



ABAXX TECHNOLOGIES INC.

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2025, AND 2024
(EXPRESSED IN CANADIAN DOLLARS)**

Abaxx Technologies Inc.
Condensed Interim Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)
Unaudited

	Note	June 30, 2025	December 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents		\$ 34,385,180	\$ 25,403,981
Member margin deposit and guaranty funds	3	3,468,339	3,634,953
Short term investments	4	57,751	60,362
Other receivables	5	1,594,283	316,632
Prepaid and other assets		1,282,220	918,262
Convertible note receivables	6	176,203	185,838
		40,963,976	30,520,028
Non-current assets			
Investments at fair value	7	7,679,886	6,063,943
Investment in associate	8	14,020,299	14,590,400
Goodwill		378,553	378,553
Total Assets		\$ 63,042,714	\$ 51,552,924
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 3,572,182	\$ 5,889,241
Margin deposits and guaranty funds	3	3,468,339	3,634,953
		7,040,521	9,524,194
Non-current liabilities			
Convertible debenture	10	27,986,643	-
Total liabilities		\$ 35,027,164	\$ 9,524,194
Shareholders' equity			
Share capital - common shares	11	137,006,876	131,827,547
Preferred shares	11	6,097,500	6,097,500
Contributed surplus	12	32,876,662	28,940,840
Equity component of convertible debentures	10	4,691,899	-
Cumulative other comprehensive income		1,531,895	4,085,322
Deficit		(145,057,441)	(120,684,554)
Total equity of Abaxx Technologies Inc.		37,147,391	50,266,655
Non-controlling interest		(9,131,841)	(8,237,925)
Total shareholders' equity		28,015,550	42,028,730
Total Shareholders' equity and liabilities		\$ 63,042,714	\$ 51,552,924

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

Approved on behalf of the Board:

"Joshua Crumb", Director

"Scott Leckie", Director

Abaxx Technologies Inc.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
Unaudited

	Note	For the three months ended		For the six months ended	
		June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
					(As recast, note 2)
Royalty income	8	\$ 35,347	\$ 428,571	\$ 63,675	\$ 428,571
Operating expenses					
Research and development		\$ 1,206,612	\$ 2,052,388	\$ 2,355,116	\$ 4,505,334
Salaries and wages		2,752,586	2,337,417	5,729,347	4,185,663
Professional fees		2,088,388	1,122,141	3,659,624	1,564,781
Travel, marketing and promotion		1,365,540	577,170	2,690,744	1,220,917
General and administrative		791,480	382,525	1,510,487	1,197,715
Share-based compensation	12	3,229,796	3,213,366	7,931,655	3,644,640
Regulatory expenses		-	-	285,820	271,569
License and subscription expenses		629,005	1,067,819	2,114,204	1,914,224
Total operating expenses		12,063,407	10,752,826	26,276,997	18,504,843
Operating loss for the period		(12,028,060)	(10,324,255)	\$ (26,213,322)	\$ (18,076,272)
Foreign exchange (loss) gain		(46,307)	(97,514)	(86,804)	(39,498)
Investment and interest income	4	294,708	31,456	368,194	47,607
Interest and accretion expenses		(2,999,583)	-	(3,093,518)	-
Other income		77,310	70,828	143,808	178,286
Gain (loss) on investment under equity method	8	61,339	1,688,129	193,739	(2,675,739)
(Loss) gain on investments at fair value	7	(3,098,658)	(309,180)	1,615,759	(309,180)
Deferred tax recovery	10	552,068	-	1,805,341	-
Net loss for the period		\$ (17,187,183)	\$ (8,940,536)	\$ (25,266,803)	\$ (20,874,796)
Net loss attributable to:					
Shareholders of the Company		(16,783,865)	(8,454,615)	(24,372,887)	(19,937,279)
Non-controlling interest		(403,318)	(485,921)	(893,916)	(937,517)
Net loss for the period		\$ (17,187,183)	\$ (8,940,536)	\$ (25,266,803)	\$ (20,874,796)
Cumulative translation adjustment		(2,486,043)	566,588	(2,553,427)	1,538,358
Comprehensive loss for the period		\$ (19,673,226)	\$ (8,373,948)	\$ (27,820,230)	\$ (19,336,438)
Comprehensive loss attributable to:					
Shareholders of the Company		\$ (19,269,908)	\$ (7,888,027)	\$ (26,926,314)	\$ (18,398,921)
Non-controlling interest		\$ (403,318)	\$ (485,921)	\$ (893,916)	\$ (937,517)
Comprehensive loss for the period		\$ (19,673,226)	\$ (8,373,948)	\$ (27,820,230)	\$ (19,336,438)
Basic & diluted net loss per share	13				
Basic		\$ (0.49)	\$ (0.26)	\$ (0.71)	\$ (0.60)
Diluted		\$ (0.49)	\$ (0.26)	\$ (0.71)	\$ (0.60)
Basic & diluted weighted avg. number of common shares	13				
Basic		34,307,766	33,133,904	34,228,305	33,068,827
Diluted		34,307,766	33,133,904	34,228,305	33,068,827

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

Abaxx Technologies Inc.
Condensed Interim Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

	Note	For the three months ended		For the six months ended	
		June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cash provided by (used in):					
Operating Activities					
Net loss for the period		\$ (17,187,183)	\$ (8,940,536)	\$ (25,266,803)	\$ (20,874,796)
Adjustment for:					
Share-based compensation	12	3,229,796	3,213,366	7,931,655	3,644,640
Foreign exchange (gain) loss		592,050	(174,658)	609,288	(702,544)
Loss (gain) on investment under equity method	8	(61,339)	(1,688,129)	(193,739)	2,675,739
Loss (gain) on investments at fair value	7	3,098,658	309,180	(1,615,759)	309,180
Deferred tax recovery	10	(552,068)	-	(1,805,341)	-
Interest and accretion expenses	10	2,999,583	-	3,093,518	-
Changes in operating assets and liabilities:					
Funds held in trust		3,519,504	-	-	-
Margin deposits and guaranty funds	3	169,632	-	166,614	-
Other receivables		(982,207)	12,256	(1,277,651)	(91,475)
Prepaid expenses		(373,761)	(36,653)	(363,958)	(545,998)
Accounts payable and accrued liabilities	9	(3,050,547)	252,531	(2,317,059)	(1,236,784)
Net cash used in operating activities		(8,597,882)	(7,052,643)	(21,039,235)	(16,822,038)
Financing Activities					
Proceeds from equity financing (net of issuance costs)	11	-	-	650,000	17,457,279
Proceeds from preferred shares issuance	11	-	-	-	6,097,500
Proceeds from exercise of options	11	63,186	1,049,968	258,496	1,149,396
Proceeds from convertible debenture	10	9,563,203	-	31,390,365	-
Shares issued for consulting services		275,000	-	275,000	-
Net cash provided by financing activities		9,901,389	1,049,968	32,573,861	24,704,175
Increase (decrease) in cash and cash equivalents		1,303,507	(6,002,675)	11,534,626	7,882,137
Change in cash related to foreign exchange		(2,486,043)	566,588	(2,553,427)	1,538,358
Cash and cash equivalents, beginning of period		35,567,716	40,020,758	25,403,981	25,164,176
Cash and cash equivalents, end of period		\$ 34,385,180	\$ 34,584,671	\$ 34,385,180	\$ 34,584,671

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

Abaxx Technologies Inc.
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
Unaudited

	Number of Shares	Common shares	Preferred Shares	Equity component of convertible debenture	Contributed surplus	Cumulative other comprehensive income (loss)	Deficit	Non- Controlling interest	Shareholders' Equity
Balance, December 31, 2023	31,375,986	\$ 101,173,100	\$ -	\$ -	\$ 13,482,338	\$ 651,297	\$ (66,609,246)	\$ (5,812,756)	\$ 42,884,733
Net profit and comprehensive loss for the period	-	-	-	-	-	1,538,358	(19,937,279)	(937,517)	(19,336,438)
Shares issued through equity financing	1,437,500	17,457,278	-	-	-	-	-	-	17,457,278
Preferred shares issuance	-	-	6,097,500	-	-	-	-	-	6,097,500
Exercise of options	164,413	1,928,995	-	-	(779,598)	-	-	-	1,149,397
Settlement of RSUs	173,368	1,882,480	-	-	(1,882,480)	-	-	-	-
Stock based compensation	-	-	-	-	3,644,640	-	-	-	3,644,640
Balance, June 30, 2024	33,151,267	\$ 122,441,853	\$ 6,097,500	\$ -	\$ 14,464,900	\$ 2,189,655	\$ (86,546,525)	\$ (6,750,273)	\$ 51,897,110
Balance, December 31, 2024	33,913,697	\$ 131,827,547	\$ 6,097,500	\$ -	\$ 28,940,840	\$ 4,085,322	\$ (120,684,554)	\$ (8,237,925)	\$ 42,028,730
Net loss and comprehensive profit (loss) for the period	-	-	-	-	-	(2,553,427)	(24,372,887)	(893,916)	(27,820,230)
Shares issued through equity financing	50,000	650,000	-	-	-	-	-	-	650,000
Exercise of options	46,506	383,811	-	-	(125,315)	-	-	-	258,496
Settlement of RSUs	337,786	3,870,518	-	-	(3,870,518)	-	-	-	-
Shares issued for consulting services	24,664	275,000	-	-	-	-	-	-	275,000
Share-based compensation	-	-	-	-	7,931,655	-	-	-	7,931,655
Equity component of convertible debenture	-	-	-	4,691,899	-	-	-	-	4,691,899
Balance, June 30, 2025	34,372,653	\$ 137,006,876	\$ 6,097,500	\$ 4,691,899	\$ 32,876,662	\$ 1,531,895	\$ (145,057,441)	\$ (9,131,841)	\$ 28,015,550

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

Abaxx Technologies Inc.

Notes to Condensed Interim Consolidated financial statements For the three and six months ended June 30, 2025, and 2024 (Expressed in Canadian Dollars)

1. Nature of operations

Abaxx Technologies Inc. (“Abaxx” or the “Company”) is a company incorporated under the Alberta Business Corporations Act. Its corporate headquarters is 110 Yonge Street, Suite 1601, Toronto, Ontario, M5C 1T4, and its registered office is at 1250, 639 – 5th Avenue S.W., Calgary, AB T2P 0M9. The Company's common shares are listed on the Cboe Canada Exchange under the trading symbol “ABXX”.

Abaxx is a technology company engaged in developing and deploying trust-enabling internet protocols.

The Board of Directors approved the condensed interim consolidated financial statements on August 14, 2025.

2. Material accounting policies

These condensed interim consolidated financial statements apply the same accounting policies as those disclosed in the notes to the annual consolidated financial statements for the period ended December 31, 2024.

New standards and amendments to standards are effective for annual periods beginning on January 1, 2025. The Company has adopted the new and amended standards in preparing these condensed interim consolidated financial statements. The new and amended standards are not expected to significantly impact the Company's consolidated financial statements

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2025, were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34), and do not include all the information required for full annual financial statements. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the period ended December 31, 2024.

They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

(b) Basis of presentation

These condensed interim consolidated financial statements have been prepared using historical cost, except for certain of the Company's financial instruments, which are using historical cost, except for certain of the Company's financial instruments, which are measured at fair value.

The functional currency of the Company is the Canadian dollar which is also the presentation currency of the condensed interim consolidated financial statements.

(c) Accounting standards not yet adopted

Accounting standards not yet adopted Several new standards and amendments to standards are effective for annual periods beginning after January 1, 2026, and earlier application is permitted; however, the Company has not early adopted the new and amended standard in preparing these consolidated financial statements. The new and amended standard is not expected to impact the Company's consolidated financial statements significantly.

- Lack of Exchangeability (Amendments to IAS 21)

Abaxx Technologies Inc.

Notes to Condensed Interim Consolidated financial statements For the three and six months ended June 30, 2025, and 2024 (Expressed in Canadian Dollars)

(d) Recast of Comparative Period

Reclassification of Operating Expenses

During the three and six months ended June 30, 2025, the Company reviewed its presentation of operating expenses and determined that an additional caption of License and Subscription Expenses provides more relevant and reliable information to the users of the financial statements in accordance with ISA 1 - Presentation of Financial Statements. Previously, certain expenses were included in the Research and Development caption that are better aligned to the caption License and Subscription Expenses. Accordingly, the comparative figures for the period ended June 30, 2024 have been recast to align with the new presentation format.

The reclassification resulted in Research and Development Expenses previously reported as \$3,120,207 and \$6,419,558 being reduced by \$1,067,819 and \$1,914,224 (recast to \$2,052,388 and \$4,505,334), with a corresponding increase in License and Subscription expenses during the period ended June 30, 2024.

This reclassification did not impact the Net Loss, Net Comprehensive Loss, Net Assets or loss per share for the period. The changes affected only the classification within the Condensed Consolidated Interim Statements of Operations and Comprehensive Loss.

3. Member margin deposit and guaranty funds

The Company, through its subsidiary Abaxx Clearing, operates a clearing house, which acts as a central counterparty that becomes the buyer to every seller and the seller to every buyer for its clearing members or participants. Through this central counterparty function, the clearing house provides financial security for each transaction for the duration of the position by limiting counterparty credit risk. The clearing house is responsible for providing clearing services to its exchange.

Guaranty Funds

The clearing house requires each clearing member to make deposits to a fund known as the guaranty fund. The guaranty funds, main purpose is to provide partial protection in the event of a clearing member default. As of June 30, 2025, the amount held in the guaranty funds was \$3,468,339 (December 31, 2024, \$3,634,953).

4. Short term investments

The Company held short-term investments at the period-end and the balances are as follows:

	June 30, 2025	December 31, 2024
Guaranteed Investment Certificate ("GIC")	\$57,751	\$60,362
Total short-term investments	\$57,751	\$60,362

During the three and six months period ended June 30, 2025, the Company recognized investment income of \$706 and \$957 (three and six months ended June 30, 2024, \$412 and \$878) in its condensed consolidated interim statement of operations and comprehensive loss. The GIC has an interest rate of 2.85% and matures on September 7, 2025.

During the three and six months period ended June 30, 2025, the Company recognized interest income of \$294,002 and \$367,237 (three and six months ended June 30, 2024, \$31,044 and \$46,729) in its condensed consolidated interim statement of operations and comprehensive loss. This interest income was earned on regular bank account balances held during the period.

Abaxx Technologies Inc.

Notes to Condensed Interim Consolidated financial statements For the three and six months ended June 30, 2025, and 2024 (Expressed in Canadian Dollars)

5. Other receivables

As at June 30, 2025, the Company has a related party loan (Minehub Technologies Inc) amounting to \$1,050,000 (December 31, 2024, \$Nil), which is included in other receivables on the balance sheet. This loan is unsecured, bears interest at 7% per annum, and has a maturity date of August 31, 2025.

6. Convertible note receivables

The following schedule presents the changes in the convertible note receivables:

	Smart Crowd
December 31, 2024	\$185,838
Foreign exchange adjustments	(9,635)
June 30, 2025	\$176,203

Smart Crowd Holding Limited.

In September 2018, the Company purchased an unsecured convertible note from an arms-length party, Smart Crowd Holding Limited ("SCHL"), in the amount of USD \$140,000 (\$181,888).

The note matures on the earlier of i) a liquidity event ii) or the optional conversion date of June 30, 2025.

The liquidity event is defined as any of the following events:

- SCHL entered into a binding agreement with an arm's length third party to acquire beneficial ownership of 50% or more of the voting shares of SCHL;
- SCHL entered into a binding agreement to dispose of assets comprising more than half the value of the assets;
- SCHL resolves to amalgamate with any other company, in a transaction that is in substance the same as those described above; and
- SCHL enters into a listing agreement with a recognized stock exchange.

The convertible note receivable is measured at fair value through profit or loss. As of June 30, 2025, it was valued at \$176,203 (December 31, 2024, \$185,838). There was no change in the fair valuation of the convertible note during the three and six months period ended June 30, 2025 (three and six months June 30, 2024, \$nil). The convertible note has not been repaid or converted into shares as of June 30, 2025.

7. Investments at fair value

The following schedule presents the changes in the investments at fair value:

	Pasig & Hudson	AirCarbon	Minehub	Total
December 31, 2023	\$1,556,971	\$161,161	\$-	\$1,718,132
Purchase of investment at fair value (iii)	-	-	5,583,500	5,583,500
Loss on investment at fair value (i)	(486,870)	(170,470)	(697,650)	(1,354,989)
Foreign exchange adjustments	107,992	9,308	-	117,300
December 31, 2024	\$1,178,093	\$-	\$4,885,850	\$6,063,943
December 31, 2024	\$1,178,093	\$-	\$4,885,850	\$6,063,943
(Loss) gain on investment at fair value (iii)	(12,858)	-	1,628,617	1,615,759

Abaxx Technologies Inc.

Notes to Condensed Interim Consolidated financial statements For the three and six months ended June 30, 2025, and 2024 (Expressed in Canadian Dollars)

Foreign exchange adjustments	184	-	-	184
June 30, 2025	\$1,165,419	\$-	\$6,514,467	\$7,679,886

(i) Pasig and Hudson

Pasig and Hudson, a Singapore company, is a private company that provides consulting, advisory, and development services in blockchain and other non-traditional banking solutions.

During the period ended December 31, 2018, the Company purchased 2,699,410 common stock of Pasig and Hudson Private Limited ("P&H"), representing 18% of the outstanding common stock, for a total consideration of USD \$600,000 in cash and 1,250,000 of common shares of the Company at a fair value of \$500,000.

The Company reports the interest in P&H at fair value, with changes in fair value recorded through the Company's consolidated statement of operations and comprehensive loss. As of June 30, 2025, the fair value of the Company's investment in P&H was estimated at \$1,165,419 (December 31, 2024, \$1,178,093). During the three and six months period ended June 30, 2025, the Company recorded a change in the fair value of its investment of \$12,858 loss and \$12,858 loss (three and six months June 30, 2024, \$Nil).

(ii) AirCarbon Pte. Ltd

On February 11, 2021, the Company through its wholly owned subsidiary Abaxx Technologies Corp. acquired 673,360 Class C preference shares, representing a 2.68% equity voting stake in AirCarbon Pte. Ltd ("AirCarbon") for total consideration of USD \$500,000 (\$635,600). As at June 30, 2025, the Company owned 0.39% of Air Carbon.

The Company reports the interest in AirCarbon at fair value, with changes in fair value recorded through the Company's consolidated statement of operations and comprehensive loss. As at June 30, 2025, the fair value of the Company's investment in AirCarbon was estimated at \$nil (December 31, 2024, \$nil).

(iii) Minehub Technologies Inc.

In 2024, the Company entered into two share exchange agreements with Minehub Technologies Inc. ("Minehub") to acquire 17,143,334 shares, representing a 19.87% equity voting stake, for a total consideration of 456,359 Abaxx common shares. As at June 30, 2025, the Company held 17,143,334 shares representing 19.5% of the issued and outstanding shares of Minehub. A total of 8,810,000 MineHub Shares had a holding period of four months and a day that expired on April 4, 2025.

The Company reports the interest in Minehub at fair value, with changes in fair value recorded through the Company's consolidated statement of operations and comprehensive loss. As at June 30, 2025, the fair value of the Company's investment in Minehub was estimated at \$6,514,467, (December 31, 2024, \$4,885,850). During the three and six months period ended June 30, 2025, the Company recorded a change in the fair value of its investment of \$4,714,417 gain and \$3,085,800 loss (three and six months June 30, 2024, \$nil and \$nil).

8. Investment in associate

Base Carbon Inc.

Base (for the Benefit of Air, Sea, Earth) Carbon Inc. ("Base Carbon") is a globally diversified asset development firm in the business of sourcing, financing, developing, and trading carbon credits. Base Carbon's mandate is to be the preferred carbon project partner for financing, streaming, technology, and access to markets. Base Carbon is an early-stage business with revenue streams that are still being developed as the business was recently launched. Abaxx Technology Corp. was a founding shareholder of Base Carbon and at June 30, 2025, held approximately 18.6% (December 31, 2024, 17.7%) of shares outstanding that were acquired for \$2,490,695. The quoted market value for these shares in Base Carbon at June 30, 2025, was \$16,632,082. This value has not been adjusted on the balance sheet due to IFRS equity accounting as an investment in associate.

Abaxx Technologies Inc.

Notes to Condensed Interim Consolidated financial statements For the three and six months ended June 30, 2025, and 2024 (Expressed in Canadian Dollars)

The Base Carbon Royalty provides that Base Carbon would pay Abaxx a 2.5% royalty for the usage of software it developed. The royalty is indefinite in term and Base Carbon has the right to buy back the royalty upon the payment of US\$150,000,000 (above or in excess of any royalty already paid) to Abaxx. During 2025, \$63,675 (June 30, 2024, \$428,571) has been accrued under the royalty agreement. The royalty payment is conditional on Base Carbon having a positive EBITDA (earnings before interest, taxes, depreciation, and amortization) and for the period ended June 30, 2025, Base Carbon generated a positive EBITDA.

Base Carbon continues to be classified as an associate and accounted for under the equity method of accounting as the Company retains significant influence over the financial and operating matters of the associated company.

During the three and six months period ended June 30, 2025, the Company recorded a share of the operating results of Base Carbon. The Company recorded a \$61,339 gain and \$193,739 gain respectively (the three and six months period ended June 30, 2024, \$1,688,129 gain and \$2,675,739 loss respectively).

As at June 30, 2025, the Company has an unsecured arm's length loan from Base Carbon for \$1,123,382 (December 31, 2024, \$1,824,559). This loan is collateralized by future royalty funds from Base Carbon to the Company and has a maturity date of September 16, 2025. It incurs interest at 9% per annum.

9. Accounts payable and accrued liabilities

	June 30, 2025	December 31, 2024
Accounts payable	2,156,843	\$3,308,562
Accrued liabilities	291,957	756,121
Due to a related party	1,123,382	1,824,559
Total accounts payable and accrued liabilities	\$3,572,182	\$5,889,242

As at June 30, 2025, the Company has a related party loan (from Base Carbon Inc, see note 8) amounting to \$1,123,382 (December 31, 2024, \$1,824,559), which is usually included in accounts payable and accrued liabilities on the balance sheet. This loan was collateralized by future royalty funds from Base Carbon to the Company and has a maturity date of September 16, 2025.

10. Convertible debenture

On March 28, 2025, the Company closed the first tranche (the "First Tranche") of its non-brokered private placement (the "Offering") of secured convertible debentures (the "Debentures") for aggregate gross proceeds of \$22,849,000. The outstanding principal amount of the Debentures, together with any accrued and unpaid interest, will become due and payable in full on March 26, 2028 (the "Maturity Date") and will be payable in cash. Each Debenture consists of \$1,000 principal amount of secured convertible debentures of the Company and is convertible into common shares of the Company (each, a "Debenture Share") at the option of the holder thereof before the Maturity Date at a conversion price equal to \$13.00 per Debenture Share (the "Conversion Price").

The Company has the right to redeem the Debentures at redemption price equal to 105% of the principal amount of the outstanding Debentures plus any accrued and unpaid interest to the date before the date of redemption:

(a) at any time, should the VWAP of the Company's common shares exceed 130% of the Conversion Price for no fewer than 20 out of 30 consecutive trading days, or (b) after March 26, 2027.

The Debentures were issued at an original issue discount equal to 2.5% of the aggregate principal amount of the Debentures and bear interest at a rate of 7.0% per annum from the date of issue, payable semi-annually in arrears

Abaxx Technologies Inc.

Notes to Condensed Interim Consolidated financial statements For the three and six months ended June 30, 2025, and 2024 (Expressed in Canadian Dollars)

in cash on June 30 and December 31 of each year following the first interest payment date of September 30, 2026. The Debentures are secured against particular publicly-traded securities owned by the Company.

In connection with the Offering, so long as the Debentures remain outstanding, the Company has agreed to not assume any additional indebtedness without the consent of a majority of the holders of Debentures as may be outstanding from time to time, other than: (a) certain permitted debt arrangements of up to \$10,000,000 for working capital or regulatory capital requirements in the normal course of business, and (b) trade indebtedness in the normal course of its business.

The Company paid \$1,021,838 in issuance costs, which included the finders' commission, legal fees, and bank fees for the execution of the convertible debenture offering.

As the debenture has a conversion feature, the equity and debt components must be bifurcated with value assigned to each. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows discounted at 15.1%, being the estimated rate that the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in the Consolidated Interim Statements of Operations and Comprehensive Loss. The fair value assigned to the conversion feature, on the date of issuance, was based on the residual value for each. This resulted in an initial amount of \$18,119,669 being allocated to the liability portion and \$4,729,331 allocated to the equity portion. Deferred taxes of \$1,253,273 was netted against the equity portion of the convertible notes at inception. The offset was a net release in deferred tax valuation allowance resulting in a deferred tax recovery of \$1,253,273 in Q1 2025.

Total transaction costs related to the issuance of the convertible debt were allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component. They are amortized over the life of the convertible debentures using the effective interest method.

On April 10, 2025, the Company closed the second and final tranche (the "Second Tranche") of its previously announced non-brokered private placement (the "Offering") of secured convertible debentures (the "Debentures") for aggregate gross proceeds of \$10,065,000.

The outstanding principal amount of the Debentures, together with any accrued and unpaid interest, will become due and payable in full on March 26, 2028 (the "Maturity Date") and will be payable in cash. Each Debenture consists of \$1,000 principal amount of secured convertible debentures of the Company and is convertible into common shares of the Company (each, a "Debenture Share") at the option of the holder thereof prior to the Maturity Date at a conversion price equal to \$13.00 per Debenture Share (the "Conversion Price").

The Company has the right to redeem the Debentures at redemption price equal to 105% of the principal amount of the outstanding Debentures plus any accrued and unpaid interest to the date prior to the date of redemption: (a) at any time, should the volume weighted average price ("VWAP") of the Company's common shares exceed 130% of the Conversion Price for no fewer than 20 out of 30 consecutive trading days, or (b) after March 26, 2027.

The Debentures were issued at an original issue discount equal to 2.5% of the aggregate principal amount of the Debentures and bear interest at a rate of 7.0% per annum from the date of issue, payable semi-annually in arrears

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in cash on June 30 and December 31 of each year following the first interest payment date of September 30, 2026. The Debentures are secured against certain publicly-traded securities owned by the Company.

The Offering is subject to the receipt of all necessary regulatory approvals, including the final approval of Cboe Canada. The net proceeds of the Second Tranche are expected to be used for general corporate and working capital purposes. The Debentures and Debenture Shares issuable pursuant to the Second Tranche are subject to statutory hold periods of four months and one day from the date of issuance.

No finder fees were issued in connection with the Second Tranche.

The following table summarizes the continuity of the Company's convertible debenture:

	Convertible Debenture	Liability Component	Equity Component
Balance at December 31, 2024	\$-	\$-	\$-
Issuance of convertible debenture – Tranche 1	22,849,000	18,119,669	4,729,331
Issuance of convertible debenture – Tranche 2	10,065,000	7,981,726	2,083,274
Transaction costs	(1,523,635)	(1,208,270)	(315,365)
Accretion interest	3,093,518	3,093,518	-
Deferred tax	(1,805,341)	-	(1,805,341)
Balance at June 30, 2025	\$32,678,542	\$27,986,643	\$4,691,899

The following relevant assumptions were used to estimate the fair value of the Debenture:

	June 30, 2025	
	Tranche 1	Tranche 2
Expected stock price volatility	50.50%	49.71%
Expected life (years)	3	3
Risk-free interest rate	2.51%	2.64%
Expected dividend yield	-	-
Interest rate	15.1%	15.1%
Share price of the Company	\$9.85	\$9.61
Conversion price	\$13.00	\$13.00

11. Share capital

Common shares

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid. Common shares issued are as follows:

	Number of common shares	Amount
Balance, December 31, 2023	31,375,986	\$101,173,100
Shares issued through equity financing	1,437,500	17,457,278
Exercise of stock options	164,413	1,928,995
Settlement of RSUs	173,368	1,882,480
Balance, June 30, 2024	33,151,267	\$122,441,853

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Balance, December 31, 2024	33,913,697	\$131,827,547
Shares issued through equity financing	50,000	650,000
Exercise of stock options	46,506	383,811
Settlement of RSUs	337,786	3,870,518
Shares issued for consulting services	24,664	275,000
Balance, June 30, 2025	34,372,653	\$137,006,876

On January 31, 2025, the Company completed an equity financing for gross proceeds of \$650,000, issuing 50,000 Abaxx common shares at \$13.00 per share.

Preferred shares

The preferred shares are non-cumulative preferred shares of Abaxx Singapore Pte. The authorized share capital consists of an unlimited number of preferred shares. The preferred shares do not have a par value. All issued preferred shares are fully paid. The preferred shareholders are not entitled to a cash dividend. These preferred shares are convertible at the option of the preferred shareholders into ordinary shares of Abaxx Singapore Pte.

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of Abaxx Singapore Pte or defined Liquidation Event, the holders of outstanding Preferred Shares shall be entitled to be paid out of the assets of Abaxx Singapore Pte available for distribution before any payment made to the holders of common shares. The Abaxx Singapore Pte's Board of Directors must approve any deemed Liquidation Event.

The Conversion Price for the Preferred Shares is subject to appropriate adjustment in the event of any share dividend, share split, combination or other similar recapitalization. The Preferred Shares also contain 'down-round' anti-dilution adjustments to the conversion ratio. The anti-dilution adjustments will affect the Conversion Price of the Preferred Shares (into Abaxx Singapore Pte Ordinary Shares) by varying the number of Abaxx Singapore Pte Ordinary Shares to be issued upon conversion than what was initially required without a down-round. No adjustments have been needed to date under these provisions.

The preferred shares issued are as follows:

	Number of common shares	Amount
Balance, December 31, 2023	-	\$-
Preferred shares issuance	953,787	6,097,500
Balance, June 30, 2024	953,787	\$ 6,097,500
Balance, , December 31, 2024 and June 30, 2025	953,787	\$ 6,097,500

12. Contributed surplus

Stock options:

The Company had the following stock option transactions for the period ended June 30, 2025, and June 30, 2024:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2023	1,689,308	\$8.21

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Exercised	(164,413)	8.13
Granted	921,670	13.10
Cancelled	(61,278)	9.89
Balance, June 30, 2024	2,385,287	\$8.22
Balance, December 31, 2024	3,161,980	\$11.69
Exercised	(46,506)	5.49
Granted	797,500	10.54
Cancelled	(61,684)	2.72
Balance, June 30, 2025	3,851,289	\$11.67

The following table reflects the stock options issued and outstanding as of June 30, 2025:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (periods)	Number of options outstanding	Number of options exercisable
18-Sep-27	\$7.50	2.22	280,000	280,000
27-Sep-27	\$7.15	2.24	125,000	125,000
22-Nov-27	\$7.19	2.40	159,575	99,574
31-Dec-27	\$7.50	2.50	327,441	327,441
2-Apr-27	\$13.78	1.76	522,170	354,924
11-Jun-27	\$12.00	1.95	399,500	133,167
31-Dec-27	\$11.30	2.50	145,000	48,333
31-Dec-27	\$11.06	2.50	449,103	149,701
31-Dec-27	\$15.00	2.50	400,000	133,333
31-Dec-27	\$13.00	2.50	61,500	61,500
31-Dec-27	\$19.00	2.50	61,500	61,500
31-Dec-27	\$25.00	2.50	61,500	61,500
31-Dec-27	\$30.00	2.50	61,500	61,500
14-May-28	\$13.00	2.87	80,000	40,000
14-May-28	\$10.00	2.87	598,500	199,500
19-Jun-28	\$11.15	2.97	119,000	39,666
			3,851,289	2,176,639

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Restricted share units:

The Company established a restricted stock unit plan ("RSU Plan") that was approved by its shareholders. The RSU Plan, which is administered by the Board of Directors, is intended to provide an incentive and retention mechanism to foster the interest of eligible directors, officers, employees, and consultants in the Company's success.

Awards granted under the RSU Plan shall be settled at the sole discretion of the Company, either: (i) through the issue from treasury of the number of RSU shares represented by such vested award; or (ii) in the case of awards in respect of RSU shares that are common shares, through the purchase on the secondary market by the Company of the number of RSU shares represented by such vested award and delivery to such RSU holder.

	Number of RSUs
Balance, December 31, 2023	405,820
Granted	655,273
Settlement in common shares	(173,367)
Balance, June 30, 2024	887,726
<hr/>	
Balance, December 31, 2024	2,423,055
Granted	149,164
Settlement in common shares	(362,451)
Balance, June 30, 2025	2,209,769

During the three and six months period ended June 30, 2025, share-based compensation totaling \$3,229,796 and \$7,931,655 (period ended June 30, 2024, \$3,213,366 and \$3,644,640) was recognized in the statement of operations and comprehensive loss in connection with stock options and RSUs.

13. Loss per share

For the periods ended June 30, 2025, and 2024, basic and diluted loss per share have been calculated based on the loss attributable to common shareholders and the weighted average number of common shares outstanding. Diluted loss per share did not include the effect of stock options and restricted share units, as they are anti-dilutive.

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Basic and diluted loss per common share				
Net loss attributable to common shareholders	\$ (16,783,865)	\$ (8,454,615)	\$ (24,372,887)	\$ (19,937,279)
Weighted average number of common shares outstanding	34,307,766	33,133,904	34,228,305	33,068,827
Basic and diluted loss per common share	\$ (0.49)	\$ (0.26)	\$ (0.71)	\$ (0.60)

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14. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholders, return through enhancing the share value.

The Company monitors its capital structure and adjusts according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general.

The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, reserves, non-controlling interest, cumulative other comprehensive income, and deficit, which totaled \$28,015,550 as of June 30, 2025, (December 31, 2024, \$42,028,730).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. There were no changes in the Company's approach to capital risk management during the period ended June 30, 2025, and the Company is not subject to any externally imposed capital requirements.

15. Related party transactions

The Company considers key management to be officers and directors. During the three and six months period ended June 30, 2025, \$154,045 and \$285,354 (three and six months June 30, 2024 \$89,150 and \$113,124) of fees were incurred from key management and companies controlled by or related to key management.

Key management and directors received \$1,357,360 and \$431,478, respectively, in share-based compensation during the period ended June 30, 2025 (June 30, 2024, \$471,618 and \$294,772, respectively).

16. Commitments

Royalty Payments

During the period ended December 31, 2019, the Company entered into a Royalty Agreement ("Royalty") with its subsidiary Abaxx Singapore. The Royalty payment contains the following terms:

- Abaxx Singapore will accrue and pay a royalty equal to 2% of gross revenue to the Company, payable quarterly as of April 1, 2019, continuing in perpetuity until the obligation is relinquished by the Company.
- The amounts payable become due to the Company after Abaxx Singapore generates positive earnings before income tax and depreciation of USD\$25,000,000 in a calendar period.
- There is no interest accrued on royalty payments accrued and not yet paid.

As of June 30, 2025, Abaxx Singapore has not achieved any material net revenue and as such no amounts have been accrued in the consolidated financial statements.

In addition, the Royalty permits the Company to purchase an increase in the royalty payments by 1% for USD\$10,000,000 by December 2025.

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As of June 30, 2025, the Company has not made any payments to Abaxx Singapore to increase the royalty earnings percentage.

The Company has a royalty agreement with Base Carbon that would pay Abaxx a 2.5% royalty on gross revenue for previous financial assistance and the usage of software it developed. The royalty is indefinite in term and Base Carbon has the right to buy back the royalty upon the payment of US\$150,000,000 to Abaxx. See note 8 for royalties earned under this agreement.

Transfer of Intellectual Property and License Agreement

The Company has developed proprietary digital technology and intellectual property for application to exchange trading and clearing for commodities and financial products including liquid natural gas as well as other tradable commodities and applications. ("Exchange Technology").

During the period ended December 31, 2019, the Company entered into a Master Licensing Agreement ("MLA") with its majority owned affiliate Abaxx Singapore. As a result of this agreement, the Company was assigned exclusive title rights of use as well as the sub-license rights to the Exchange Technology by way of a master license agreement.

The Company maintains ownership of the intellectual property licensing in the MLA.

Abaxx Singapore has agreed to pay the Company earnings if in the future it sub-licenses the Exchange Technology, in which case as a result of the MLA royalty fees would be as follows:

- An amount equal to 20% of revenues on the first USD\$2,000,000
- An amount equal to 10% of revenues on the next USD\$3,000,000
- An amount equal to 5% of revenue on any excess revenue

Payments from Abaxx Singapore under these agreements are due monthly to the Company. As of June 30, 2025, no amounts have been accrued by Abaxx Singapore and no amounts have been recorded as receivable by the Company under either a royalty agreement or the MLA.

The Company has not recorded the benefits under either of these agreements as an asset due to the intellectual property being still under development, no revenues have been generated and commercial viability of the Exchange Technology has not yet been determined.

As of June 30, 2025, this agreement does not impact the Company's condensed interim consolidated financial statements.

Contingency

The Company is a party to the claims & litigation arising in the normal course of business. Due to the inherent uncertainties of litigation and/or the early stage of certain proceedings, the final outcomes of all ongoing litigation and claims cannot be predicted with certainty and the amount of any potential losses cannot be estimated reliably. The resolution of any future matters could materially affect the Company's financial position, results of operations or cash flows.

17. Segment information

The Company operates in a single segment, being the development and deployment of trust enabling Internet protocols. As at June 30, 2025, and 2024, the Company's core assets, intellectual property, and development work, are conducted in Singapore.