

Unaudited condensed interim consolidated financial statements of

Martello Technologies Group Inc.

For the three and nine months ended December 31, 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 nine months ended December 31, 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: February 12, 2026

“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 nine months ended December 31, 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 nine months ended December 31, 2025 and 2024

Unaudited

(In Canadian dollars)

	Notes	December 31, December 31,		December 31, December 31,	
		2025	2024	2025	2024
		(3 months ended)		(9 months ended)	
Income					
Sales	5,6	\$ 2,988,271	\$ 3,717,673	\$ 9,075,467	\$ 11,154,520
Cost of goods sold	6	480,437	527,067	1,407,496	1,532,419
Gross margin		2,507,834	3,190,606	7,667,971	9,622,101
Expenses					
Research and development	7	2,443,272	1,409,867	5,322,721	4,127,120
Sales and marketing	7	1,930,809	1,317,396	4,462,277	4,023,376
General and administrative	7	975,584	975,317	2,849,855	2,826,385
Depreciation	12	22,706	47,274	79,844	169,108
Amortization		-	425,401	890,872	1,273,742
Impairment of intangible assets	10	-	-	5,907,037	-
Impairment of right of use assets	12	184,546	-	184,546	-
		5,556,917	4,175,255	19,697,152	12,419,731
Loss from operations		(3,049,083)	(984,649)	(12,029,181)	(2,797,630)
Other income (expense)					
Interest income		502	884	1,931	6,403
Interest expense	11	(373,104)	(415,167)	(1,229,684)	(1,187,381)
Accretion of long-term debt	11	(55,187)	(51,861)	(164,539)	(142,216)
Gain on Fed Dev Loan		-	-	-	103,573
Revaluation of forward contract	4	-	(95,902)	54,837	(84,468)
Foreign exchange gain (loss)	17	(100,925)	(144,401)	197,847	(35,420)
Other income/expense		14,844	(13,147)	21,666	14,566
Loss before income tax		(3,562,953)	(1,704,243)	(13,147,123)	(4,122,573)
Income tax expense		(1,164)	(94,946)	(3,456)	33,311
Net loss		(3,564,117)	(1,799,189)	(13,150,579)	(4,089,262)
Other comprehensive income (loss) that may be reclassified to net income (loss):					
Cumulative translation adjustment		279,403	(304,511)	245,292	(296,678)
Pension plan settlement		-	4,223	-	88,594
Total comprehensive loss		(3,284,714)	(2,099,477)	(12,905,287)	(4,297,346)
Weighted average shares outstanding	13	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)	\$ (0.01)

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 December 31, 2025 and March 31, 2025

Unaudited

(In Canadian dollars)

	Note	December 31, 2025	March 31, 2025
Assets			
Current assets			
Cash		\$ 3,367,529	\$ 6,577,858
Short-term investment		110,027	108,391
Trade and other accounts receivable	9	2,700,497	4,841,734
Investment tax credits and grants receivable	7	271,213	298,464
Prepaid expenses		1,423,802	542,247
Inventories		38,061	38,200
Total current assets		7,911,129	12,406,894
Intangible assets			
Equipment and leasehold improvements		33,342	54,689
Right-of-use assets	13	157,538	250,335
Total assets		8,102,009	19,229,320
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10,17	3,293,195	2,716,719
Foreign exchange forward contract liability	4	-	54,837
Current portion of deferred revenue	5	3,670,340	4,616,454
Current portion of long-term debt	11,17	270,000	180,000
Current portion of lease obligation	12,17	99,015	120,129
Total current liabilities		7,332,550	7,688,139
Deferred revenue	5	1,911,741	2,545,091
Long-term debt	5	14,510,535	11,915,674
Lease obligation	12,16	295,512	180,287
Total liabilities		24,050,338	22,329,191
Shareholders' equity			
Share capital	13	61,597,108	61,598,108
Contributed surplus	13	4,105,505	4,047,676
Warrants	13	2,319,977	2,319,977
Accumulated other comprehensive income		(422,065)	(667,357)
Deficit		(83,548,854)	(70,398,275)
Total shareholders' deficiency		(15,948,329)	(3,099,871)
Total liabilities and equity		8,102,009	19,229,320

Approved by the Board on February 12, 2026 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 nine months ended December 31, 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		-	-	-	-	-	-	(4,089,262)	(4,089,262)
Pension plan settlement		-	-	-	-	88,594	-	-	88,594
Other comprehensive income		-	-	-	-	-	(296,678)	-	(296,678)
Total comprehensive loss for the period		-	-	-	-	88,594	(296,678)	(4,089,262)	(4,297,346)
Less: Transaction costs attributable to share issuance		-	(8,500)	-	-	-	-	-	(8,500)
Share-based compensation	13	-	-	-	64,467	-	-	-	64,467
Balance as at December 31, 2024		543,707,430	59,608,108	2,319,977	4,055,212	1,073,595	(1,768,314)	(68,791,274)	(3,502,696)
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		-	-	-	-	-	-	(13,150,579)	(13,150,579)
Other comprehensive income		-	-	-	-	-	245,292	-	245,292
Less: Transaction costs attributable to share issuance		-	(1,000)	-	-	-	-	-	(1,000)
Share-based compensation	13	-	-	-	57,829	-	-	-	57,829
Balance as at December 31, 2025		583,707,430	61,597,108	2,319,977	4,105,505	1,073,595	(1,495,660)	(83,548,854)	(15,948,329)

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 nine months ended December 31, 2025 and 2024

(in Canadian Dollars)

	Note	December 31, 2025	December 31, 2024
Operating activities			
Net loss before income tax		\$ (13,147,123)	\$ (4,122,573)
Items not affecting cash:			
Depreciation	13	84,372	169,108
Impairment of right-of-use asset		184,546	-
Amortization of intangible assets		890,872	1,273,742
Amortization of debt issuance cost		20,312	20,312
Impairment of intangible assets		5,907,037	-
Increase in fair value of hedge liability	4	(54,837)	84,468
Accretion of long-term debt	11	164,539	142,216
Gain on issuance of FedDev Loan	11	-	(103,573)
Share-based compensation	13	57,829	64,467
Deferred share units compensation		203,496	88,698
Defined benefit plan expense		-	10,405
Lease interest expense	12	88,062	45,365
Gain on termination of lease		-	(4,385)
Accrued interest expense	11	1,116,358	1,112,592
Accrued interest on guaranteed investment contract		(1,636)	(2,815)
Unrealised foreign exchange gain (loss)		(386,917)	180,855
Net change in operating components of working capital	14	(83,579)	(1,695,648)
Total cash flows used in operating activities		(4,956,669)	(2,736,766)
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	11	2,000,000	250,000
Repayment of long-term debt	11	(135,000)	-
Repayment of lease obligations	12	(141,871)	(180,966)
Total cash flows provided by financing activities		1,722,129	60,534
Net change in cash		(3,241,370)	(2,690,111)
Cash, beginning of period		6,577,858	7,613,668
Effects of currency translation on cash		31,041	33,031
Cash, end of period		3,367,529	4,956,588

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 nine months ended December 31, 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.

On October 20, 2025, the company announced an operational restructuring in which its Vantage DX product will transition to End of Sale status. The Company will refocus its resources on the Mitel business and intends to pursue new innovations applying artificial intelligence (AI) to the IT monitoring space.

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.

In the interim financial statements for the period ended September 30, 2025, Note 2 described conditions and events that indicated the existence of material uncertainty which cast significant doubt on the Company's ability to continue as a going concern.

On November 20, 2025, the Company obtained financing pursuant to a loan agreement with Wesley Clover International Corporation in the principal amount of \$2,000,000, bearing interest at a fixed rate of 8% and maturing on August 28, 2028. As a result of this financing, management has concluded that the previously identified material uncertainty has been alleviated. Accordingly, as at December 31, 2025, there are no longer conditions or events that cast significant doubt on the Company's ability to continue as a going concern.

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 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.

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Fair value measurement (continued)

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 December 31, 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		9 Months Ended	
	December 31, 2025 \$	December 31, 2024 \$	December 31, 2025 \$	December 31, 2024 \$
Canada	1,432,369	1,454,271	4,133,411	4,221,763
Europe	908,649	1,370,012	2,870,953	4,245,680
United States	505,514	726,823	1,615,500	2,177,447
Australia	97,430	6,474	295,504	338,314
Asia	37,914	48,478	139,073	143,360
Latin America	6,395	111,615	21,026	27,956
Total revenue	2,988,271	3,717,673	9,075,467	11,154,520

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

	3 Months Ended		9 Months Ended	
	December 31, 2025 \$	December 31, 2024 \$	December 31, 2025 \$	December 31, 2024 \$
Revenue at a point in time				
Hardware	-	-	-	1,919
Training and professional services	37,664	32,699	101,233	85,844
Revenue recognized over time				
Subscription licenses	2,723,659	3,381,673	8,251,449	10,115,478
Maintenance and support	206,156	268,247	656,298	829,235
Term licenses	20,792	35,054	66,487	122,044
Total revenue	2,988,271	3,717,673	9,075,467	11,154,520

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 nine months ended December 31, 2025 and 2024

(in Canadian Dollars)

Revenue (continued)

Deferred revenue is comprised of the following:

	December 31, 2025 \$	March 31, 2025 \$
Current:		
Subscription licenses	3,052,798	3,726,848
Maintenance and support	572,531	806,753
Term licenses	45,011	82,853
Long-term:		
Subscription licenses	1,663,993	2,243,176
Maintenance and support	229,849	256,941
Term licenses	17,899	44,974
Total deferred revenue	5,582,081	7,161,545

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

	December 31, 2025 \$	March 31, 2025 \$
Balance, beginning of year	99,416	169,344
Additions	435,300	523,421
Amortization	(344,860)	(593,349)
Balance, end of year	189,856	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 December 31, 2025			
Revenue at a point in time			
Training and professional services	37,664	-	37,664
Revenue recognized over time			
Subscription licenses	1,173,870	1,549,789	2,723,659
Maintenance and support	204,496	1,660	206,156
Term licenses	20,792	-	20,792
Total revenue	1,436,822	1,551,449	2,988,271

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Operating segment information (continued)

	Modern Workplace Optimization	Mitel	Total
Nine months ended December 31, 2025	\$	\$	\$
Revenue at a point in time			
Training and professional services	101,233	-	101,233
Revenue recognized over time			
Subscription licenses	3,717,340	4,534,109	8,251,449
Maintenance and support	651,319	4,979	656,298
Term licenses	66,487	-	66,487
Total revenue	4,536,379	4,539,088	9,075,467

	Modern Workplace Optimization	Mitel	Total
Three months ended December 31, 2024	\$	\$	\$
Revenue at a point in time			
Training and professional services	32,699	-	32,699
Revenue recognized over time			
Subscription licenses	1,713,315	1,668,358	3,381,673
Maintenance and support	260,725	7,522	268,247
Term licenses	35,054	-	35,054
Total revenue	2,041,793	1,675,880	3,717,673

	Modern Workplace Optimization	Mitel	Total
Nine months ended December 31, 2024	\$	\$	\$
Revenue at a point in time			
Hardware	-	1,919	1,919
Training and professional services	85,844	-	85,844
Revenue recognized over time			
Subscription licenses	5,189,632	4,925,846	10,115,478
Maintenance and support	806,150	23,085	829,235
Term licenses	122,045	-	122,045
Total revenue	6,203,670	4,950,850	11,154,520

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

	Modern Workplace Optimization	Mitel	Total
Three months ended December 31, 2025	\$	\$	\$
Sales	1,436,822	1,551,449	2,988,271
Cost of goods sold	436,189	44,248	480,437
Gross margin	1,000,633	1,507,201	2,507,834

	Modern Workplace Optimization	Mitel	Total
Nine months ended December 31, 2025	\$	\$	\$
Sales	4,536,379	4,539,088	9,075,467
Cost of goods sold	1,253,581	153,915	1,407,496
Gross margin	3,282,798	4,385,173	7,667,971

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Operating segment information (continued)

	Modern Workplace Optimization	Mitel	Total
Three months ended December 31, 2024	\$	\$	\$
Sales	2,041,793	1,675,880	3,717,673
Cost of goods sold	478,450	48,617	527,067
Gross margin	1,563,343	1,627,263	3,190,606

	Modern Workplace Optimization	Mitel	Total
Nine months ended December 31, 2024	\$	\$	\$
Sales	6,203,670	4,950,850	11,154,520
Cost of goods sold	1,389,587	142,832	1,532,419
Gross margin	4,814,083	4,808,018	9,622,101

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

- i. Research and development expense for the three and nine months ended December 31, 2025, is net of investment tax credits recognized of \$Nil and - \$41,553, respectively (December 31, 2024: \$31,741 and \$23,952).

The Corporation has investment tax credits receivable of \$271,213 as of December 31, 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 December 31, 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 December 31, 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 nine months ended December 31, 2025 the total staff expenses are \$4,477,527 and \$9,782,772, respectively (December 31, 2024 - \$2,736,782 and \$7,965,122). The staff expenses reflects termination costs of \$2,186,102 and related employer taxes of \$527,940 recognized during the current quarter in connection with a workforce reduction. As at December 31, 2025, \$1,141,512 termination costs and related employer taxes of \$302,185 remained accrued and is expected to be paid within the next three months.

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

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.

As at December 31, 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 December 31, 2025 and 2024 were 28,581,000 and 32,333,667, 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
	\$	\$	\$	\$	\$	\$
December 31, 2025	2,700,497	2,367,354	327,689	5,454	-	-
March 31, 2025	4,841,734	3,893,691	777,411	170,558	-	74

No movements in expected credit losses were recorded as at December 31, 2025 and March 31, 2025.

10. Accounts payable and accrued liabilities

	December 31, 2025	March 31, 2025
	\$	\$
Accrued severance	1,443,697	5,546
Accrued key management compensation	994,861	885,933
Accrued professional fees	349,661	365,789
Other payables	227,405	288,696
Salaries, benefits, and vacation payable	151,800	842,389
Taxes payable	68,984	69,722
Trade payables	47,755	227,962
Commissions payable	9,032	30,682
Total	3,293,195	2,711,173

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

11. Debt

	December 31, 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%.	1,616,237	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%.	11,146,044	10,508,977
Wesley Clover International Loan: CAD 2,00,000 advanced on November 20, 2025 for general corporate purposes, interest accrued at 8%, to be paid at loan maturity on Aug 28, 2028. The effective interest rate is 8%.	2,018,255	-
Total debt	14,780,535	12,095,674
Amounts due within one year	(270,000)	(180,000)
Long-term debt	14,510,535	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%.

On November 20, 2025, Wesley Clover International 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.

12. Right-of-use assets

Right-of-use asset:	\$
Balance at March 31, 2025	250,335
Additions	146,168
Depreciation for the period	(55,902)
Impairment of ROU	(184,546)
Foreign exchange translation	1,483
Balance at December 31, 2025	157,538

Lease obligation:	\$
Balance at March 31, 2025	300,416
Additions	146,168
Interest expense	88,062
Payments	(141,871)
Foreign exchange translation	1,752
Balance at December 31, 2025	394,528

For the three and nine months ended December 31, 2025, the Corporation recognized \$15,059 and \$55,902, respectively (December 31, 2025 - \$37,995 and \$139,191) as depreciation on right-of-use assets, and \$13,571 and \$88,062, respectively (December 31, 2024 - \$10,081 and \$45,365) as interest expense on the lease liability.

Martello Technologies Group Inc.

Notes to condensed interim consolidated financial statements

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

(in Canadian Dollars)

Right-of-use assets (continued)

For the three and nine months ended December 31, 2025, the Corporation recognized variable non-lease payment of \$24,506 and \$73,518 respectively (December 31, 2024 - \$25,619 and \$79,440).

The Company's lease for the office space in France commenced in January 2019 and expired in September 2025. The incremental borrowing on this lease was 3.18%. The Company entered into a new lease agreement on September 19, 2025, which commenced on October 1, 2025, for a term of one year, with an incremental borrowing rate of 12.24%. This new lease resulted in an addition of \$55,378 in right of use asset and in lease obligation.

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.

During the year, the Company recognized an impairment expense of \$184,546 related to right-of-use assets in Kanata and France, triggered by the company restructuring that occurred on October 20, 2025.

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.

13. Equity instruments

i. Warrants

During the six months ended December 31, 2025 and 2024 no warrants were issued and no warrants expired.

At December 31, 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

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.

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Equity instruments (continued)

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	260,000
Expired	0.05-0.21	(1,739,667)
Balance outstanding at December 31, 2025	0.05-0.135	28,581,000

Options exercisable:

At December 31, 2025	0.05-0.135	17,262,270
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	0.50
January 13, 2022	0.060	500,000	1.04
May 2, 2022	0.050	1,500,000	1.33
January 12, 2023	0.050	5,788,965	2.03
February 14, 2023	0.050	156,666	2.12
May 29, 2023	0.050	5,283,314	2.41
November 21, 2023	0.050	1,073,331	2.89
February 14, 2024	0.050	66,666	3.13
June 25, 2024	0.050	2,319,997	3.48
November 19, 2024	0.050	553,331	3.89
February 19, 2025	0.050	-	4.14
June 16, 2025	0.050	-	4.46
November 18, 2025	0.050	-	4.88
Weighted average	0.050		2.37
Total		17,262,270	

At December 31, 2025, the fair value of share-based compensation to be recognized as an expense in future periods totaled \$46,473 (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 260,000 options granted in the nine months ended December 31, 2025 (December 31, 2024 – 8,700,000). The fair value of options granted in the nine months ended December 31, 2025, was established by applying the following assumptions:

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Equity instruments (continued)

	December 31, 2025
Fair market value on grant date	\$0.01
Exercise price	\$0.05
Risk-free interest rate	2.55% - 2.79%
Expected life in years	3.5
Expected dividend yield	0%
Volatility	247.17%-283.69%
Fair value of options issued in the periods	\$0.0096-0.0098

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.

14. Supplementary cash flow information

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

	Note	December 31, 2025	December 31, 2024
		\$	\$
Net change in operating components of working capital:			
Trade and other accounts receivable	9	2,173,134	(1,038,233)
Investment tax credits and grants receivable	7	36,832	140,920
Prepaid expenses		(841,032)	143,881
Inventories		139	1,678
Accounts payable and accrued liabilities	10	322,071	(987,331)
Deferred revenue	5	(1,774,723)	43,437
Total		(83,579)	(1,695,648)

15. 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 nine months ended December 31, 2025, the Corporation paid rent to WCI, which is reflected in the results as depreciation of right-of-use assets of \$10,386 and \$27,732, respectively (December 31, 2024 – \$17,346 and \$52,039) and rent expense of \$25,067 and \$74,561, respectively (December 31, 2024 – \$23,870 and \$69,398).
- 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. On November 20, 2025, Wesley Clover International advanced a loan of CAD \$2,00,000 for general corporate purposes, accrued at 8% fixed interest and to be repaid at loan maturity on August 28, 2028.

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Related party transactions and balances (continued)

- 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 nine months ended December 31, 2025, interest expense of \$351,078 and \$1,116,358 respectively was accrued (December 31, 2024 – \$396,813 and \$1,12,592) 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.
- v. Included in accounts payable and accrued liabilities are balances as at December 31, 2025 totaling \$994,861 (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 nine months ended December 31, 2025 was as follows:

	3 Months ended		9 Months ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	\$	\$	\$	\$
Salaries, wages and bonuses	641,073	669,327	1,804,261	1,817,878
Other employee benefits	32,992	19,275	74,486	51,040
Share-based compensation	93,519	79,428	262,283	159,163
Termination benefits	361,759	-	361,759	-
Total	1,129,343	768,030	2,502,789	2,028,081

16. 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 \$1,497,991 and \$4,377,199 approximately 50% and 48% respectively of total revenue, for the three and nine months ended December 31, 2025 (for the three and nine months ended December 31, 2024 - \$1,617,594 and \$4,778,179, 43%). At December 31, 2025 the account receivable from this customer totaled \$1,222,436 (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 December 31, 2025:

	Maturities of Financial Instruments					
	2026	2027	2028	2029	Thereafter	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,293,195	-	-	-	-	3,293,195
Lease obligation	40,320	132,316	103,350	103,350	147,800	527,136
Debt liabilities	90,000	300,000	420,000	18,351,976	1,066,672	20,228,648
Total	3,423,515	432,316	523,350	18,455,326	1,214,472	24,048,979

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Financial risk management objectives and policies (continued)

Foreign currency risk

For the three and nine months ended December 31, 2025, 99% of revenue were in foreign currencies (December 31, 2024 – 99% of revenue). For the three and nine months ended December 31, 2025, 49% and 26% of expenses were in foreign currencies (December 31, 2024 – 26% and 59%).

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:

	December 31, 2025	March 31, 2025	December 31, 2025	March 31, 2025
	USD	USD	EUR	EUR
Cash and restricted cash	1,411,110	2,839,985	349,796	381,530
Trade and other accounts receivable	2,255,284	2,760,195	309,249	296,201
Accounts payable and accrued liabilities	(123,260)	(209,471)	(1,406,421)	(1,102,060)
Foreign exchange forward contract liability	-	(54,837)	-	-
Long-term debt	(11,164,099)	(10,547,343)	-	-
Net exposure	(7,620,964)	(5,211,471)	(747,376)	(424,329)

A 10% change of the US\$ against the CAD\$ at December 31, 2025 would have increased or decreased net loss by \$836,834 (March 31, 2025: \$563,580).

17. 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 nine months ended December 31, 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.

18. 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 to December 2025, the Company incurred additional Azure usage of \$286,073, reducing the unspent balance to \$439,162 as of December 31, 2025.

19. Subsequent events

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