the \$2.7 million of onetime termination costs and \$0.18 million of impairment of right of use assets, the loss from operations is \$0.17 million compared to a loss of \$0.99 million in Q3 FY25. This improvement is attributable to lower operating expenses partially offset by lower revenue as discussed above.
- Net loss for Q3 FY26 was \$3.56 million, compared to \$1.80 million in Q3 FY25, representing an increase of \$1.76 million. The higher net loss primarily reflects the changes discussed above partially offset by lower interest expense due to decrease in US prime rate and interest rate of WCI loan following the contract amendment in Q2 FY26, lower foreign exchange loss and savings in revaluation cost due to forward contract expiry.

Highlights for the nine months ended December 31, 2025, as compared to the same period in 2024:

- Aggregate revenue for Q3 FY26 was \$9.07 million, down \$2.08 million (23%) from \$11.15 million in Q3 FY25. On a constant currency basis, revenue declined by \$2.29 million (21%), partially offset by favourable foreign exchange fluctuations of \$0.21 million. The decrease was primarily driven by lower subscription licenses and maintenance and support revenue from MWO segment, as well as reduced volume and subsequent revenue from Mitel.
- Revenue remains diversified with Modern Workplace Optimization products contributing 50% and Mitel contributing 50% in Q3 YTD FY26. This reflects a 6% increase in Mitel’s share compared to Q3 YTD FY25 (56% and 44%, respectively). The

Mitel segment continues to be a large and stable source of revenue and margin.

- 98% of revenue was recurring in Q3YTD FY26 similar to Q3 YTD FY25.
- Gross margin as a percentage of revenue was 84.5% in Q3 YTD FY2026, compared to 86.3% in Q3 YTD FY2025. The decrease in gross margin reflects a proportionally larger decline in revenue relative to the reduction in cost of sales.
- Operating expenses increased by 59%, or \$7.28 million, in Q3 YTD FY26 to \$19.7 million compared to \$12.42 million in Q3 YTD FY25. The increase was primarily driven by the write-off of intangible assets for MWO segment and right of use assets along with the one-time termination cost as a result on the Company's operational restructuring.
- Loss from operations was \$12.03 million, compared to a loss of \$2.8 million in the same period of FY25. The increase of \$9.23 million is primarily attributable to a \$6.09 million impairment of intangible assets and right of use assets and one-time termination costs of \$2.7 million. Excluding these non-recurring costs, the loss from operations is \$3.22 million or \$0.42 million higher compared to the same period last year mainly driven by \$2.08 million decrease in revenue partially offset by \$1.66 million less in operating expenses attributable to lower employee compensation, marketing activities, professional fees and amortization cost.
- Net loss for Q3 YTD FY26 was \$13.15 million, compared to \$4.09 million in Q3 YTD FY25, representing an increase of \$9.06 million. The higher net loss primarily reflects increased expenses and lower revenue, as discussed above.

Non-IFRS financial measures

The decrease in Adjusted EBITDA loss in Q3 FY26 compared to Q3 FY25 was primarily driven by lower sales and decrease in compensation cost following the Company's restructuring. Lower sales in Q3 YTD FY26 offset the cost savings attributable to the workforce reduction and contributed to the increase in Adjusted EBITDA for the period.

EBITDA and Adjusted EBITDA (in 000's)	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	(Three months ended)		(Nine months ended)	
Net loss	\$ (3,564)	(1,799)	(13,151)	(4,089)
Interest income	(2)	(1)	(2)	(6)
Interest expense	(2) 373	415	1,230	1,187
Financing fees	(2) -	-	-	1
Accretion of long-term debt	(2) 55	52	165	142
Gain on Fed Dev loan	(2) -	-	-	(104)
Income tax recovery (expense)	(2) 1	95	3	(33)
Depreciation	(2) 23	47	80	169
Amortization	(2) -	425	891	1,274
EBITDA	(1) (3,112)	(765)	(10,784)	(1,459)
Foreign exchange gain	(2) 101	144	(198)	35
Revaluation of forward contract	(2) -	96	(55)	84
Other income	(2) (15)	13	(22)	(16)
Share-based compensation expense	(3) 10	25	58	64
Deferred stock unit plan expense	(3) 79	60	203	89
Impairment of intangible assets	(2) -	-	5,907	-
Impairment of right of use assets	(2) 185	-	185	-
Termination costs on restructuring	(2) 2,714	-	2,714	-
Adjusted EBITDA	(1) (39)	(427)	(1,992)	(1,202)

(1) Non-IFRS measure. See "Non-IFRS Financial Measures".

(2) Per the Statements of loss and comprehensive loss.

(3) Per the Statement of cash flows

MRR is a non-IFRS measure and represents the average monthly recurring revenues earned in a fiscal quarter and is a common metric used by subscription software companies to indicate a normalized monthly revenue that is predictable and recurring. MRR is calculated as sales for the fiscal quarter, less revenue recognized at a point in time or that is non-recurring in nature divided by the number of months in the quarter.

Reconciliation of Sales to MRR - 3 months ended

(in 000's)	December 31, 2025	December 31, 2024
Sales	\$ 2,988	3,718
Less: Revenue recognized at point in time	(38)	(33)
Less: Term licenses	(21)	(35)
Quarterly Recurring Revenue	2,930	3,650
Monthly Recurring Revenue (MRR)	977	1,217

SUMMARY OF RESULTS

The information contained in the following tables, including the variance calculations, is intended to assist in the year-over-year comparison and provide additional clarity on the results.

Sales and Gross Margin

Sales represent:

- (a) the sale of subscription, renewal of legacy subscriptions, perpetual software licenses and related maintenance and support as well as training and professional services for Microsoft 365 and Teams end user experience monitoring solutions, including Vantage DX, and
- (b) the sale of Mitel Performance Analytics software, hardware, training and professional services.

Martello's primary source of revenue is subscription - based license sales. Martello's sales are both indirect via managed services providers and value-added resellers, and direct to enterprises. Martello's UC performance analytics software is included in Mitel's premium software assurance plans (Mitel Performance Analytics or MPA). Martello earns a monthly fee for each subscriber to the plan.

Recurring revenue includes the components described above as MRR.

Cost of goods sold includes web hosting services, delivery and support costs, hardware, and third-party software costs.

Three and nine months ended December 31, 2025

Gross Margin - Summary

(in 000's)	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	(Three months ended)		(Nine months ended)	
Sales	\$ 2,988	3,718	9,075	11,155
Cost of Goods Sold	480	527	1,407	1,532
Gross Margin	2,508	3,191	7,668	9,622
<i>Gross Margin</i>	<i>83.9%</i>	<i>85.8%</i>	<i>84.5%</i>	<i>86.3%</i>

Explanations for period changes in revenue and margin are provided in the financial performance section above.

Segmented information

The Company operates two lines of business: 1) Mitel (includes the MPA product, software which is developed by Martello and sold through Mitel and Mitel channel partners and enterprise customers to monitor and manage the performance of Mitel UC

platforms and solutions); and 2) Modern Workplace Optimization includes; Vantage DX as well as Legacy Software Products (includes Gizmo, iQ, LiveMaps and Domino). These lines of business engage in business activities from which they earn revenues primarily from subscription as well as perpetual software licenses, maintenance and support, training and professional services and hardware. On October 20, 2025, Martello announced the transition of Vantage DX to End of Sale status, in which the Company will continue to support existing customers and partners, but will cease marketing and selling the product to new customers and partners.

Three and nine months ended December 31, 2025

Sales and Gross Margin - Three months ended

(in 000's)	December 31, 2025			December 31, 2024			
	Modern Workplace Optimization			Modern Workplace Optimization			
		Mitel	Total	Mitel	Total		
Sales	\$	1,437	1,551	2,988	2,042	1,676	3,718
Cost of Goods Sold		436	44	480	478	49	527
Gross Margin		1,001	1,507	2,508	1,563	1,627	3,191
<i>Gross Margin</i>	%	69.6%	97.1%	83.9%	76.6%	97.1%	85.8%

Sales and Gross Margin -Nine months ended

(in 000's)	December 31, 2025			December 31, 2024			
	Modern Workplace Optimization			Modern Workplace Optimization			
		Mitel	Total	Mitel	Total		
Sales	\$	4,536	4,539	9,075	6,204	4,951	11,155
Cost of Goods Sold		1,254	154	1,407	1,390	143	1,532
Gross Margin		3,283	4,385	7,668	4,814	4,808	9,622
<i>Gross Margin</i>	%	72.4%	96.6%	84.5%	77.6%	97.1%	86.3%

Mitel revenue decreased \$0.12 million, or 7%, in Q3 FY26 compared to the same period in FY25 and \$0.41 million in Q3 YTD FY26 (8% decrease v. Q3 YTD FY25). The decrease is attributable to a variance in the mix of revenue from various Mitel Performance Analytics offerings. Gross margin remained flat in Q3 FY26 compared to the same quarter in FY25 or 97.1% for both periods. However, gross margin for Q3 YTD FY26 decreased compared to the same period of FY25 – 96.6% v. 97.1% mainly attributable to lower Mitel revenue.

Revenue for the Modern Workplace Optimization segment decreased \$0.60 million, or 29.6% in Q3 FY2026 compared to the same period in FY2025 and \$1.67 million in Q3 YTD FY26 (36.8% decrease v. Q2 YTD FY26). The decline was primarily due to the sunsetting of Legacy products with a decrease of \$0.46 million (34.2%) in Q3 FY26 and \$1.40 million (32.7%) in Q3 YTD FY26 across all revenue streams (licenses, subscription, support and maintenance). This was partially offset by favourable foreign exchange movements due to the strengthening of the EUR against the CAD.

Gross margin also demonstrated a decrease of 7.5% and 6.2% for Legacy products in Q3 and Q3 YTD FY26, respectively, which reflects a proportionally larger decline in revenue relative to the reduction in cost of sales. The gross margin for the Vantage DX product decreased by 2.9% in Q3 and was still reflecting an improvement by 1.3% in Q3 YTD FY26 due to optimization of hosting software products on the cloud as well as decline in delivery costs.

For the three and nine months ended December 31 2025 and 2024

MRR Reconciliation - 3 months ended

(in 000's)	December 31, 2025			December 31, 2024		
	Modern Workplace Optimization	Mitel	Total	Modern Workplace Optimization	Mitel	Total
Revenue	\$ 1,437	1,551	2,988	2,042	1,676	3,718
Adjustments:						
Less Revenue recognized at point in time						
Training and professional services	(38)	-	(38)	(33)	-	(33)
Less: Term licences	(21)	-	(21)	(35)	-	(35)
Quarterly Recurring Revenue	1,378	1,551	2,930	1,974	1,676	3,650
Monthly Recurring Revenue (MRR)	459	517	977	658	559	1,217

MRR is \$0.98 million in Q3 FY26 compared to \$1.22 million in Q3 FY25. The \$0.24 million (19.7%) decrease in MRR is primarily attributable to churn on Legacy product subscriptions and maintenance/support and changes in the mix of Mitel's software assurance program and partially offset by favourable foreign currency exchange translation.

Expenses

Three and nine months ended December 31, 2025

Expenses - Three months ended

(in 000's)	December 31, 2025	December 31, 2024	Increase / (Decrease)
Research and development	\$ 2,443	1,410	1,033
Sales and marketing	1,931	1,317	613
General and administrative	976	975	0
Depreciation	23	47	(25)
Amortization	-	424	(424)
Impairment of right of use assets	185	-	185
TOTAL	5,557	4,175	1,383

Expenses - Nine months ended

(in 000's)	December 31, 2025	December 31, 2024	Increase / (Decrease)
Research and development	\$ 5,323	4,127	1,196
Sales and marketing	4,462	4,023	439
General and administrative	2,850	2,826	23
Depreciation	80	169	(89)
Amortization	891	1,274	(383)
Impairment of intangible assets	5,907	-	5,907
Impairment of right of use assets	185	-	185
TOTAL	19,697	12,420	7,277

For the three and nine months ended December 31, 2025, operating expenses increased by \$1.38 million (33%) and \$7.28 million (59%), respectively, compared to the same periods in FY25. The increase was attributable to one-time termination cost resulting from the Company's restructuring in Q3 FY26 combined with the impairment charge (\$5.9 million) recognized on intangible assets related to the MWO segment in Q3 YTD FY26.

Research and development (“R&D”) expenses include compensation for the research and development team as well as sub-contract costs and development tools. These costs are partially offset by government grants, primarily investment tax credits, which are earned from qualifying Scientific Research and Experimental Development (“SRED”) expenditures, Credit D’Impôt en Faveur de la Recherche (“CIR”) and le Crédit D’impôt Innovation (“CII”).

- Research and development (R&D) expenses increased by \$1.03 million (73%) in Q3 FY26 compared to Q3 FY25 and by \$1.20 million (29%) on a year-to-date basis. The increase was attributable to termination costs resulting from the workforce reduction plan.

Sales and marketing costs include headcount-related compensation and marketing spend.

- Sales and Marketing expenses increased \$0.61 million (47%) in Q3 FY26 compared to Q3 FY25 and \$0.44 million (11%) in Q3 YTD FY26 compared to Q3 YTD FY25. The increase in Q3 and Q3 YTD FY26 is attributable to severance cost as discussed above partially offset by lower marketing and advertising expenses because of cost optimization initiatives.

General and administrative costs include headcount-related compensation, board compensation, rent and professional and other fees related to corporate activities.

- General and administrative costs remained flat in Q3 FY26 compared to Q3 FY25 and increased \$0.02 million (1%) in Q3 YTD FY26 compared to Q3 YTD FY25. The changes in Q3 FY26 and Q3 YTD FY26 compared to the same period last year were driven by lower compensation cost resulting from attrition offset by increase in insurance cost and legal fees incurred due to workforce reduction.

Loss From Operations

In Q3 FY26, the loss from operations was \$3.05 million compared to a loss of \$0.98 million in the same period of FY25, an increase of \$2.07 million (210%). In Q3 YTD FY26 the loss from operations was \$12.03 million compared to a loss of \$2.8 million in Q3 YTD FY25, an increase of \$9.23 million (330%). The increase in net loss from operations in Q3 and Q3 YTD FY26 is primarily due to the intangible assets write-off for MWO segment, one-time termination cost and a decrease in sales as described above.

Other Income/Expense

(in 000's)	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	(Three months ended)		(Nine months ended)	
Interest income	\$ 1	1	2	6
Interest expense	(373)	(415)	(1,230)	(1,187)
Accretion of long-term debt	(55)	(52)	(165)	(142)
Gain on receipt of FedDev loan	-	-	-	104
Revaluation of forward contract	-	(96)	55	(84)
Foreign exchange gain	(101)	(144)	198	(35)
Other income	15	(13)	22	15
TOTAL	\$ (514)	(720)	(1,118)	(1,325)

For the nine months ended December 31, 2025, the interest expense on WCI loan increased due to increase in the outstanding loan balance offset by a decrease in interest rates and in the US prime rate by 1% compared to the same period in the prior year. The US prime rate decreased from 8.5% as of March 31, 2024, to 7.5% as of July 22, 2025. 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%, from the earlier combined rate of US prime +8.75%. For the three months ended December 31, 2025, the interest expense decreased as compared to the same period in prior year due to the decrease in interest rates for the WCI loan.

For the three and nine months ended December 31, 2025, the Company reported foreign exchange loss of \$0.10 million and gain of \$0.20 million, compared to losses of \$0.14 million and loss of \$0.04 million for the same periods in the prior year. The primary

cause of the foreign exchange loss/gain was fluctuations in USD and EUR exchange rates and the revaluation of the WCI loan denominated in USD. The USD and EUR rates to CAD as of December 31, 2025, were 1.371 and 1.6092 (March 31, 2025 - 1.4359 and 1.5524) whereas as of December 31, 2024, the rates were 1.4376 and 1.4970 (March 31, 2024 - 1.3542 and 1.4579), respectively. To mitigate the impact of USD-denominated revenue, the Company has entered foreign exchange forward contracts with a financial institution. Revaluation of these forward contracts for the three and six months ended December 31, 2025, resulted in gain of \$Nil and \$0.05 million compared to loss of \$0.10 and \$0.08 million for the same periods last year, mainly due to the fluctuations in USD rates mentioned above. Also, the total commitments as of December 31, 2025, were for \$Nil compared to \$1.88 million for the same period last year.

For the nine months ended December 31, 2024, the Corporation received the final tranche of the Fed Dev loan – Jobs and Growth fund of \$250,000. An adjustment of \$103,573 was recorded to recognize the government grant within the loan at fair value upon inception.

Other Comprehensive Income / Loss

For the three and nine months ended December 31, 2025, the Company recorded other comprehensive gain of \$0.28 million and \$0.25 million, compared to losses of \$0.30 million and \$0.21 million in the same period last year. These amounts reflect foreign currency translation differences related to acquired operations with a functional currency of EUR.

During the nine months ended December 31, 2025, the EUR rates moved up from 1.5524 as of March 31, 2025, to 1.6092 as of December 31, 2025, resulting in a revaluation gain on net assets for the acquired operations. In contrast, for the prior period ended December 31, 2024, the revaluation loss was driven by volatility in the EUR/CAD exchange rate. The exchange rate increased in Q1 FY25, declined in Q2 FY25, and then increased again in Q3 FY25, resulting in a net revaluation loss on assets for the period.

Net Loss and Comprehensive Loss

For the three and nine months ended December 31, 2025, the net loss amounted to \$3.56 million and \$13.15 million compared to \$1.80 million and \$4.09 million in the same period of the prior year. The total comprehensive loss for the three and nine months ended December 31, 2025, was \$3.28 million and \$12.91 million compared to \$2.10 million and \$4.30 million for the same period of the prior year. The key drivers contributing to the losses are provided under Loss from operations, Other income/(expense), Income tax recovery and Other comprehensive loss above.

SELECTED QUARTERLY INFORMATION

The following table presents certain unaudited financial information for each of the six fiscal quarters up to and including the quarter ended December 31, 2025. The information has been derived from our unaudited quarterly condensed interim consolidated financial statements, which in management's opinion have been prepared on a basis consistent with the consolidated financial statements for the three and nine months ended December 31, 2025, and 2024. Past performance is not a guarantee of future performance, and this information is not necessarily indicative of results for any future period.

Martello Technologies Group Inc.
MD&A
For the three and nine months ended December 31 2025 and 2024

Quarterly Financial Information (in 000s)	Q3 FY26	Q2 FY26	Q1 FY26	Q4 FY25	Q3 FY25	Q2 FY25
Sales	\$ 2,988	2,999	3,088	3,376	3,718	3,640
Cost of Goods Sold	480	466	461	468	527	509
Gross Margin	2,508	2,533	2,627	2,908	3,191	3,131
Gross Margin %	84%	84%	85%	86%	86%	86%
Expenses	5,557	9,611	4,529	4,249	4,175	4,197
Loss from operations	(3,049)	(7,078)	(1,902)	(1,341)	(985)	(1,067)
Other income/(expense)	(514)	(374)	(230)	(361)	(720)	(198)
Loss before income tax	(3,563)	(7,452)	(2,132)	(1,701)	(1,704)	(1,265)
Income tax recovery (expense)	(1)	(2)	-	94	(95)	13
Net loss	(3,564)	(7,455)	(2,132)	(1,607)	(1,799)	(1,252)
Total comprehensive loss	(3,285)	(7,688)	(1,932)	(1,580)	(2,099)	(1,105)
EBITDA ⁽¹⁾	(3,112)	(6,517)	(1,155)	(734)	(765)	(426)
Adjusted EBITDA ⁽¹⁾	(39)	(759)	(1,194)	(820)	(427)	(582)

The quarterly sales trend reflects the declining revenue on sunseting legacy products and a slight decline in Vantage and Mitel. The changes in revenue are discussed above. Cost of goods sold fluctuates based on certain factors, including the decline of higher margin legacy products, the volume of Vantage DX users and an increase in the cost of third-party software resold by Martello.

Operating expenses in the most recent quarters were impacted by one-time costs related the Company's operational restructuring and the impairment on the intangible assets. Excluding these items, operating expenses decreased, consistent with the management's cost optimization initiatives.

Other income and expense increases reflect the cost of financing and ongoing interest costs, as well as foreign currency exchange losses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objectives in managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating objectives by growing organically. The Company's ability to reach sustained profitability is dependent on successful implementation of its business strategy. While management is confident in the success and profitability of the business, there can be no assurance that Martello will generate enough revenue to reach sustained profitability.

To date, the Company has financed its operations through the revenue generated from the sale of its products and services, the issuance of common shares, raising long-term debt, as well as the receipt of government loans, and investment tax credits.

For the foreseeable future, the Company expects to continue financing its operations through cash from equity capital, long-term debt, and operations to provide sufficient cash for scaling of the business.

Cash and Working Capital

Cash and cash equivalents, including restricted cash, totaled \$3.48 million at December 31, 2025, compared to \$6.69 million at March 31, 2025. The decrease is explained below under **Cashflow Analysis**.

The following table presents the Company's working capital position of the Company as at December 31, 2025 and March 31, 2025:

Liquidity Snapshot

(in 000's)	December 31, 2025	March 31, 2025
Current Assets	\$ 7,911	12,407
Current Liabilities	7,333	7,688
Net Working Capital	578	4,719

The decrease in net working capital for FY25 was primarily driven by the cash used in operations.

Debt

As at December 31, 2025 debt totaled \$14.78 million, including \$0.27 million due within one year. The debt is made up of:

- The Company has a \$11.15 million subordinated loan with Wesley Clover International denominated in USD, originally advanced in August 2022, with subsequent tranches received in May and August 2023. The loan initially accrued interest at the U.S. prime rate plus 8.75%, payable at maturity on July 22, 2025. On July 23, 2025, the Company amended the agreement to extend the maturity date from August 28, 2026 to August 28, 2028 and to fix the interest rate at 12%. Debt issuance costs are amortized on a straight-line basis over the term of the loan.
- The Company has a \$2.02 million loan with Wesley Clover International denominated in CAD advanced on November 20, 2025 for general corporate purposes, interest accrued at 8%, to be paid at loan maturity on Aug 28, 2028.
- The Company has a \$1.62 million non-interest-bearing, unsecured loan from FedDev under the Jobs and Growth Program. Repayments started in April 2025 and continue through March 2031.

Share Capital

During the nine months of FY26, the following transactions in the share capital of Martello occurred:

- 260,000 new options were granted.
- 1,739,667 options expired.

During the nine months of FY25, the following transactions in the share capital of Martello occurred:

- 8,700,000 new options were granted.
- 5,620,745 options expired.

Cash Flow Analysis

(in 000'S)	Nine months ended December 31,	
	2025	2024
Operating activities		
Loss before income tax	\$ (13,147)	(4,123)
Items not affecting cash	8,274	3,081
Net change in operating components of working capital	(84)	(1,696)
Total cash flow used in operations	(4,957)	(2,737)
Total cash flows used in investing activities	(7)	(14)
Total cash flows provided by financing activities	1,722	61
Net change in cash	(3,241)	(2,690)
Cash, beginning of period	6,578	7,614
Effects of currency translation on cash	31	33
Cash, end of period	3,368	4,957

Cash flows used in operations were \$4.96 million for the nine months ended December 31, 2025, compared to \$2.74 million for the same period in the prior year. The \$2.2 million increase primarily reflects a higher adjusted net loss of \$7.06 million (excluding the \$6.09 million non-cash impairment of intangible assets and right of use assets), compared to \$4.12 million in the prior year. The higher adjusted net loss was mainly driven by lower revenues combined with continued fixed operating costs and restructuring-related expenses incurred during the transition period.

Cashflows used in investing activities were \$0.01 million for the nine months ended December 31, 2025, as compared to \$0.01 million for the previous year. The cashflow used in investing activity in FY26 and in the prior period was in the purchase of fixed asset.

Cashflows provided by financing activities were \$1.72 million for the nine months ended December 31, 2025, compared to cash flows provided by financing activities of \$0.06 million in the same period of the prior year. The FY26 cashflows primarily reflect loan proceeds from WCI (\$2 million) offset by repayments on the FedDev loan (\$0.14 million) and lease obligations (\$0.14 million). In the prior year, financing inflows were mainly driven by proceeds from the FedDev loan (\$0.25 million), partially offset by lease repayments of \$0.18 million.

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 \$286,073, reducing the unspent balance to \$439,162 as of December 31, 2025.

OFF BALANCE SHEET ARRANGEMENTS

At December 31, 2025, and 2024, Martello did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations of the Company, including, and without limitation, such considerations as liquidity and capital resources.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those people who have the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel are members of the Company's executive management team and the Board of Directors, who control approximately 55.9% of the Company as at December 31, 2025.

As of December 31, 2025, accounts payable and accrued liabilities include amounts totaling \$0.99 million (March 31, 2025 - \$0.86 million) owed to key management personnel for compensation and accrued vacation pay.

Additionally, the Chair of the Company's Board is chairman of WCI. As of December 31, 2025, WCI holds 54.87% of the issued and outstanding common shares of the Company.

The Company leases office premises from WCI. For the three and nine months ended December 31, 2025, rent payments to WCI totaled \$57 thousand and \$170 thousand, respectively, consistent with the same periods in the prior year (December 31, 2024: \$56 thousand and \$166 thousand). Related depreciation of right-of-use assets for the same periods was \$10 thousand and \$12 thousand, compared to \$17 thousand and \$52 thousand for the prior year, respectively.

For the three and nine months ended December 31, 2025, the Corporation accrued interest on the subordinate loan from WCI of \$0.35 million and \$1.12 million (December 31, 2024 - \$0.40 million and \$1.11 million) in the interim consolidated statement of loss and comprehensive loss.

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.

On November 20, 2025, Wesley Clover Internation advanced a loan of \$2,00,000 for general corporate purposes, accrued at 8% fixed interest and to be repaid at loan maturity on August 28, 2028.

These transactions are in the normal course of operations and are recorded at fair value.

OUTLOOK

In Q3 FY26, Martello remained focused on execution as its strategic priorities evolved, advancing the Company's partnership with Mitel, supporting customers through the Vantage DX End-of-Sale transition, and progressing discovery work toward its next innovation initiative.

Martello is deepening its engagement with ecosystem players—including MSPs, enterprises, and industry analysts—to better understand the operational challenges emerging as communications and collaboration environments become more experience-driven and AI-optimized. As part of this effort, the Company is evaluating opportunities to extend its technology and expertise into adjacent areas where organizations are seeking greater visibility, assurance, and operational insight. This includes exploring potential applications of advanced analytics and AI in performance monitoring and operational assurance. While this work remains at the discovery stage, management believes Martello's foundation in service assurance, performance monitoring, and real and synthetic user simulation positions the Company well to assess and engage these opportunities.

The relationship with Mitel continues to strengthen. Martello and Mitel are working collaboratively toward an updated MPA agreement designed to support the long-term success of both companies. In parallel, Mitel and Martello continue discussions on potential future growth initiatives. MPA remains a key part of Mitel's product strategy, with recent enhancements—including expanded MX-ONE support and features such as remote bulk upgrades—improving its value for partners and customers. Martello has also integrated proprietary Mitel AI into MPA to deliver real-time guidance for issue resolution, and management sees additional opportunities to expand the use of AI to further simplify Mitel system management.

As AI adoption accelerates across the enterprise, management believes the emerging market for AI management and assurance solutions—spanning AIOps, AI governance, and AI security—represents a long-term opportunity. Martello's strengths in monitoring, service assurance, and user simulation could provide a differentiated basis for innovation as organizations seek greater visibility, control, and risk management across AI systems.

Management remains focused on strengthening the MPA value proposition, progressing the Company's innovation discovery work, and supporting the Vantage DX customer base. Executing on these priorities is expected to contribute to future revenue opportunities and build long-term shareholder value.

Caution Regarding Forward-Looking Information

This Outlook section contains forward-looking information and forward-looking statements within the meaning of applicable securities laws, including statements with respect to Martello's business strategies, growth opportunities, market outlook, product development initiatives, and expected financial or operational performance. Forward-looking information is based on management's current expectations and assumptions, and is subject to known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to differ materially from those expressed or implied in such statements.

Important factors that could cause results to differ include, but are not limited to, changes in technology or market conditions, the Company's ability to execute its strategic initiatives, competitive developments, dependency on key partners, regulatory changes, and general economic conditions. Readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. Except as required by applicable law, Martello undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

ACCOUNTING POLICIES

The significant accounting policies used in preparing these consolidated financial statements are disclosed in note 2 of the Company's audited annual consolidated financial statements for the year ended March 31, 2025.

CRITICAL ACCOUNTING ESTIMATES

The audited annual consolidated financial statements of Martello are prepared in accordance with IFRS. Management makes estimates and assumptions and uses judgment in applying these accounting policies and reporting the amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. 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.

Significant judgments in the consolidated financial statements of Martello for the year ended March 31, 2025 relate to business combinations, determination of functional currencies, fair value of interest free debt, revenue recognition, share-based compensation, equity, and warrants, useful life of long-lived assets and intangible assets impairment, the determination of the appropriate lease terms and the assessment of revenues occurring at a point in time, over a period of time or based on usage. For further details, reference should be made to Note 3 of the consolidated financial statements for the years ended March 31, 2025, and 2024.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized cost or FVTOCI are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as FVTPL are recognized immediately in profit or loss within the consolidated statements of loss and comprehensive loss.

Martello's primary risk management objective is to protect the Company's financial position and cash flows to increase its enterprise value. The Company is financed through a mixture of debt and equity. The Company is exposed to credit risk, liquidity risk, market risk, foreign exchange risk, and interest rate risk. The Company's senior management and Board oversee the management of these risks.

Market risk is the risk of fluctuation in the fair value of future cash flows because of changes in market prices, including foreign exchange rates. As a substantial portion of the Company's sales are in United States dollar (USD) and the Euro (EUR), the Company is exposed to the risk of changes in foreign exchange rates. The Company is committed under foreign exchange forward contracts to sell USD, representing sales commitments of USD \$nil as of December 31, 2025 (December 31, 2024 - \$1.88 million). Currently, the Company has no derivative instruments to reduce its exposure to the EUR.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract. Martello has one major customer which increases the concentration of credit risk. The Company reduces its exposure to credit risk by performing credit assessments (including working through Mitel's Bankruptcy protection, ref section on strategic risks) on a regular basis and granting credit upon a review of the credit history of the customer. The Company maintains strict credit policies and limits in respect to counterparties and does not expect future credit losses.

The Company relies on WCI as its primary source of funding. If WCI were to decide not to provide further funding at any time, the Company may need to seek alternative financing sources or adjust its operations accordingly. This reliance on a sole funder creates liquidity risk that could impact the Company's ability to fund ongoing operations.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by reviewing its capital and operating requirements on an ongoing basis.

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its term loans with Wesley Clover International (WCI), which are denominated in U.S. dollars. As of December 31, 2025, the WCI loan carried interest at the greater of 12.50% per annum or the U.S. prime rate plus 8.75%. On July 22, 2025, the U.S. prime rate was 7.5%, resulting in an effective rate of 16.25% per annum, with interest payable at maturity. On July 23, 2025, the Company amended the loan agreement, extending the maturity date from August 28, 2026, to August 28, 2028, and converting the interest rate to a fixed 12%. The Company continues to monitor its exposure to both interest rate and foreign currency fluctuations and will take steps to mitigate related risks where appropriate.

Financial assets and financial liabilities are initially measured at fair value and are subsequently measured at amortized cost, or at fair value through comprehensive income or through profit and loss.

The forward contracts are measured at fair value through profit and loss. All other financial assets and liabilities are measured at amortized cost.

RISK FACTORS

Martello's operations are subject to many factors that may cause results to differ from expectations. Below is a summary of the risk factors, in addition to those noted above.

Financial Risks

Operating results may fluctuate significantly

There are many factors that influence the Company's operating results which are outside of its control. As an example, we rely significantly on recurring revenue, and if recurring revenue declines or contracts are not renewed, our future results of operations could be harmed. Past results should not be relied upon as an indication of future performance. Revenue and future operating results are difficult to predict even in the near term.

Customer and MSP acceptance of products and services

The Company's product development and marketing efforts are directed toward products and services that enable enterprise and MSP businesses to innovate or operate effectively, and that have value to those businesses. Success depends on these business' belief that there are technological, operational, or cost benefits associated with our products and services.

The Company's quarterly and annual revenues and operating results may fluctuate, which may harm its results of operations

The Company recognizes subscription and support revenue over the terms of its customer agreements. As a result, most of the Company's quarterly and annual revenue results from agreements that commenced in previous quarters. Consequently, a shortfall in demand for the Company's applications in any quarter may not significantly reduce its subscription and support revenue for that quarter but could negatively affect subscription and support revenue in future quarters/years.

Competition

The industry in which the Company is positioned is rapidly evolving and the Company faces intense competition for its products and services. Other companies may invest more time and resources in developing competitive technology, products, or solutions. Other companies may have access to capital at a lower cost than Martello. The competitive environment could result in loss of market share.

Currency Fluctuations

A substantial portion of the Company's sales, cost of sales and operating expenses are denominated in foreign currencies. The Company is exposed to changes in foreign currency exchange rates, and this could negatively impact revenue, profitability and cashflow.

The Company's share price will fluctuate

The trading price of the Company's common shares is subject to change and could fluctuate significantly, which could result in a decline in the market price of the common shares.

Operational Risks

Churn from Sunsetting Product Lines

Martello has chosen to sunset certain product lines. On October 20, 2025, Martello announced the transition of its Vantage DX product to End of Sale (EOS) status. This change in status may cause certain partners to cease sales activity with Martello and may

result in Vantage DX customers choosing not to renew their subscriptions when they expire. As part of Vantage DX EOS, Martello announced a reduction of its global workforce by approximately 50%. This reduction in headcount could negatively impact the Company's ability to retain customers, and could have a negative impact on employee morale and retention.

Microsoft relationship

Martello participates in the Microsoft AI Cloud Partner Program, and its Vantage DX software is an IP Co-Sell solution. In connection therewith, the Company agreed to supplemental terms to its customer agreement with Microsoft on August 24, 2021. As discussed in Commitments above, these supplemental terms include, among other things, a commitment by the Company to spend \$4 million on Microsoft Azure over a 60-month period. The Company's consumption of Microsoft Azure is dependent on retaining our Vantage DX customer base. Certain of the Company's product features integrate with Microsoft technologies via APIs or other methods. If these technologies change or are eliminated by Microsoft, this can cause a disruption in the operation of Martello's software. Martello mitigates this risk through monitoring of the Martello software, and ongoing bug fixes and patches.

Rapid Technological Change

The nature of Martello's industry is one of frequent new product introductions, evolving industry standards and changing customer needs, which could cause the Company's hardware products and software solutions to become obsolete. Hybrid work models and emerging technologies such as artificial intelligence (AI) and hyper computing have accelerated changes in customer IT environments and resulting solution needs, including accelerated adoption of these emerging technologies. The length or direction of Martello's development cycle may impact its ability to react to new technology trends and customer needs.

Failure to effectively manage product lifecycles

Failure to effectively manage product lifecycles, including introduction of new products, release of new features and transitioning customers from end-of-life products to new products, could result in customer dissatisfaction and impact the Company's operating results negatively.

The Company may be liable to its customers or third parties and may lose customers if it is unable to collect data or loses data

Because of the large amount of data that the Company collects and manages through the activities of its customers using the Company's application, it is possible that errors or interruptions in the Company's systems or in third party systems used by the Company to deliver its service could cause the Company to be unable to collect this information, or for the information that it collects to be incomplete or contain inaccuracies. The Company may be liable to its customers or third parties for damages they may incur resulting from such events. In addition, the Company's reputation could be harmed, and it could lose customers.

Subscription services are hosted by a third-party service for the Company

Subscription services, which produce most of the Company's revenue, are hosted by a third-party service for the Company. The success and growth of the Company's subscription services are highly dependent on the Company's ability to provide reliable services. Any interruption in service could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company uses open-source software in connection with its products which exposes it to uncertainty and potential liability

Certain of the Company's products make use of or incorporate open-source software components. These components are developed by third parties over whom the Company has no control. It has no assurances that those components do not infringe upon the intellectual property rights of others, or that their developers will maintain or update them. The Company could be exposed to infringement claims and liability in connection with the use of those open-source software components, and the Company may be forced to replace such software components with internally developed or commercially licensed software. Certain open-source software licences provide that any software that makes use of or incorporates software distributed under that licence will itself become subject to the same general distribution rights and other terms of that licence. As a result, there is a risk that third parties, including the Company's competitors, could have the right to use and distribute certain elements of its products.

The Ability to Manage Growth

Should the Company be successful in its efforts to acquire customers, through both direct and indirect channels, operations will need to scale effectively to meet the demand. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Strategic Risks

Dependence on Mitel

As a strategic partner, Mitel accounted for 48% of the Company's revenue during the nine months ended December 31, 2025 (44% for the nine months ended December 31, 2024), and this proportion could increase as a result of shifting Vantage DX to end of sale status. Martello and Mitel have entered into the Mitel Services Agreement regarding the use and resale of Martello software and services. The Mitel Services Agreement currently in effect was entered into on April 21, 2016, for an initial term of one year with automatic annual renewal. The most recent amendment to this agreement was entered into on June 16, 2022, extending the term to three years and simplifying the commercial licensing model under which the Mitel Performance Analytics (MPA) product is offered, to provide increased operational efficiency and ease for partners and customers. Under this agreement, Martello's products are licensed to Mitel customers under Mitel's Premium Software Assurance and Subscription to hosted services. Mitel announced in December 2024 its intent to harmonize its software assurance offering and has indicated that MPA will continue to be available to its partners and customers. As Martello renegotiates the agreement there will be opportunities for growth in new areas which may or may not offset declines in existing Mitel or Martello businesses because of Mitel's changes to its commercial offerings.

Mitel emerged from Chapter 11 bankruptcy protection in June 2025 (Mitel entered bankruptcy proceedings in March 2025). Based on management's assessment, all related receivables have been collected. Among other factors, if the relationship with Mitel changes (examples; if Mitel's financial position changes as a result of acquisitions, debt restructuring through Chapter 11 bankruptcy or other events, if reliance on the Company's products is reduced because of changes to their business structure or strategy, if the Company is unable to provide suitable support for new or additional products and ongoing product updates or is unable to reach commercially agreeable pricing and other terms for support, or if Mitel business decreases), this could lead to a loss of a significant portion of the Company's business.

The Company's significant shareholder could control certain corporate actions

The Company's significant shareholder is able to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to the Company's articles and by-laws and the approval of any business combinations.

Risks inherent in acquisitions

The Company has acquired assets and may acquire assets, products or businesses in the future that it believes will complement or augment its existing business. Risks associated with acquisition activity include failure to successfully realize value from acquisitions, including greater than expected product integration or development challenges, costs and delays, disruption and diversion from the existing business, challenges of integration and retention of key personnel, unanticipated costs or liabilities associated with the new business, and inappropriate valuations of the acquired assets or business. These risks could have a material adverse impact on liquidity, capital resources and operations of the Company.

Other Risks

Global Economic Conditions and Inflation

Martello may be affected by worldwide economic conditions including geopolitical events. The impacts may be realized in higher interest rates and inflation, which can influence the Company's ability to compete for talent as wage inflation increases. Inflation could increase the Company's operating and other costs, which may result in increased losses. Trade tariffs could increase the Company's operating and other costs, impact cashflow and reduce demand for the Company's products in certain global regions.

Global pandemic

The Company continues to monitor for potential pandemics (e.g., COVID-19, H1N1) and the impact on its operations, business, and financial performance, including liquidity and capital usage. The extent to which the pandemic impacts future operations and financial results, and the duration of any such impact, depends on ongoing developments which continue to create a degree of uncertainty.

Other Risk Factors

Other risk factors relating to the Company's business are summarized as follows:

- The Company's success is dependent on its ability to hire, retain and motivate qualified people to develop the solutions and services that respond to technological developments and evolving customer needs, and to execute on product and business strategies. Global competition for technical resources has increased significantly due to work from anywhere policies. This may make it challenging for the Company to attract and retain qualified resources.
- There is no assurance that research and development efforts will produce revenue in the near-term, if at all.
- International operations will result in increased operational, regulatory, tax, legal and other risks.
- The Company may need to raise additional capital to support the continued growth of the business. The interest of existing shareholders could be diluted, or restrictive covenants could be placed upon the Company by lenders. There is no assurance that sufficient capital will be available to fund future growth.
- The Company's success is dependent upon its ability to adapt its business model to keep pace with industry trends, and development of appropriate business and pricing models. Pricing changes or changes to sales models by Martello's competitors may also require the Company to reduce prices.
- The Company's products are highly technical, sophisticated and can contain errors or security vulnerabilities. These could harm Martello's reputation, lead to returns of products or services, require significant expenditure of capital to alleviate and possibly lead to increased customer attrition and reduced future sales. The Company's customers or other third parties could seek to recover damages from the Company in the event of actual or alleged failures of its software solutions.
- Public disclosure of security vulnerabilities in enterprise IT systems has caused a heightened awareness of potential vulnerabilities in software, resulting in increased scrutiny of solutions like Martello's. Martello mitigates this risk through industry best-practice internal processes and the adoption of SOC-2 compliant policies. Martello has successfully completed a SOC-2 type 2 audit. Despite all precautions taken by the Company, there is a risk of unauthorized access or security breaches resulting from third-party action, employee error, malfeasance or otherwise, which can lead to the loss of information, litigation, indemnity obligations and other significant liabilities. The Company could also be exposed to regulatory penalties for the unauthorized release of personal information. Furthermore, the Company could face reputational harm relating to a negative perception of the Company's applications which could result in the loss of customers. The Company actively monitors for these such risks and is committed to cyber security with a goal of maintaining and protecting its overall data security. However, despite such efforts by the Company, it may not be able to fully mitigate such cyber security risks given the evolving methods used to compromise data security, which are generally not identified until they are launched against a target.
- The Company's success is dependent upon its ability to execute its sales strategy, including execution of go to market strategies which include the development of both existing and new channels to market, and successful renewal of subscription licenses and maintenance and support contracts.
- The Company relies on relationships with distributors, resellers, system vendors and systems integrators for a significant portion of its revenues. Disruptions to these channels could harm its business.
- The Company's investment tax credits from SRED have decreased and the timing of the application of the credits is negatively affected due to the Reverse Acquisition.
- The Company's success and future growth depend in part upon its ability to protect its intellectual property. The Company relies on a combination of patents, copyrights, trademarks, trade secret laws, contractual agreements, licenses and other methods to protect its intellectual property. There is no assurance that such measures will protect the Company's intellectual property, and despite its efforts to protect its trade secrets and proprietary rights, unauthorized parties may still infringe its intellectual property.

- The Company's commercial success depends, in part, upon the Company not infringing intellectual property rights owned by others. Several of the Company's competitors and other third parties have been issued patents, may have filed patent applications, or may obtain additional patents and proprietary rights for technologies like those used by the Company in its products. Some of these patents may grant very broad protection to the owners of such patents. It cannot be determined with certainty whether any existing third-party patents, or the issuance of any third-party patents, would require the Company to alter its technology, obtain licenses or cease certain activities.
- The Company depends on its own IT systems and the IT systems of key SaaS providers to conduct a significant amount of its business operations. Breaches of the Company's cybersecurity systems or the systems of its vendors, partners or suppliers could seriously harm the business. Risks such as malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors and risks introduced by the use of AI or hyper computing or other types of risks may occur from inside or outside of the Company. It is increasingly difficult to identify and protect against these risks due to the rapidly evolving nature of the threats.
- Failure of the Company or its partners to comply with privacy policies, and privacy-related and data protection laws and regulations could result in proceedings and/or fines with adverse effect on the operating results and on the business.
- As the Company continues to develop its SaaS offerings and target large enterprises with specific security assessment requirements of software vendors, it will need to continue evolving processes to meet regulatory, corporate security assessment, intellectual property, open-source software compliance and contractual and service compliance challenges. This requires significant investment and could affect operating results. The Company anticipates addressing security requirements by pursuing industry security certifications.
- Martello's inability to achieve any of these objectives could harm the Company's business, financial condition and operating results.