Martello Technologies Group, Inc.

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

For the three and twelve months ended
March 31, 2025

June 11, 2025

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 June 11, 2025, 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 twelve months ended March 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 & 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 empower Managed Service Providers (MSP) and enterprise IT teams with Saas-based experience management software for their collaboration environment, including Microsoft 365, Microsoft Teams, Zoom and Mitel unified communications. This multi-service approach lets us accommodate the growing trend toward multi-service hybrid enterprise collaboration environments. Martello solutions enable customers to proactively detect performance issues, allowing them to troubleshoot and resolve problems faster, and uphold the toughest SLAs while keeping costs under control. This adds up to a 60% reduction in support tickets and a 50-70% decrease in support headcount, according to a recent cost-savings model developed by Enable UC, an analyst firm.

Effectively solving performance problems requires clear visibility and reliable information. Both can be in short supply when it comes to collaboration services, and there's often too much complexity – too many screens and tools with no integration and incomplete visibility. Native performance monitoring tools provide good data after a problem occurs in their data center or at user endpoints, but they are lacking proactive management of the networks that connect them. Martello's flagship product, Vantage DX, lets MSPs and IT teams:
Stay ahead of problems with proactive monitoring to detect issues before they impact users.

- Pinpoint the root cause of problems in minutes, not hours, with end-to-end visibility for faster, higher confidence troubleshooting.
- Gain instant insights to effortlessly optimize and control costs, with no coding required.
- Vantage DX also drives new growth and profit opportunities for MSPs. With Vantage DX, MSPs can increase ARR by creating new value-added collaboration services, differentiate their offerings with a strong customer experience, and improve margins by optimizing their operations.

Martello has been partnered with Mitel for 12 years and its 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. Martello is tightly partnered with Mitel on expanding into this increased customer base.

As of March 31, 2025, Martello had 76 active employees: 53 in Canada, 6 in the United States and 17 in Europe.

Products

Martello develops experience management software collaboration services that detects potential performance issues before they impact users. The Company's solutions help MSPs, and enterprise IT teams move from reactive to proactive to rapidly resolve issues and optimize the user experience.

Martello's products include:

Modern Workplace Optimization

The Modern Workplace Optimization business line includes the following products:

- **Vantage DX** is a SaaS-based digital experience management solution purpose-built for collaboration services including Microsoft 365, Teams and Zoom. It enables MSPs and IT teams to get ahead of performance problems with:
    - **Proactive monitoring** which detects problems before they impact users, with synthetic testing to simulate user behaviors, automated prioritization, and early warning of outages in the Microsoft data centers, usually about an hour ahead of Microsoft acknowledging the issue.
    - **End-to-end visibility** with network path tracing which Vantage DX correlates with data from multiple Microsoft management tools to find the real root-cause quickly.
    - **Instant insights** to effortlessly optimize Microsoft 365, with SLA management, identification of trends to optimize Teams usage, license allocation and performance, and quick visibility of vendor performance.

Vantage DX is sold as part of complete Microsoft 365 solutions offered by MSPs that want to grow ARR, differentiate their services and boost operational margins, including Mitel channel partners, and to enterprise IT teams through direct sales. As their customers increasingly deploy hybrid Microsoft Teams and Zoom environments, MSPs are seeking to integrate industry-leading digital experience management solutions such as Vantage DX into their offerings as the backbone of proactive monitoring, analytics and reporting.

- **Legacy Software Products**, which include Gizmo, iQ and LiveMaps. 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 and/or partnership arrangements. Certain legacy product customers have been converted to the newer Vantage DX platform.

Mitel

- The Mitel business line includes the Mitel Performance Analytics (MPA) product, software which is developed by Martello and sold by Mitel to its channel partners and enterprise customers to manage the performance of Mitel 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).

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 trial and deployment of certain of its software products. Customers enter into an end-user licensing 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, security and standards compliance of its products and services. Martello has established processes to earn and keep the trust of the market leading customers who purchase Vantage DX and is committed to industry-standard certifications that demonstrate how we manage data security and privacy for customers using our Vantage DX SaaS solution. Martello has completed a SOC 2 Type 2 audit.

The Company maintains an active product development and enhancement program for Vantage DX and MPA, while providing support for certain legacy product offerings. Martello's product program prioritizes activities that will enable partners including MSPs, drive Microsoft and Mitel user growth, and increase customer acquisition and retention.

Growth Strategy

Martello's growth strategy is focused on delivering innovative digital experience management solutions that deliver tangible value to MSPs and Enterprise customers. Successful execution of the Company's strategy aims to drive shareholder value in the form of recurring revenue growth, earnings growth and positive cashflow. Management is focused on the following activities:

Lead the Industry with Innovative Digital Experience Management Solutions

Expand Vantage DX user base through MSPs and enterprise sales:

- Continue to work alongside partners to increase the pipeline of Vantage DX sales opportunities, both from the partner's installed base and from new business. These partners include Orange Business Systems, Yorktel, Tollring, Mitel and Mitel channel partners.
- Invest in go to market initiatives to acquire, onboard and activate new qualified managed service provider (MSP) partners, including Microsoft Operator Connect and Mitel channel partners, enabling and empowering these partners to develop a pipeline of sales opportunities.
- Increase market demand for Vantage DX in targeted regional markets through search engine and conversion rate optimization, digital marketing, outbound prospecting, and awareness programs such as public relations and social media.

- Provide a smooth buying experience and streamlined sales cycle for Vantage DX prospects with a guided online product demo and a paid Proof of Concept (POC) to provide an assessment of value in the customer's environment.
- Continue to convert strategic Legacy product customers to the newer Vantage DX platform when possible.

Enable Customer Success and Differentiate with Vantage DX Product Innovation

- Lead the industry with multi-service digital experience management solutions for Microsoft Teams, Microsoft 365 and other leading cloud communications platforms such as Zoom.
- Be the leading provider of solutions that introduce experience management to Microsoft Teams premium features, including Microsoft Teams Rooms, Teams Phone and Copilot, exploiting Martello's unique expertise in real-time communications experience management.
- Launch a digital experience management solution for customers with hybrid Microsoft Teams and Zoom environments.
- Execute on a multi-phase Artificial Intelligence (AI) Strategy to relieve the burden of MSPs and IT teams responsible for the digital user experience. Martello's AI strategy consists of five steps: event detection, root cause analysis, remediation playbooks, remediation automation and impact assessment.
- Enable MSPs and enterprise customers to use Vantage DX more effectively and securely with SOC 2 Type 2 certification and enhancements that simplify deployment and reduce sales friction.
- Drive advancements in Martello's cloud-based architecture to achieve product and hosting efficiencies benefitting both direct and indirect channels.

Drive Demand and Revenue within the Mitel Ecosystem

- Working with Mitel, proactively pursue initiatives to increase awareness and adoption of MPA through certain Mitel programs.
- Expand the footprint of MPA into the Unify customer base with a medium-term strategy that addresses the expanded addressable market of customers following Mitel's acquisition of Unify. Develop product capabilities to support heritage Unify products in MPA and offer both MPA and Vantage DX to Mitel to strengthen their enterprise services business.
- Drive demand for Vantage DX in the Mitel and Unify ecosystem, with Mitel partners and Mitel professional services organization.
- Align development of MPA with Mitel to meet its customers' needs, including developing support for new Mitel platforms and deepening existing Mitel platform support with new features and capabilities that add value to Mitel and its partner ecosystem.
- Protect existing MPA business with new go to market models for customers and partners, outside of Mitel's premium software assurance offering.

The Company has the resources to continue to make value add investments in technology, talent, partnerships, and systems to implement the above strategy.

SIGNIFICANT DEVELOPMENTS

In the fiscal year 2025 to date, the following significant developments occurred:

- On March 12, 2025, Martello announced the closing of a $2M private placement in which 40,000,000 Common Shares were issued to Wesley Clover International ("WCI") at a price of $0.05 per Common Share. WCI is the investment firm controlled by Martello Chairman Terence Matthews.
- On February 12, 2025, Martello announced that it was first to market with proactive monitoring for Teams Phone in Vantage DX.
- 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 was associated with Mr. Contento's appointment on November 4, 2024.
- On November 5, 2024, the Company announced the launch of the Martello Partner Network.
- On October 29, 2024, Martello announced the appointment of Michael Contento to the Company's Board of Directors, effective November 4, 2024, bringing the number of Directors to seven (7).

- On June 27, 2024, Martello announced the grant of 5,500,000 stock options to Jim Clark and 1,000,000 stock options granted 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.

In the fiscal year 2024, the following significant developments occurred:

- On March 27, 2024, Martello announced the closing of a $1.5M private placement in which 30,000,000 Common Shares were issued to WCI at a price of $0.05 per Common Share.
- On February 28, 2024, Martello announced a partnership with leading managed services provider Yorktel.
- On December 21, 2023, Martello announced the grant of 1,000,000 stock options to Paul Butcher, a director of the Company. The stock option grant was associated with Mr. Butcher's appointment in September 2023.
- On December 14, 2023, Martello announced the closing of a non-brokered private placement of 35,000,000 common shares in the capital of the Company at a price of $0.05 per common share for aggregate gross proceeds of $1,750,000. The sole subscriber in the private placement was WCI.
- On November 6, 2023, Martello announced the departure of Chief Executive Officer John Proctor and the appointment of Jim Clark as Interim Chief Executive Officer.
- On September 21, 2023, Martello announced that the Company’s Board of Directors nominated Paul Butcher as a Director, pending shareholder approval at the Annual General and Special Meeting of Shareholders (“AGM”) on September 27, 2023.
- On September 7, 2023, Martello announced the resignation of Antoine Leboyer, the former CEO of GSX from Martello’s Board of Directors.
- On August 9, 2023, Martello announced the repayment of outstanding sums of approximately USD $3M due to Vistara Technology Growth Fund III Limited Partnership ("Vistara") pursuant to a credit agreement entered on April 27, 2020. The Company also announced that WCI had provided an additional USD $3M in credit to facilitate the repayment of the Vistara Term Loan. As part of the WCI Loan Amendment, WCI agreed to extend the WCI Loan under current terms to August 28, 2026, and will accrue interest until the maturity date of the loan agreement.
- On July 13, 2023, Martello announced the closing of a non-brokered private placement of common shares in the capital of the Company, issuing 50,000,000 Common Shares at a price of $0.05 per Common Share, for aggregate gross proceeds of $2,500,000. The sole subscriber in the Private Placement was WCI.
- On June 30, 2023, Martello announced that it had granted 11.5 million stock options to certain Directors and Officers of the Company.
- On June 23, 2023, Martello announced the closing of the second tranche of a non-brokered private placement of 12 million common shares in the capital of the Company at a price of $0.05 per Common Share for aggregate gross proceeds of $0.6 million.
- On May 26, 2023, Martello announced the extension of debt agreements with Vistara and WCI to September 28, 2023. WCI extended an additional USD $0.79 million under the same terms, for payment of the Vistara Term Loan.
- On May 24, 2023, Martello announced the closing of the first tranche of a non-brokered private placement of 12 million common shares in the capital of the Company at a price of $0.05 per Common Share for aggregate gross proceeds of CAD $0.6 million.

- On May 15, 2023, Martello announced the pricing of a non-brokered private placement of common shares in the capital of the Company for aggregate gross proceeds of approximately $1.2 million, in which the Company expected to issue 24 million Common Shares at a price of $0.05 per Common Share in two tranches for aggregate gross proceeds of $1.2 million. The sole subscriber was WCI. On April 20, 2023, Martello announced the closing of the second tranche of a non-brokered private placement of 12 million common shares in the capital of the Company at a price of $0.05 per Common Share for aggregate gross proceeds of $0.6 million. The sole subscriber was WCI.
- On April 19, 2023, Martello announced that the latest release of MPA included softphone voice quality monitoring, supporting hybrid work models.

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.

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 and is calculated as EBITDA excluding share-based compensation expense, and foreign exchange gain or loss, revaluation of forward contract and deferred stock unit plan expense.

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)		**March 31, 2025**	March 31, 2024	**March 31, 2025**	March 31, 2024
		(Three months ended)		(Twelve months ended)	
Sales	$	3,376	3,808	14,531	15,773
Cost of Goods Sold		468	482	2,000	1,943
Gross Margin		**2,908**	**3,326**	**12,530**	**13,830**
Gross Margin	%	*86.1%*	*87.3%*	*86.2%*	*87.7%*
Operating Expenses		4,249	4,567	16,669	17,425
Loss from operations		**(1,341)**	**(1,242)**	**(4,138)**	**(3,595)**
Other income/(expense)		(361)	(459)	(1,686)	(2,163)
Loss before income tax		**(1,701)**	**(1,700)**	**(5,824)**	**(5,759)**
Income tax recovery		94	0	128	15
Net loss		**(1,607)**	**(1,700)**	**(5,696)**	**(5,744)**
Total Comprehensive loss	**$**	(1,580)	(1,770)	(5,877)	(5,680)
EBITDA (1)	**$**	**(734)**	**(886)**	**(2,193)**	**(1,799)**
Adjusted EBITDA (1)	**$**	**(820)**	**(791)**	**(2,022)**	**(1,487)**

Balance Sheet – Highlights

(in 000's)		**March 31, 2025**	March 31, 2024
Cash and short-term investment	$	6,686	7,719
Working capital		4,719	4,034
Total Assets		19,229	20,560
Total Liabilities		22,329	19,821
Share capital and contributed surplus		65,646	63,607
Warrants		2,320	2,320
Accumulated deficit and other comprehensive income		(71,066)	(65,189)
Shares issued and outstanding	#	583,707,430	543,707,430

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

- Monthly recurring revenue from the Vantage DX digital experience management platform decreased by 19% in Q4 FY25. Decline this quarter was driven by loss of a customer partially offset by sales to net new clients as well as a strategy to convert clients from legacy products to Vantage DX.
- Revenue of $3.38 million in Q4 FY25 was $0.43 million (11%) lower than the same quarter in the prior year ($3.81 million); normalizing for foreign currency exchange, revenue is $0.59 million or 15% lower. The decrease is primarily attributable to lower renewal rates on sunsetting Legacy product offerings.
- The revenue mix was diverse in Q4 FY25, including Modern Workplace Optimization products which contributed 52% of revenues, the Mitel segment contributing 48% compared to 56% and 44% for same period last year, respectively. The Mitel segment continues to be a large and stable source of revenue and margin.
- 97% of revenue was recurring in Q4 FY25 compared to 98% in Q4 FY24.

- Monthly recurring revenue was $1.09 million in Q4 FY25, compared to $1.25 million in Q4 FY24. The $0.16 million (13%) decrease is primarily attributable to lower renewal rates on sunsetting Legacy product offerings and a shift in the mix of revenue from Mitel's software assurance program.
- Gross margin as a percentage of revenue was 86% in Q4 FY25, compared to 87% in Q4 FY24. The decrease in gross margin reflects lower revenues partially offset by a decrease in cost of goods sold because of lower inventory cost for third party software.
- Operating expenses decreased by 7% or $0.32 million in Q4 FY25 to $4.25 million compared to $4.57 million in Q4 FY24. The decrease in operating expenses is driven by higher government grants and partially offset by increase in marketing spend related to content development and higher salary costs.
- Loss from operations was $1.34 million compared to a loss of $1.24 million in the same period of FY24, an increase of $0.10 million or 8%, primarily attributable to decreased revenue partially offset by a decrease in operating expenses as described above.
- Loss before income tax was $1.70 million in Q4 FY25 and in Q4 FY24. In addition to the items explained above, the Company incurred gains on foreign exchange and revaluation of forward contracts partially offset by higher interest expenses.
- The net loss was $1.61 million in Q4 FY25 compared to $1.70 million in Q4 FY24, a decrease of $0.09 million, or 5%. The decrease is due to a decrease in operating and other expenses and income tax recovery partially offset by lower sales.

Highlights for the twelve months ended March 31, 2025, as compared to the same period in 2024

- Revenue of $14.53 million in Q4 YTD FY25 was $1.24 million, or 8%, lower than the same quarter in the prior year, which was $15.77 million. Normalizing for foreign currency exchange, revenue was $1.66 million or 11% lower. This decrease was primarily attributable to lower renewal rates on sunsetting Legacy product offerings and a decrease in Mitel revenue due to a variance in the mix of revenue from various Mitel Performance Analytics offerings. These decreases were partially offset by favourable foreign currency exchange rates.
- Revenue remained diversified with Modern Workplace Optimization products contributing 55% and the Mitel segment contributing 45% of revenues in Q4 YTD FY25 compared to 56% and 44% respectively in Q4 YTD FY24. The Mitel segment continues to be a large and stable source of revenue and margin.
- 98% of revenue was recurring in Q4 YTD FY25 and the comparative period in FY24.
- Gross margin as a percentage of revenue was 86% in Q4 YTD FY25, compared to 88% in Q4 YTD FY24. The decrease reflects lower revenues and increases in installation, delivery and hosting costs as the revenue mix shifts towards Vantage DX subscriptions. Management continues to execute actions that will decrease hosting costs in the future.
- Operating expenses were $16.67 million in Q4 YTD FY25 compared to $17.43 million in Q4 YTD FY24, a decrease of $0.76 million (4%). The decrease is a result of lower headcount costs, higher government grants partially offset by higher spend on professional fees and software subscriptions.
- Loss from operations was $4.14 million compared to a loss of $3.60 million in the same period of FY24, an increase of $0.54 million, or 15%, primarily attributable to lower sales and partially offset by the operating expense reductions described above.
- Loss before income tax was $5.82 million in Q4 YTD FY25 compared to a loss of $5.76 million in Q4 YTD FY24, an increase of $0.06 million, or 1%. In addition, the Company did not incur any loss on investment and had lower financing fees and a higher gain on the foreign exchange.
- The net loss was $5.70 million in Q4 YTD FY25 compared to $5.74 million in the same period of FY24, a decrease of $0.04 million, or 1%, primarily due to a decrease in operating and other expenses, higher income tax recovery and partially offset by lower sales.

Non-IFRS financial measures

The increase in Adjusted EBITDA loss in FY25 compared to FY24 is primarily due to lower sales in FY25 partially offset by lower operating expenses.

EBITDA and Adjusted EBITDA (in 000's)			**March 31, 2025**	March 31, 2024	**March 31, 2025**	March 31, 2024
			(Three months ended)		(Twelve months ended)	
Net loss		$	**(1,607)**	(1,700)	**(5,696)**	(5,744)
Interest income	(2)		(1)	(1)	(7)	(15)
Interest expense	(2)		443	386	1,631	1,647
Financing fees	(2)		2	5	3	81
Accretion of long-term debt	(2)		54	27	196	153
Loss on investment	(2)		-	-	-	304
Gain on Fed Dev loan	(2)		-	(83)	(104)	(132)
Income tax recovery	(2)		(94)	(0)	(128)	(15)
Depreciation	(2)		39	64	208	256
Amortization	(2)		431	417	1,704	1,668
EBITDA	**(1)**		**(734)**	(886)	**(2,193)**	(1,799)
Foreign exchange gain (loss)	(2)		(60)	72	(25)	119
Revaluation of forward contract	(2)		(36)	52	48	22
Other income	(2)		(41)	2	(57)	(14)
Share-based compensation expense	(3)		(8)	(68)	57	185
Deferred stock unit plan expense	(3)		58	38	147	(1)
Adjusted EBITDA	**(1)**		**(820)**	(791)	**(2,022)**	(1,487)

(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 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.

Reconciliation of Sales to MRR - 3 months ended (in 000's)		**March 31, 2025**	**March 31, 2024**
Sales	$	3,376	3,808
Less: Revenue recognized at point in time		(82)	(39)
Less: Term licenses		(26)	(31)
Quarterly Recurring Revenue		3,268	3,738
Monthly Recurring Revenue (MRR)		**1,089**	**1,246**

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. The new Vantage DX platform is an integration of acquired technologies coupled with Martello-developed functionality. 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 twelve months ended March 31, 2025

Gross Margin - Summary

(in 000's)		**March 31, 2025**	March 31, 2024	**March 31, 2025**	March 31, 2024
		(Three months ended)		(Twelve months ended)	
Sales	$	3,376	3,808	14,531	15,773
Cost of Goods Sold		468	482	2,000	1,943
Gross Margin		**2,908**	**3,326**	**12,530**	**13,830**
Gross Margin		*86.1%*	*87.3%*	*86.2%*	*87.7%*

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) Modern Workplace Optimization includes; Vantage DX (Martello's software solution for comprehensive, out-of-the box performance monitoring of Microsoft 365 and Teams) as well as Legacy Software Products (includes Gizmo, iQ, LiveMaps and Domino) and 2) Mitel (includes the MPA product, software which is developed by Martello and sold by Mitel to its channel partners and enterprise customers to monitor and manage the performance of Mitel UC solutions). 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.

Three and twelve months ended March 31, 2025

		March 31, 2025			**March 31, 2024**		
(in 000's)		**Modern Workplace Optimization**	**Mitel**	**Total**	**Modern Workplace Optimization**	**Mitel**	**Total**
Sales	$	1,752	1,624	3,376	2,125	1,683	3,808
Cost of Goods Sold		420	47	468	475	7	482
Gross Margin		1,332	1,576	2,908	1,650	1,676	3,326
Gross Margin	*%*	*76.0%*	*97.1%*	*86.1%*	*77.6%*	*99.6%*	*87.3%*

Sales and Gross Margin -Twelve months ended

		March 31, 2025			March 31, 2024		
(in 000's)		Modern Workplace Optimization	Mitel	Total	Modern Workplace Optimization	Mitel	Total
Sales	$	7,956	6,575	14,531	8,775	6,998	15,773
Cost of Goods Sold		1,810	190	2,000	1,710	233	1,943
Gross Margin		6,146	6,384	12,530	7,065	6,765	13,830
Gross Margin	*%*	*77.3%*	*97.1%*	*86.2%*	*80.5%*	*96.7%*	*87.7%*

Within the Modern Workplace Optimization segment, Vantage DX growth continues. Vantage DX contributed $0.62 million in revenue in Q4 FY25 (1% increase v. Q4 FY24) and $2.55 million in Q4 YTD FY25 (6% increase v. Q4 YTD FY24). Revenue from legacy products decreased $0.38 million (25%) in Q4 FY25 compared to Q4 FY24 and $0.97 million in Q4 YTD FY25 (15% decrease v. Q4 YTD FY24). The expected decrease in license, maintenance and support revenue on sunsetting Legacy products was partially offset by favourable foreign currency exchange (EUR-CAD and USD-CAD) in FY25. Modern Workplace Optimization margin decreased in FY25 compared to FY24, due to higher cost of delivery and support and hosting software products on the cloud Q4 YTD FY25.

Mitel revenue decreased $0.06 million, or 3%, in Q4 FY25 compared to the same period in FY24 and $0.42 million (6%) in Q4 YTD FY25 compared to the same period in FY24. The decrease is attributable to a variance in the mix of revenue from various Mitel Performance Analytics offerings and partially offset by favourable foreign currency exchange rates (USD-CAD). Gross margin remained stable in Q4 FY25 and Q4 YTD FY25 compared to the same periods in FY24, with a marginal increase in Q4 YTD FY25 attributable to a lower mix of hardware sales and delivery and support costs within cost of goods sold.

MRR Reconciliation - 3 months ended

		March 31, 2025			March 31, 2024		
(in 000's)		Modern Workplace Optimization	Mitel	Total	Modern Workplace Optimization	Mitel	Total
Revenue	$	**1,752**	**1,624**	**3,376**	**2,125**	**1,682**	**3,808**
Adjustments:							
Less Revenue recognized at point in time							
Hardware		-	-	-	-	(2)	(2)
Training and professional services		(82)	-	(82)	(36)	-	(36)
Less: Term licences		(26)	-	(26)	(31)	-	(31)
Quarterly Recurring Revenue		**1,645**	**1,624**	**3,268**	**2,058**	**1,680**	**3,738**
Monthly Recurring Revenue (MRR)		**548**	**541**	**1,089**	**686**	**560**	**1,246**

MRR is $1.09 million in Q4 FY25 compared to $1.25 million in Q4 FY24. The $0.16 million (13%) 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 twelve months ended March 31, 2025

Expenses - Three months ended (in 000's)		March 31, 2025	March 31, 2024	Increase / (Decrease)
Research and development	$	1,305	1,668	(364)
Sales and marketing		1,487	1,480	7
General and administrative		988	938	50
Depreciation		39	64	(25)
Amortization		431	416	14
TOTAL		**4,249**	**4,567**	**(317)**

Expenses - Twelve months ended (in 000's)		March 31, 2025	March 31, 2024	Increase / (Decrease)
Research and development	$	5,432	5,584	(152)
Sales and marketing		5,510	5,916	(405)
General and administrative		3,815	4,002	(187)
Depreciation		208	256	(48)
Amortization		1,704	1,668	36
TOTAL		**16,669**	**17,425**	**(757)**

For the three and twelve months ended March 31, 2025, operating expenses decreased by $0.32 million (7%) and $0.76 million (4%) respectively compared to the same periods in FY24. Increase in government grants impacted both Q4 FY25 and Q4 YTD FY25.

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").

- R&D expenses decreased $0.36 million (22%) in Q4 FY25 compared to Q4 FY24 and $0.15 million (3%) in Q4 YTD FY25 compared to Q4 YTD FY24. The decrease in spend is attributable to higher government grants in FY25 compared to FY24 partially offset by higher headcount-related compensation costs.

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

- Sales and Marketing expenses remained flat in Q4 FY25 compared to Q4 FY24 and decreased $0.41 million (7%) in Q4 YTD FY25 compared to Q4 YTD FY24. The decrease in Q4 YTD FY25 is attributable to lower headcount and variable compensation costs partially offset by higher spend on consulting and software spend.

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

- General and administrative costs increased $0.05 million (5%) in Q4 FY25 compared to Q4 FY24 and decreased $0.19 million (5%) in Q4 YTD FY25 compared to Q4 YTD FY24. The increase in Q4 FY25 is primarily driven by higher headcount costs partially offset by lower professional fees while Q4 YTD FY25 decrease is attributable to lower severance costs partially offset by an increase in variable compensation.

Depreciation relates to property, plant and equipment, as well as depreciation of right-of-use assets in accordance with IFRS 16. Depreciation costs decreased $0.03 million (40%) in Q4 FY25 compared to Q4 FY24 and decreased $0.05 million (19%) in Q4 YTD FY25 compared to Q4 YTD FY24. The decrease is attributable to lower depreciation on right of use assets.

Amortization of intangible assets relates to assets established on former acquisitions. The amortization expense increased $0.01 million (3%) in Q4 FY25 from Q4 FY24 and increased $0.04 million (2%) in Q4 YTD FY25 from Q4 YTD FY24 due to change in the EUR-CAD foreign currency exchange.

Loss From Operations

In Q4 FY25, the loss from operations was $1.34 million compared to a loss of $1.24 million in the same period of FY24, an increase of $0.10 million (8%). In Q4 YTD FY25 the loss from operations was $4.14 million compared to a loss of $3.60 million in Q4 YTD FY24, an increase of $0.54M (15%). The increase in net loss from operations in Q4 FY25 and Q4 YTD FY25 is primarily due to a decrease in sales as described above, partially offset by lower operating expenses.

Other Income/Expense

(in 000's)		**March 31, 2025**	March 31, 2024	**March 31, 2025**	March 31, 2024
		(Three months ended)		(Twelve months ended)	
Interest income	$	1	1	7	15
Interest expense		(443)	(386)	(1,631)	(1,647)
Financing fees		(2)	(5)	(3)	(81)
Accretion of long-term debt		(54)	(27)	(196)	(153)
Gain on receipt of FedDev loan		-	83	104	132
Revaluation of forward contract		36	(52)	(48)	(22)
Foreign exchange gain (loss)		60	(72)	25	(119)
Loss on investment		-	-	-	(304)
Other income		41	(2)	57	14
TOTAL	**$**	**(361)**	**(459)**	**(1,686)**	**(2,163)**

For the fiscal year ended 2025, the interest expense on long term debt solely pertains to the WCI loan. In contrast, the prior year's interest expense includes $1.54 million of interest on both the Vistara Term loan and the WCI loan ($1.44 million), as well as the amortization of loan origination fees and warrant costs ($0.10 million) associated with these loans. The Vistara Term Loan was fully repaid on August 9, 2023.

The decrease in interest expense for the twelve months ended March 31, 2025, compared to the same period in 2024, is attributable to the absence of the amortization of previously capitalized costs related to the Vistara loan origination, whereas the prior year's quarter included two months of such amortization, offset by increase in interest expense on WCI loan due to increase in the outstanding loan balance. All Vistara loan origination costs and warrants were fully amortized by May 2023. For the three months ended March 31, 2025, the interest expense increased compared to the same period in Q4FY24 due to an increase in the WCI loan balance from interest accruals offset by a 100 bps decrease in the US prime rate in December 2024.

For the three and twelve months ended March 31, 2025, the Company reported foreign exchange gain of $0.06 million and $0.02 million, compared to losses of $0.07 million and $0.12 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 March 31, 2025, were 1.4353 and 1.5524 whereas as of March 31, 2024 - 1.3542 and 1.4579 (March 31, 2023 - 1.3545 and 1.4742), respectively.

The loss on investment for the three and twelve months ended March 31, 2024, represents management's decision to write down the value of investment in Adaptive shares.

To mitigate the impact of USD-denominated revenue, the Company has entered into foreign exchange forward contracts with a financial institution. Revaluation of these forward contracts for the three and twelve months ended March 31, 2025, resulted in gain of $0.04 million and loss of $0.05 million respectively, compared to losses of $0.05 million and $0.02 million for the same periods last year, mainly due to the fluctuations in USD rates mentioned above. Also, the total commitments as of March 31, 2025, were for $1.19 million compared to $1.80 million for the same period last year.

Other Comprehensive Income / Loss

For the three and twelve months ended March 31, 2025, the Company reported other comprehensive gain of $0.30 million and loss of $0.18 million compared to losses of $0.07 million and $0.06 million for the same periods in the prior year. Other comprehensive income/(loss) includes pension plan fair value adjustments, pension plan remeasurement/settlement, and foreign currency translation differences for acquired operations where the functional currency is EUR.

During the twelve months ended March 31, 2025, there was a loss on revaluation on net assets of the acquired operations including intangibles and a gain for the same period in the prior year, mainly due to fluctuations in EUR currency against CAD. The EUR to CAD exchange rate was 1.5524 on March 31, 2025, and 1.4759 on March 31, 2024 (March 31, 2023 – 1.4742).

Net Loss and Comprehensive Loss

For the three and twelve months ended March 31, 2025, the net loss amounted to $1.61 million and $5.70 million compared to $1.77 million and $5.74 million in the same periods of the prior year. The total comprehensive loss for the three and twelve months ended March 31, 2025, was $1.58 million and $5.88 million respectively compared to $1.77 million and $5.68 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 March 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 twelve months ended March 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.

Quarterly Financial Information (in 000s)		**Q4** **FY25**	**Q3** **FY25**	**Q2** **FY25**	**Q1** **FY25**	**Q4** **FY24**	**Q3** **FY24**
Sales	$	3,376	3,718	3,640	3,797	3,808	3,979
Cost of Goods Sold		468	527	509	496	482	473
Gross Margin		**2,908**	**3,191**	**3,131**	**3,301**	**3,326**	**3,506**
Gross Margin %		**86%**	**86%**	**86%**	**87%**	**87%**	**88%**
Expenses		4,249	4,175	4,197	4,047	4,567	4,414
Loss from operations		**(1,341)**	**(985)**	**(1,067)**	**(746)**	**(1,242)**	**(909)**
Other income/(expense)		(361)	(720)	(198)	(407)	(459)	(257)
Loss before income tax		**(1,701)**	**(1,704)**	**(1,265)**	**(1,154)**	**(1,700)**	**(1,166)**
Income tax recovery (expense)		94	(95)	13	115	0	(105)
Net loss		**(1,607)**	**(1,799)**	**(1,252)**	**(1,038)**	**(1,700)**	**(1,271)**
Total comprehensive loss		(1,580)	(2,099)	(1,105)	(1,093)	(1,770)	(1,101)
EBITDA (1)		**(734)**	**(765)**	**(426)**	**(268)**	**(886)**	**(267)**
Adjusted EBITDA (1)		**(820)**	**(427)**	**(582)**	**(192)**	**(791)**	**(397)**

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

The quarterly sales trend reflects the declining revenue on sunsetting legacy products and a slight decline in 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.

Cost reductions are the planned outcome of on-going cost optimization actions.

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 $6.69 million at March 31, 2025, compared to $7.72 million at March 31, 2024. The decrease is explained below under ***Cashflow Analysis***.

The following table presents the Company's working capital position of the Company as at March 31, 2025 and March 31, 2024:

Liquidity Snapshot

(in 000's)		**March 31, 2025**	March 31, 2024
Current Assets	$	12,407	12,144
Current Liabilities		7,688	8,110
Net Working Capital		**4,718**	**4,034**

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

Debt

As at March 31, 2025 debt totaled $12.10 million, including $0.18 million due within one year. The debt is made up of:

- $10.51 million WCI subordinated loan initially advanced in August 2022, with additional second and third tranches received in May 2023 and August 2023, respectively. Interest accrues at the US prime rate plus 8.75% and is payable at the loan maturity date on August 28, 2026. Fees related to the debt issuance are amortized on a straight-line basis over the term of the loan.
- $1.59 million non-interest bearing, unsecured loan from FedDev under the Jobs and Growth Program. Payments on this loan will commence in April 2025, until March 2031.

Share Capital

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

- 40,00,000 new shares were issued through private placement.
- 8,735,000 new options were granted.
- 740,476 options expired.
- 7,188,269 options were forfeited.

During the twelve months of FY24, the following transactions in the share capital of Martello occurred:

- 151,000,000 new shares were issued through private placements.
- 20,715,000 new options were granted.
- 9,691,143 options were forfeited.
- 3,859,000 options expired.
- 32,861,250 warrants issued in connection with the First offering expired.

Cash Flow Analysis

(in 000'S)		Twelve months ended March 31,	
		2025	**2024**
Operating activities			
Loss before income tax	$	(5,824)	(5,759)
Items not affecting cash		3,991	3,840
Net change in operating components of working capital		(1,229)	1,666
Total cash flow used in operations		**(3,061)**	**(253)**
Total cash flows used in investing activities		**(14)**	**(20)**
Total cash flows provided by financing activities		**1,999**	**5,795**
Net change in cash		**(1,076)**	**5,521**
Cash, beginning of period		7,614	2,118
Effects of currency translation on cash		40	(25)
Cash, end of period		**6,578**	**7,614**

Cash flows used in operations were $3.06 million for the twelve months ended March 31, 2025, compared to $0.25 million for the twelve months ended March 31, 2024. The increase in cashflows used in operations of $2.81 million is mainly due to the following factors:

The net loss was $5.82 million for the twelve months ended March 31, 2025, compared to $5.76 million for the previous year.

The net change in operating components of working capital was a decrease of $1.23 million for the twelve months of FY25 as compared to an increase of $1.67 million for the previous year. This is primarily due to an increase in Trade and accounts receivable of $1.29 million in FY25 compared to a decrease of $0.97 million in FY24, due to the timing of collection of invoices.

Cashflows used in investing activities were $0.01 million for the twelve months ended March 31, 2025, as compared to $0.02M for the previous year. The cashflow used in investing activity in FY25 and FY24 is in the purchase of fixed asset.

Cashflows provided by financing activities were $2 million for the twelve months ended March 31, 2025, compared to $5.79 million for the previous year. Cashflows provided by financing activities for FY25 is mainly from the proceeds of private placement in March 2025f. Cashflows provided by financing activities for FY24 included proceeds from private placements totalling $7.55 million and proceeds from the WCI loan of $5.25 million, offset by the repayment of the Vistara loan in the amount of $6.60 million and payments on lease obligations of $0.27million.

COMMITMENTS

The Corporation entered a 5-year lease for office premises in Kanata, Ontario, Canada commencing March 1, 2017. The lease was subsequently renewed, and the new maturity date is February 28, 2028. The lease is with a related party, as described in note 16 Related Party Transactions and Balances.

On August 24, 2021, the Company signed a consumption commitment with Microsoft to use $4 million of eligible services within 4 years from the agreement date. On the maturity date, the Company is obligated to prepay the difference between the commitment amount and the total invoiced amount, and any future invoices will be applied towards the prepayment amount. At March 31, 2025, the Company had consumed $2.83 million of eligible services since the contract date. The Company currently projects to be within $0.78 million of the $4 million commitment by July 2025.

OFF BALANCE SHEET ARRANGEMENTS

At March 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 55.92% of the Company as at March 31, 2025.

As of March 31, 2025, accounts payable and accrued liabilities include amounts totaling $0.89 million (March 31, 2024 - $0.72 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 March 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 twelve months ended March 31,2025, the Corporation paid rent to WCI, which is reflected in the results for the three and twelve months ended March 31, 2025, as $0.02 million and $0.09 million (March 31, 2024 - $0.02 million and $0.10 million, respectively) and $0.02 million and $0.07 million in depreciation of right-of-use assets (March 31, 2024 - $0.02 million and $0.07 million, respectively).

For the three and twelve months ended March 31, 2025, the Corporation accrued interest on the subordinate loan from WCI of $0.42 million and $1.53 million (March 31, 2024 – $0.36 million and $1.09 million, respectively) in the interim consolidated statement of loss and comprehensive loss.

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

OUTLOOK

The continued shift toward hybrid work environments is sustaining demand for cloud-based communication and collaboration platforms. This dynamic and rapidly evolving market is influenced by several key trends. Notably, the adoption of premium tools such as Microsoft Teams Phone and Copilot for Microsoft 365 continues to accelerate, with Copilot now reaching 430 million users (Microsoft Q3 FY25 Financial Results Earnings Call, April 30, 2025). Organizations are increasingly operating in hybrid collaboration environments—leveraging multiple platforms such as Microsoft Teams and Zoom—which introduces new technical complexities for managed service providers (MSPs) and enterprise IT teams.

Martello is well positioned to support these challenges by delivering tools that enhance visibility and control over the user experience of these critical platforms:

- The Company was first to market with proactive monitoring capabilities for Microsoft Teams Phone, available in Vantage DX. This solution simplifies the complexity of delivering a seamless Teams Phone experience, enabling MSPs to differentiate themselves through proactive, efficient service delivery.

- Vantage DX now supports unified management of Microsoft Teams and Zoom environments—an increasingly common configuration in enterprises that use Teams for internal collaboration and Zoom for external meetings. The platform consolidates monitoring and troubleshooting into a single pane of glass, improving efficiency and performance across platforms.

To support ongoing growth, Martello has signed new MSP partners across the Americas, UK, and Europe, particularly those with business models focused on delivering high-quality Microsoft Teams or hybrid collaboration services. The Company has invested in partner enablement, including onboarding tools and training. A key focus in FY26 will be activating these new MSPs and executing joint go-to-market strategies to drive revenue growth.

In parallel, the Company continues to deepen its strategic relationships with key partners such as Yorktel and Orange Business Services, creating new joint sales opportunities.

Looking ahead, Martello remains focused on partner success, expanding its market presence, and delivering innovative, AI-powered solutions to shape the future of cloud communications.

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 assumptions underlying the actuarial valuation of the defined benefit pension plan, 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. As of March 31, 2025, the Company is committed under foreign exchange forward contracts to sell USD, representing sales commitments of USD $1.19 million (March 31, 2024 - $1.80 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 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.

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 a financial instrument will fluctuate due to changes in market interest rates. The Company does have interest rate risk related to its term loans. At March 31, 2025, the Company is exposed to interest rate risk as the WCI term loans carry interest at a variable rate, being the greater of (i) 12.50% per annum; and (ii) the US prime rate plus 8.75% per annum. At March 31, 2025, the US prime rate was 7.5% and the Company is accruing interest at 16.25% per annum on the WCI loan where the interest is payable on loan maturity. The WCI term loan is denominated in USD. The Company is reviewing its exposure to interest rate and foreign currency risks and will seek to minimize its exposure to interest rate and currency rate fluctuations.

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

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. These supplemental terms include, among other things, a commitment by the Company to spend $4 million on Microsoft Azure over a 60-month period. If the Microsoft Azure consumption is valued at less than $4 million by July 2025, the Company must pay Microsoft any remaining difference and any amount paid will be treated as a prepayment for Microsoft Azure consumption for the following 12 months. The Company's consumption of Microsoft Azure is dependent on maintaining Vantage DX customer growth. 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 its partnership with Microsoft, monitoring of the Martello software, and a product roadmap which continues to improve the software.

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 have accelerated changes in customer IT environments and resulting solution needs, including accelerated adoption of technologies which enable 'work from anywhere'. 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 44% of the Company's revenue during the twelve months ended March 31, 2025 (43% for the twelve months ended March 31, 2024). 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 in 2025 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 entered Chapter 11 bankruptcy proceedings in March 2025 and a pre-packaged plan was approved in April 2025. According to publicly available case dockets, the pre-packaged plan lists Martello as an unsecured creditor with an unimpaired claim. Among other factors, if the relationship with Mitel changes, 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. This risk is mitigated by the Company's Vantage DX sales strategy. Mitel continues to operate and has remained current on its payment obligations. Based on management's assessment, all related receivables are considered fully collectible, and no allowance for doubtful accounts has been recorded.

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 our 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, including its recent SOC-2 compliance efforts, 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 comprise 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 depends 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 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.