

A2Z CUST2MATE SOLUTIONS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
A2Z CUST2MATE SOLUTIONS CORP
Vancouver, Canada

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of A2Z CUST2MATE SOLUTIONS CORP and subsidiaries (the “Company”) as of December 31, 2025 and 2024, the related consolidated statements of comprehensive loss, changes in equity (deficit), and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ziv Haft
Certified Public Accountants (Isr)
BDO Member Firm

We have served as the Company’s auditor since 2017.

Tel Aviv, Israel
March 31, 2026.

, 2026

A2Z CUST2MATE SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands of US Dollars, except per share data)

	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,525	\$ 13,526
Short-term deposits	384	206
Financial assets at fair value (note 5)	55,642	-
Inventories (note 6)	3,891	796
Short term trade receivables, net (note 7)	3,034	2,024
Other accounts receivable (note 8)	2,937	581
Total current assets	79,413	17,133
Non-current assets		
Intangible assets (note 9)	637	-
Long term financial assets at fair value (note 10)	333	200
Long term trade receivables (note 7)	1,221	-
Property, equipment and right of use assets, net (note 11)	3,556	1,545
Total non-current assets	5,747	1,745
Total Assets	\$ 85,160	\$ 18,878
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short term loan and current portion of long-term loans (note 12)	\$ 9	\$ 826
Lease liability (note 13)	819	217
Trade payables	3,348	1,834
Other accounts payable (note 14)	2,200	918
Warrant Liability (note 16)	576	7,743
Total current liabilities	6,952	11,538
Non-current liabilities		
Lease liability (note 13)	1,758	241
Long term loans (note 15)	29	108
Severance payment, net	-	147
Total non-current liabilities	1,787	496
Total liabilities	8,739	12,034
Equity (note 18)		
Share capital and additional paid in capital	206,953	83,120
Warrant Reserve	10,147	30,863
Accumulated other comprehensive loss	(1,872)	(549)
Reserve with respect to transactions with non-controlling interests	927	927
Accumulated losses	(138,187)	(100,452)
Total equity attributable to Company shareholders	77,968	13,909
Non-controlling interests (note 20)	(1,547)	(7,065)
Total equity	76,421	6,844
Total liabilities and equity	\$ 85,160	\$ 18,878

March 31, 2026
Date of approval of the financial statements

"Yonathan De Yonge"
Yonathan De Yonge - Director

"Gadi Graus"
Gadi Graus
Chief Executive Officer

The accompanying notes are an integral part of the financial statements.

A2Z CUST2MATE SOLUTIONS CORP.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Expressed in Thousands of US Dollars, except per share data)

	Year ended December 31,		
	2025	2024(*)	2023(*)
Revenues (note 21)	\$ 7,901	\$ 5,376	\$ 9,212
Cost of revenues (note 22)	6,807	3,487	7,959
Gross profit	<u>1,094</u>	<u>1,889</u>	<u>1,253</u>
Expenses:			
Research and development (note 23)	\$ 9,944	\$ 3,853	\$ 4,103
Sales and marketing (note 24)	3,857	1,216	1,377
General and administration (note 25)	23,749	7,948	13,067
Loss on impairment (note 9)	-	1,727	1,027
Operating loss	<u>(36,456)</u>	<u>(12,855)</u>	<u>(18,321)</u>
Loss (gain) on revaluation of warrant liabilities (note 16)	(998)	4,389	(1,255)
Financial income (note 27)	(618)	(158)	(85)
Financial expenses (note 27)	1,219	336	256
Net loss for the year from continuing operations	<u>(36,059)</u>	<u>(17,422)</u>	<u>(17,237)</u>
Net loss for the year from discontinued operations (note 32)	<u>(2,425)</u>	<u>(1,841)</u>	<u>(820)</u>
Net loss for the year	<u>\$ (38,484)</u>	<u>\$ (19,263)</u>	<u>\$ (18,057)</u>
Less: Net loss attributable to non-controlling interests	(749)	(2,267)	(1,996)
Net loss attributable to the Company's shareholders	<u>(37,735)</u>	<u>(16,996)</u>	<u>(16,061)</u>
Net loss for the year	\$ (38,484)	\$ (19,263)	\$ (18,057)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Adjustments arising from translating financial statements of foreign operations	(1,323)	775	303
Remeasurement loss from defined benefit plans	-	6	1
Other comprehensive income	<u>(1,323)</u>	<u>781</u>	<u>304</u>
Total comprehensive loss for the year	<u>\$ (39,807)</u>	<u>\$ (18,482)</u>	<u>\$ (17,753)</u>
Less: Comprehensive loss attributable to non-controlling interests	(749)	(2,267)	(1,996)
Comprehensive loss attributable to the Company's shareholders	<u>(37,735)</u>	<u>(16,996)</u>	<u>(16,061)</u>
	\$ (38,484)	\$ (19,263)	\$ (18,057)
Basic and diluted loss per share from continuing operations	<u>\$ (0.96)</u>	<u>\$ (0.71)</u>	<u>\$ (1.10)</u>
Basic and diluted loss per share from discontinued operations	<u>\$ (0.07)</u>	<u>\$ (0.09)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding	<u>36,958,606</u>	<u>21,369,527</u>	<u>13,899,212</u>

(*) Reclassified due to discontinued operations (note 32).

The accompanying notes are an integral part of the financial statements.

A2Z CUST2MATE SOLUTIONS CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(Expressed in Thousands of US Dollars, except per share data)

	Ordinary share capital		Warrant reserve	Accumulated Other Comprehensive loss	Reserve with respect to transactions with non-controlling interests	Accumulated losses	Non-controlling interest	Total Equity (Deficit)
	Number of shares	Additional paid in capital						
Balance - January 1, 2025	29,590,297	\$ 83,120	\$ 30,863	\$ (549)	\$ 927	\$ (100,452)	\$ (7,065)	\$ 6,844
Net loss for the year	-	-	-	-	-	(37,735)	(749)	(38,484)
Adjustments arising from translating financial statements of foreign operations	-	-	-	(1,323)	-	-	-	(1,323)
Total comprehensive loss for the year	-	-	-	(1,323)	-	(37,735)	(749)	(39,807)
Issuance of shares in January 2025 private placement (note 18)	4,748,150	25,946	1,368	-	-	-	-	27,314
Issuance of shares in September 2025 private placement (note 18)	5,625,000	39,781	1,960	-	-	-	-	41,741
Transactions with non-controlling interests	-	(8,117)	-	-	-	-	6,267	(1,850)
Exercise of RSU's (note 18(P))	219,667	-	-	-	-	-	-	-
Exercise of warrants (note 18(R))	3,474,596	45,318	(24,044)	-	-	-	-	21,274
Exercise of options (note 18(Q))	225,332	548	-	-	-	-	-	548
Shares issued for services (note 18(s))	5,000	35	-	-	-	-	-	35
Share based compensation (note 19(b,c))	-	20,322	-	-	-	-	-	20,322
Balance - December 31, 2025	<u>43,888,042</u>	<u>\$ 206,953</u>	<u>\$ 10,147</u>	<u>\$ (1,872)</u>	<u>\$ 927</u>	<u>\$ (138,187)</u>	<u>\$ (1,547)</u>	<u>\$ 76,421</u>

	Ordinary share capital		Warrant reserve	Accumulated Other Comprehensive loss	Reserve with respect to transactions with non-controlling interests	Accumulated losses	Non-controlling interest	Total Equity (Deficit)
	Number of shares	Additional paid in capital						
Balance - January 1, 2024	15,359,799	\$ 55,485	\$ 30,863	\$ (1,330)	\$ 927	\$ (83,456)	\$ (4,798)	\$ (2,309)
Net loss for the year	-	-	-	-	-	(16,996)	(2,267)	(19,263)
Remeasurement loss from defined benefit plans	-	-	-	6	-	-	-	6
Adjustments arising from translating financial statements of foreign operations	-	-	-	775	-	-	-	775
Total comprehensive income (loss) for the year	-	-	-	781	-	(16,996)	(2,267)	(18,482)
Issuances of shares (note 18)	12,136,197	24,696	-	-	-	-	-	24,696
Exercise of RSU's (note 18(M))	764,001	-	-	-	-	-	-	-
Exercise of warrants (note 18(L))	1,330,300	576	-	-	-	-	-	576
Share based compensation (note 19(b,c))	-	1,913	-	-	-	-	-	1,913
Balance - December 31, 2024	29,590,297	\$ 83,120	\$ 30,863	\$ (549)	\$ 927	\$ (100,452)	\$ (7,065)	\$ 6,844

A2Z CUST2MATE SOLUTIONS CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(Expressed in Thousands of US Dollars, except per share data)

	Ordinary share capital			Accumulated	Reserve with respect to transactions with non-controlling parties	Accumulated deficit	Non-controlling interest	Total Equity of shareholders of the Company (Deficit)
	Number of shares	Additional paid in capital	Warrant reserve	Other Comprehensive Income				
Balance - January 1, 2023	12,378,129	\$ 43,452	\$ 30,863	\$ (1,634)	\$ -	\$ (67,395)	\$ (2,397)	\$ 2,889
Net loss for the year	-	-	-	-	-	(16,061)	(1,996)	(18,057)
Remeasurement loss from defined benefit plans	-	-	-	1	-	-	-	1
Adjustments arising from translating financial statements of foreign operations	-	-	-	303	-	-	-	303
Total comprehensive income (loss) for the year	-	-	-	304	-	(16,061)	(1,996)	(17,753)
Transactions with non-controlling parties	-	-	-	-	927	-	(405)	522
Issuances of shares (note 18)	2,759,047	7,129	-	-	-	-	-	7,129
Exercise of RSU's (note 18(E))	185,800	-	-	-	-	-	-	-
Exercise of warrants (note 18(D))	36,800	102	-	-	-	-	-	102
Share based compensation	-	4,802	-	-	-	-	-	4,802
Balance - December 31, 2023	<u>15,359,799</u>	<u>\$ 55,485</u>	<u>\$ 30,863</u>	<u>\$ (1,330)</u>	<u>\$ 927</u>	<u>\$ (83,456)</u>	<u>\$ (4,798)</u>	<u>\$ (2,309)</u>

The accompanying notes are an integral part of the financial statements.

A2Z CUST2MATE SOLUTIONS CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Thousands of US Dollars, except per share data)

	Year ended December 31,		
	2025	2024	2023
Cash flows from operating activities			
Loss for the year	\$ (38,484)	\$ (19,263)	\$ (18,057)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization and depreciation	815	862	1,027
Share based compensation	20,357	1,913	5,324
Share based compensation to service providers	-	1,286	-
Loss on deconsolidation of a subsidiary	461	-	-
Loss on impairment	-	1,727	1,027
Loss (gain) on revaluation of warrant liability	(998)	4,389	(1,255)
Gain from revaluation of investment in associate	(133)	(123)	-
Changes in employee benefits	12	26	88
Changes in inventory	(3,113)	(546)	125
Changes in short term and long term trade receivables	(2,535)	(547)	(104)
Changes in other account receivables	(2,491)	79	1,910
Accrued interest on loans and leases	191	149	9
Changes in provision	-	(169)	(85)
Changes in accounts payable	1,592	92	(482)
Changes in bank overdraft	-	30	-
Changes in deferred revenues	-	-	(1,373)
Changes in other accounts payable	1,419	(1,616)	459
Cash flow used in operating activities	(22,907)	(11,711)	(11,387)
Cash flows from investing activities			
Change in deposits	(241)	(129)	(69)
Divestment in a subsidiary	(47)	-	-
Investment in financial asset at fair value	(55,642)	-	(77)
Purchase of Intangible asset	(637)	-	-
Purchase of property and equipment	(452)	(140)	(174)
Cash flow used in investing activities	(57,019)	(269)	(320)
Cash flows from financing activities			
Transactions with non-controlling parties	(1,850)	-	-
Issuance of shares and warrants, net	65,727	24,435	10,317
Change in other accounts payables	-	-	1,119
Exercise of options	548	-	-
Exercise of warrants	18,433	576	102
Repayment of contingent liability	-	(1,136)	-
Lease payments	(745)	(583)	(336)
Repayment of loans	(808)	(580)	(476)
Proceeds from receipt of loans	-	95	167
Cash flows from financing activities	81,305	22,807	10,893
Increase (decrease) in cash and cash equivalents	1,379	10,827	(814)
Effect of changes in foreign exchange rates	(1,380)	308	465
Cash at beginning of year	13,526	2,267	2,616
Cash at the end of the year	\$ 13,525	\$ 13,526	\$ 2,267
Interest paid during the year	29	64	80
APPENDIX A: NON-CASH ACTIVITIES			
Recognition of a lease liability and right-of-use asset	2,381	283	-

See note 32 for cash flows from discontinued operations

The accompanying notes are an integral part of the financial statements.

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of US Dollars, except per share data)

NOTE 1 - DESCRIPTION OF BUSINESS:

Overview

A2Z CUST2MATE SOLUTIONS CORP. (the “Company”) was incorporated on January 15, 2018 under the laws of British Columbia. The head office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3, and the records and registered office is located at 2200 HSBC Building 885 West Georgia Street, British Columbia, V6C 3E8.

The Company has been listed on the NASDAQ Stock Market LLC (“Nasdaq”) starting January 22, 2022, and traded under the symbol “AZ”. The Company has been listed on the TSX Venture Exchange (“TSX.V”) in Toronto until February 28, 2024. Following an approval for a voluntary delisting, the Company no longer trades on the TSX.V but has remained a reporting issuer in Canada and its common shares (the “Common Shares”) remain listed on Nasdaq under the symbol AZ.

The Company had two key subsidiaries (the “Subsidiaries”), all of which are companies incorporated under the laws of Israel: (1) Cust2mate Ltd. (“Cust2mate”); and (2) Isramat Ltd. (“A2Z Isramat”). On July 13, 2023, Cust2mate incorporated a wholly owned subsidiary, Cust2mate USA Inc. under the laws of Delaware.

On February 12, 2025, the Company and the minority shareholders of Cust2Mate Ltd. entered into a share purchase agreement pursuant to which the Company exercised its call option and acquired an additional 66,194 ordinary shares of Cust2Mate, together constituting 19.81% of the issued and outstanding shares of Cust2Mate (on a fully diluted basis) for the aggregate purchase price of \$1,850. After the acquisition of the 66,194 shares in Cust2Mate, the Company now holds an aggregate 322,743 shares of Cust2Mate, constituting 96.58% of Cust2Mate’s issued and outstanding share capital.

On June 30, 2025, the Company entered into a share purchase agreement (the “A2ZMS Agreement”) pursuant to which it sold its wholly owned subsidiary A2ZMS Advanced Military Solutions Ltd., a company organized under the laws of Israel (“A2ZMS”), to a purchaser residing in Israel for a purchase price of 500,000 ILS. The purchaser is related to a director of the Company. The A2ZMS Agreement was approved by all of the independent directors of the Company. The Company received an independent valuation of A2ZMS in connection with this transaction. See also note 32.

The Company owns 96.58% of the common shares of Cust2Mate, a technology company focused on providing retail automation solutions, in particular for large grocery stores and supermarkets. The Company’s primary product is the Cust2Mate system which incorporates a “smart cart” which automatically calculates the value of the customers purchases in their smart cart, without having to unload and reload their purchases at a customer checkout point.

The Cust2Mate system offers various features for shoppers and retailers such as product information and location, an on-cart scale to weigh items and automatically calculate costs, bar-code scanner and on-board payment system to bypass checkout lines. In addition, the product includes big data smart algorithms and computer vision capabilities, allowing for customer specific targeted advertising. (“The Cust2Mate Platform”).

The Company’s activities through A2Z Isramat include the development of precision metal parts for the military and security markets, as well as for the civilian markets.

In October 2023, Israel was attacked by the Hamas terrorist organization and entered a state of war on several fronts. As of October 9, 2025, Israel and Hamas entered into a ceasefire agreement calling for a permanent end of the war. However, there are no assurances that such agreements will hold. In June 2025, following escalating threats and intelligence reports of imminent attacks, Israel conducted preemptive strikes on military and nuclear infrastructure in Iran. Iran responded with drones and missiles attacks, some of which caused civilian casualties and infrastructure damage. While a ceasefire was reached between Israel and Iran in June 2025 after 12 days of hostilities, on February 28, 2026, the United States and Israel launched coordinated military strikes against Iran, including attacks on strategic military infrastructure and leadership targets, with the stated aim of degrading Iran’s capacity to conduct or support hostile operations against them. In response, Iran has fired missiles and drones toward population centers and military installations in Israel, Europe and neighboring countries in the Gulf region, and also launched counter-strikes against U.S. forces and allied bases throughout the Gulf region. In March 2026, hostilities resumed along Israel’s northern border with Lebanon, when Hezbollah resumed its attacks as part of a broader regional escalation. In response, Israel resumed military operations against Hezbollah in southern Lebanon. As of the date of these consolidated financial statements, conflict continues in parts of the region. The extent to which the security situation in Israel may impact the Company’s financial condition, results of operations, or liquidity is uncertain, and as of the date of issuance of these consolidated financial statements, the Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or an adjustment to the carrying value of the Company’s assets or liabilities as of December 31, 2025.

These consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2026.

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of US Dollars, except per share data)

NOTE 2 – BASIS OF PREPARATION:

A. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out above. These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

B. Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commenced until the date control ceases. The Company controls an investee if all three elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements of the Company include the accounts of the Company and its Subsidiaries as if they formed a single entity. Any intercompany transactions were eliminated in full.

C. Functional and foreign currency

The Company's Israeli subsidiaries functional currency is the New Israeli Shekel ("NIS"), since their primary economic environment is in Israel. However, the presentation currency is in US Dollars ("USD") due to expected future expansion. Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

NOTE 3 - MATERIAL ACCOUNTING POLICIES:

A. Cash and cash equivalents

Cash equivalents are considered by the Company to be highly liquid investments, including, inter alia, short-term deposits with banks, the maturity of which do not exceed three months at the time of deposit, and which are not restricted.

B. Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The average number of shares is calculated by assuming that outstanding conversions were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. For the years ended December 31, 2025, and 2024, potentially dilutive common shares issuable upon the exercise of warrants and options were not included in the computation of loss per share because their effect was anti-dilutive.

C. Provisions

Provisions are recognized when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

D. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of US Dollars, except per share data)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

1. Financial assets

The Company classifies its financial assets into one of the following categories, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows:

Amortized cost: These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable) but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade accounts receivable are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within general and administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial assets not measured at fair value include cash and cash equivalents and trade and other receivables. Due to their short-term nature, the carrying value of cash and cash equivalents, loans to others, trade and other receivables, and trade payables approximates their fair value.

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of US Dollars, except per share data)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.):

2. Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss: Warrants are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are subsequently measured at fair value through profit or loss.

Other financial liabilities include the following items: Bank borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade accounts payable and other accounts payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

3. Allocation of Units fund raising:

The issue of a Unit of various securities (shares and warrants) involves the allocation of the proceeds received (before issue expenses) to the underlying securities issued in the Unit based on the following order: warrant derivatives at their calculated fair value and proceeds allocated to common shares are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the Unit.

4. Warrant liabilities - Derivatives:

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss. Accordingly, these warrants are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of US Dollars, except per share data)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.):

5. Impairment of financial assets

ECL and their measurement

ECL are measured as the unbiased probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, ECL are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default. The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios).

As of December 31, 2025, and December 31, 2024, ECL for trade and other account receivables are not material. The ECL for trade and other account receivables in 2025 and 2024 were \$17 and \$15, respectively.

Definition of default, including reasons for selecting the definition

Prior to commencing a business relationship, the Company will enter into an agreement with the customer. The agreement or contract typically includes details of the terms of payment to which the customer is entitled. In most cases, the customer updates the Company if there is a delay in the payment beyond the terms of the agreement. Any delays in payment for more than two months are subject to approval of management. If a customer's scheduled payment is delayed by more than two months and such delay is not approved by the Company's management, the CEO will typically make direct contact with the customer's management and inform them of the overdue obligation and that Company will pursue remedies available to collect the overdue payment. If the customer and the Company are not able to resolve the matter at that time, the receivable is considered to be in default as the collectability is no longer certain. If the collection effort is not successful, the Company will retain legal counsel in the applicable country to assist with collection and sends a demand letter to that effect.

Write-off policy

The Company writes off its financial assets if any of the following occur:

- Inability to locate the debtor.
- Discharge of the debt in a bankruptcy.
- It is determined that the efforts to collect the debt are no longer cost effective given the size of receivable.

The collections department must comply with the collection efforts outlined in the policy to collect on delinquent customer accounts before any write-offs are made.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.):

Aging Schedule based on due date

	Aging schedule	
	December 31, 2025	December 31, 2024
Within payment terms	\$ 4,255	\$ 2,024
Total	<u>\$ 4,255</u>	<u>\$ 2,024</u>

Three-level matrix

Based on its past experience and historical data along with a consideration of future projections of factors, such as the economic environment, the Company has established a three-level matrix. The three-level matrix contains the following groups and balances:

	December 31, 2025	December 31, 2024
Government institutions	\$ -	\$ 663
Industrial customers	1,658	1,361
Supermarket Chains	1,376	-
Long term trade receivables	1,221	-
Total	<u>\$ 4,255</u>	<u>\$ 2,024</u>

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

E. Operating Segment:

An operating segment is a component of the Company that meets the following three criteria:

1. Is engaged in business activities from which it may earn revenues and incur expenses;
2. Whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
3. For which separate financial information is available.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments. Items that cannot be allocated to segments include the Company's financial income and expenses and income tax. The Company has three operating segments; Precision Metal Parts, Advanced Engineering and Smart Carts.

F. Share-based compensation:

Where equity settled share options are awarded to employees and service providers, the fair value of the options calculated at the grant date is based on the market share price and is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

Share based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting date includes the Group's best estimate of the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at the grant date. The fair value of option granted is determined using the Black and Scholes model, which was aimed to model the value of the Company's assets over time. The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Company and the volatility of its assets, on the date of grant based on certain assumptions.

G. Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of future taxable profits together with future tax planning strategies.

Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed based on tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred taxes are recognized in Profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized or reassessed are recognized to the extent that their recoverability is probable. Any resulting reduction or reversal is recognized as "income tax" within the statement of comprehensive income. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items, respectively.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred tax assets in respect to carryforward losses have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

H. Defined benefit schemes

The Company contributes towards the state pension in accordance with local legislation where required. The only obligation of the Company is to make the required contributions. Costs related to such contributions are expensed in the period in which they are incurred.

The Company has several employee benefits plans as to its employees:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.
2. Post-employment benefits: The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

This liability is calculated based on actuary measurement.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution. The Company also operates for some employees an immaterial defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. The Company presents the accrued severance pay liability net from severance pay fund.

I. Property, equipment and right of use assets

Depreciation and amortization are computed by the straight-line method, based on the estimated useful lives of the assets, as follows:

	<u>Estimated useful lives</u>
Computers and electronic equipment	3
Machines and manufacturing equipment	10
Furniture and equipment	7
Vehicles	6.67
ERP system	3-6
Right of use assets and leasehold improvement	over the lease periods

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

J. Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers. IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework:

1. Identify the contracts with a customer.
 2. Identify the performance obligations in the contract.
 3. Determine the transaction price.
 4. Allocate the transaction price to the performance obligations in the contract.
 5. Recognize revenue when the entity satisfies a performance obligation.
- i. Revenues generated from Isramat are to Israeli customers (amounted to \$4,693 in 2025) and are recognized upon delivery, which is the point in time when the control of the goods is transferred to them.
- ii Revenue from sale of smart carts is recognized from sale of goods in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the smart carts to the customer.

Allocation of the Transaction Price to Performance Obligations

The Company allocates the transaction price to each performance obligation in the contract based on its relative Standalone Selling Price (SSP). The Company determines the SSP for each performance obligation as follows:

Equipment (Products): The SSP for equipment is determined based on Observable Prices from standalone sales of the same or similar products to similar customers in representative circumstances.

Services: For services where a standalone selling price is not directly observable, the Company estimates the SSP using the Expected Cost Plus a Margin approach. Under this method, the Company forecasts the costs expected to be incurred in satisfying the service (including direct labor and relevant overheads) and adds an appropriate margin. This margin reflects the return the Company expects to receive based on market conditions, industry benchmarks, and historical profit margins for similar service arrangements.

In contracts involving multiple performance obligations, the total transaction price is allocated to the equipment and services based on the relative proportion of these estimated standalone selling prices.

When consideration is received over a period exceeding 12 months, the Company adjusts the transaction price to reflect the time value of money. Revenue is recognized at the discounted present value, and the unwinding of the discount is recognized as interest income over the payment period. For the year ended December 31, 2025 and 2024, difference between the gross amount and the discounted presented value amounted to \$128 and nil, respectively.

- iii Revenue from services maintenance of smart carts is recognized - over the period of the provision of such services, following the delivery of the smart cart.
- iv In cases where the Company enters into a buy-back agreement in which older models are repurchased from the customer, the amounts paid for the older models are recorded in inventory at the lower of the amount paid and the fair value of the older model. Any difference is netted off against Revenues and accounted as consideration paid to customers, for the years ended December 31, 2025 and 2024 the company recognized discounts in amount of \$564 and none, respectively.
- v The Company sells smart carts to customers under arrangements that may include bill-and-hold terms, whereby legal title and control of the goods transfer to the customer upon execution of the sales agreement, while the Company retains physical possession at the customer's request pending delivery at a future date.

Revenue is recognized under such arrangements in accordance with IFRS 15), when all of the following criteria are met:

- (a) The reason for the bill-and-hold arrangement is substantive (e.g., the customer has requested the arrangement due to ongoing site preparation for installation);
- (b) The goods are separately identified as belonging to the customer;
- (c) the goods are currently ready for physical transfer to the customer; and
- (d) The Company cannot use the goods or direct them to another customer.

In addition, the Company assesses whether the general indicators of transfer of control are satisfied, including: a present right to payment, transfer of legal title, transfer of significant risks and rewards of ownership, and customer acceptance. Physical possession is retained by the Company as custodian on the customer's behalf and does not preclude the transfer of control in a bill-and-hold arrangement.

For the years ended December 31, 2025 and 2024, the Company recognized revenue of \$2,200 thousand and nil, respectively, under bill-and-hold arrangements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

K. Research and development expenses

Research expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development. Development costs in respect of the Company's model 3.0 Cart meet the aforementioned criteria and therefore development costs in respect thereof in the amounts of \$637 have been capitalized to Intangible Assets (see note 9).

L. New standards, interpretations and amendments adopted from 1 January 2025

The following new amendments are effective for the period beginning 1 January 2025: The Company and its subsidiaries did not have to change their accounting policies or make retrospective adjustments as a result of adopting these amended standards:

Lack of exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the "Amendments").

These Amendments are applicable for annual reporting periods beginning on or after January 1, 2025. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. The Amendments also introduce additional disclosure requirements when an entity estimates a spot exchange rate because a currency is not exchangeable into another currency.

IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice.

When applying the Amendments, an entity is not permitted to restate comparative information

These Amendments have had no material effect on the interim condensed consolidated financial statements.

M. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following standards and amendments are effective for the annual reporting period beginning 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Company is currently assessing the effect of these new accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Group does not expect to be eligible to apply IFRS 19.

N. Going Concern

In order to assess whether it is appropriate for the company to continue as a going concern, management is required to apply judgment and make estimates with respect to future cash flow projections. In arriving at this judgment, there were several assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future revenues and expenditures and the ability and timing of raising additional financing.

O. Functional Currency

The Company and its subsidiaries are required to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that, management has to analyze several factors, including which currency mainly influences the cost of undertaking the business activities, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities. Management uses its judgment to determine which factors are most important when the above indicators are mixed and the functional currency is not obvious.

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NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position are:

Impairment of intangible assets

An impairment test on capitalized development costs is undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability Test includes recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. Where the carrying value of an asset exceeds its recoverable amount (i.e., the higher value in use and fair value less costs to sell), the asset is written down accordingly.

Determination of fair value - Warrants liabilities - derivatives and share-based payment transactions

The Company uses the Black-Scholes option-pricing model to estimate fair value. The key assumptions used in the model are the expected future volatility in the price of the Company's shares and the expected life of the instrument.

NOTE 5 – FINANCIAL ASSETS AT FAIR VALUE

The reconciliation of the opening and closing fair value balance of financial instruments is provided below:

Financial assets at fair value	Level 1
	USD in thousand
January 1, 2024	\$ -
Purchases	-
Disposals	-
Gain (loss)	-
December 31, 2024	\$ -
Purchases	55,240
Disposals	-
Gain (loss)	402
December 31, 2025	\$ 55,642

General objectives, policies and processes

The Company's investment strategy regarding its financial assets is the preservation of capital; the Company does not invest for trading or speculative purposes. The Company holds level 1 short-term investments (mutual funds and bonds) with yields ranging between 3.70% to 4.35%.

Other market price risk

The Company is exposed to price risks of shares, certificate of participation in mutual funds and bonds, which are classified as financial assets carried at fair value through profit or loss. The effect of a 1% increase in the value of the portfolio securities investment held at the reporting date would, if all other variables held constant, have resulted in an increase in the fair value through profit or loss and net assets of \$560. A 1% decrease in their value would, on the same basis, have decreased the fair value through other profit or loss reserve and net assets by the same amount.

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NOTE 6 - INVENTORIES:

	December 31, 2025	December 31, 2024
Raw materials	\$ 117	\$ 454
Smart cart parts	2,528	342
Inventory in transit	636	-
Finished goods	610	-
	<u>\$ 3,891</u>	<u>\$ 796</u>

NOTE 7 – SHORT TERM AND LONG TERM TRADE RECEIVABLES, NET:

	December 31, 2025	December 31, 2024
Customers	\$ 4,272	\$ 2,039
Expected credit losses	(17)	(15)
Trade receivables, net	<u>\$ 4,255</u>	<u>\$ 2,024</u>

As of December 31, 2025, the Company did not have any overdue balances and has experienced immaterial credit losses.

NOTE 8 – PREPAYMENTS AND OTHER ACCOUNTS RECEIVABLE:

	December 31, 2025	December 31, 2024
Advances to suppliers	\$ 2,412	\$ -
Prepaid expenses	120	223
Government institutions	166	241
Other	239	117
	<u>\$ 2,937</u>	<u>\$ 581</u>

NOTE 9 – INTANGIBLE ASSETS:

Balance, January 1, 2024	\$ 1,850
Depreciation	(123)
write off of patent (a)	(1,727)
Balance, December 31, 2024	<u>\$ -</u>
Capitalization of model 3.0 smart carts (b)	637
Balance, December 31, 2025	\$ 637

(a) In February 2024, the Company decided to cease the development of its patent and recognized a loss as a result of impairment to its patent in the amount of \$1,727 in the consolidated statement of comprehensive loss for the year ended December 31, 2024.

(b) During the year, the Company identified development costs in the amount \$637 in respect of the model 3.0 smart cart.

NOTE 10 – LONG TERM FINANCIAL ASSETS AT FAIR VALUE

On September 30, 2023, the Company entered into a Share Purchase Agreement (the “Agreement”) with Shelfie-Tech Ltd. (“Shelfie”) an Israeli company organized under the laws of the State of Israel, developing an innovative patented technology, a robotic retail shelf monitoring system using advanced machine learning and image processing algorithms to automatically optimize inventory management. At the closing and upon the terms and conditions set forth in the Agreement, the Company invested \$158 in cash, in exchange for 237,897 ordinary shares, NIS 0.001 par value of Shelfie (the “Shelfie Shares”) based on a price per share of \$0.66, during the year 2024, the Company invested \$42 in cash, in exchange for 65,548 ordinary shares, NIS 0.001 par value of Shelfie based on a price per share of \$0.65, resulting in the Company holding 1.3% of the issued and outstanding shares of Shelfie. As of December 31, 2025, fair value of the Shelfie Shares is \$333 and the Company has recorded a financial gain in the amount of \$133 for the year ended December 31, 2025.

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NOTE 11 - PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET:

	Computers and electronic equipment	Machines and manufacturing equipment	Furniture and equipment	Vehicles	ERP system	Leasehold improvements	Right of use asset	Total
Cost:								
As of January 1, 2025	\$ 466	\$ 2,228	\$ 366	\$ 889	213	\$ 398	\$ 1,430	\$ 5,990
Additions	30	77	27	132	51	135	2,381	2,833
Discontinued operation	(436)	-	(186)	(774)	-	(63)	(391)	(1,850)
Translation adjustments	43	327	44	53	34	64	193	758
As of December 31, 2025	\$ 103	\$ 2,632	\$ 251	\$ 300	298	\$ 534	\$ 3,613	\$ 7,731
Accumulated depreciation:								
As of January 1, 2025	\$ 369	\$ 1,750	\$ 306	\$ 505	\$ 116	\$ 367	\$ 1,032	\$ 4,445
Additions	30	110	5	48	62	4	556	815
Discontinued operation	(357)	-	(158)	(473)	-	(56)	(348)	(1,392)
Translation adjustments	30	262	32	7	17	54	(95)	307
As of December 31, 2025	\$ 72	\$ 2,122	\$ 185	\$ 87	\$ 195	\$ 369	\$ 1,145	\$ 4,175
Net Book Value:								
As of December 31, 2025	\$ 31	\$ 510	\$ 66	\$ 213	103	\$ 165	\$ 2,468	\$ 3,556
	Computers and electronic equipment	Machines and manufacturing equipment	Furniture and equipment	Vehicles	ERP system	Leasehold improvements	Right of use asset	Total
Cost:								
As of January 1, 2024	\$ 462	\$ 2,152	\$ 362	\$ 868	\$ 206	\$ 394	\$ 1,144	\$ 5,588
Additions	11	100	4	24	-	-	283	422
Translation adjustments	(7)	(24)	-	(3)	7	4	3	(20)
As of December 31, 2024	\$ 466	\$ 2,228	\$ 366	\$ 889	213	\$ 398	\$ 1,430	\$ 5,990
Accumulated depreciation:								
As of January 1, 2024	\$ 326	\$ 1,678	\$ 287	\$ 412	\$ 53	\$ 359	\$ 612	\$ 3,727
Additions	50	94	13	92	55	5	417	726
Translation adjustments	(7)	(22)	6	1	8	3	3	(8)
As of December 31, 2024	\$ 369	\$ 1,750	\$ 306	\$ 505	\$ 116	\$ 367	\$ 1,032	\$ 4,445
Net Book Value:								
As of December 31, 2024	\$ 97	\$ 478	\$ 60	\$ 384	97	\$ 31	\$ 398	\$ 1,545

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NOTE 12 – SHORT TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS:

	Linked to	Interest rate	December 31, 2025	December 31, 2024
Short term loans	NIS	3.2%-7.5%	\$ -	\$ 715
Current portion of long-term loans			9	111
Short term loans and current portion of long-term loans			<u>\$ 9</u>	<u>\$ 826</u>

NOTE 13 – LEASE LIABILITY:

The Company has lease contracts for working areas and office facilities used in its operations. Leases of working areas and office facilities generally have lease terms of between 2 and 5 years. The Company has three lease contracts that include termination option, which are valid after a minimal lease period. The Company has three lease contracts that include extension options. One of the Company's Israeli subsidiaries leases office space with the lease expiring on March 31, 2029. Lease payments are approximately \$48 thousand per month (\$576 thousand annually). Another one of the Company's Israeli subsidiaries leases warehouse space, with the lease expiring on March 31, 2027. Lease payments are approximately \$18 thousand per month (\$216 thousand annually). Another one of the Company's Israeli subsidiaries leases its factory space with the lease expiring on March 31, 2027. Lease payments are approximately \$19 thousand per month (\$228 thousand annually).

Set out below are the carrying amounts of lease liabilities recognized and the movements during the period:

	working areas and office facilities
Balance January 1, 2024	\$ 600
Additions	283
Accretion	(482)
Accumulated interest	58
Exchange rate differences	(1)
Balance December 31, 2024	<u>\$ 458</u>
Additions	2,381
Accretion	(745)
Accumulated interest	185
Discontinued operation	(7)
Exchange rate differences	305
Balance December 31, 2025	<u>\$ 2,577</u>

	Linked to	December 31, 2025	December 31, 2024
Long Term leases	NIS	\$ 1,758	\$ 458
Current portion of long-term leases		819	217
Non-current portion of long-term leases		<u>\$ 2,577</u>	<u>\$ 241</u>

NOTE 14 - OTHER ACCOUNTS PAYABLE:

	December 31, 2025	December 31, 2024
Employees and government authorities	\$ 1,355	\$ 874
Related parties (note 29)	845	44
	<u>\$ 2,200</u>	<u>\$ 918</u>

NOTE 15 - LONG TERM LOANS:

	Linked to	Interest rate	December 31, 2025	December 31, 2024
Long term loans	NIS	1.8%-6.1%	\$ 38	\$ 219
Less- current portion			(9)	(111)
Non current long term loans			<u>\$ 29</u>	<u>\$ 108</u>

The loans are from leading Israeli financial institutions and bear interest of between 1.8% - 6.1%.

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NOTE 16 – WARRANT LIABILITY:

Certain warrants issued between November 2, 2022 and January 4, 2024, were issued with an exercise price denominated in US Dollars rather than the functional currency of the Company – New Israeli Shekels (NIS). As of December 31, 2025, there are 1,286,808 such warrants outstanding (“Liability Warrants”), see note 19 (a)(ii).

Under IAS 32 *Financial Instruments: Presentation*, a contract that will be settled by the exchange of a fixed number of the Company’s own equity instruments for a fixed amount of cash qualifies as an equity instrument. This is commonly referred to as the “fixed-for-fixed” criterion.

Because the exercise price of the warrants is denominated in a currency different from the Company’s functional currency, the amount of functional currency cash to be received upon exercise varies as a result of changes in foreign exchange rates. Accordingly, the warrants do not meet the fixed-for-fixed criterion and are classified as derivative financial liabilities.

The warrants are initially recognized at fair value and subsequently remeasured at fair value at each reporting date in accordance with IFRS 9 *Financial Instruments*. Changes in fair value are recognized in profit or loss within finance income (expense).

The fair value of the warrants is determined using an option pricing model that incorporates assumptions including share price, exercise price, expected volatility, expected life, risk-free interest rate and foreign exchange rates

The Black-Scholes option pricing model was used to measure the warrant liability with the following assumptions: volatility of 93%-110% using the historical prices of the Company, risk-free interest rate of 3.62%-4.45%, expected life of 2.00 years and exercise price of CAD\$3.90-CAD\$7.475.

Level 3 for the period ended on December 31, 2025:

Balance at December 31, 2023	\$	3,075
Issuance of warrants		1,027
Warrant exercise		(450)
Revaluation at December 31, 2024		4,384
Effect of changes in foreign exchange rates		(293)
Balance at December 31, 2024	\$	7,743
Expiration of warrants		(816)
Warrant exercise		(5,592)
Revaluation at December 31, 2025		2,218
Effect of changes in foreign exchange rates		(2,977)
Balance at December 31, 2025	\$	576

For the year ended December 31, 2025, the Company recorded a loss on the revaluation of Liability Warrants in the amount of \$998 (for the year ended December 31, 2024 - \$4,384).

A2Z CUST2MATE SOLUTIONS CORP.

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NOTE 17 – LIENS, COMMITMENTS AND PROVISIONS:

The Company's Israeli subsidiary's fixed assets (motor vehicles) are secured against bank borrowings.

NOTE 18 – SHAREHOLDERS' EQUITY:

- A. On March 20, 2023, the Company closed a private placement for gross proceeds of \$2,604 through the issuance of 713,424 units ("March 2023 Units") at a price per March 2023 Unit of US\$3.65 (CAD\$4.875). Each March 2023 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a "Warrant"). An aggregate of 356,711 Warrants were issued with an exercise price of CAD\$5.875 (US\$4.375). The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 356,711 Common Shares ("March 2023 Private Placement Warrants"). A finder's fee of \$208 (CAD\$290) was paid and 57,074 March 2023 Private Placement Warrants were issued in connection with the private placement.
- B. On June 15 and June 20, 2023, the Company closed a registered direct offerings for gross proceeds of \$6,873 through the issuance of 1,527,310 units ("June 2023 Units") at a price per Unit of US\$2.875 (CAD\$3.90). Each June 2023 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a "Warrant"). An aggregate of 763,654 Warrants were issued with an exercise price of CAD\$7.325 (US\$5.50). The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 763,654 Common Shares ("June 2023 Registered Direct Offerings Warrants"). A finder's fee of \$550 (CAD\$733) was paid and 122,185 non-registered warrants were issued in connection with the Registered Direct Offerings. The cash finders' fees are charged against Share Capital and Additional Paid In Capital in the Statement of Changes in Shareholder Equity and the fair value of the warrants is credited to the Warrant Reserve on the Statement of Changes in Shareholder Equity.
- C. On December 13, 2023, the Company closed registered direct offerings for gross proceeds of \$1,490 through the issuance of 518,313 units ("December 2023 Units") at a price per Unit of US\$2.875 (CAD\$3.40). Each December 2023 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a "Warrant"). An aggregate of 259,156 Warrants were issued with an exercise price of CAD\$5.125 (US\$3.75). The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 259,156 Common Shares ("December 2023 Registered Direct Offerings Warrants"). A finder's fee of \$119 (CAD\$162) was paid and 41,465 non-registered warrants were issued in connection with the Registered Direct Offerings.
- D. During the year ended December 31, 2023, the Company issued 36,800 Common Shares in respect of 36,800 warrants that were exercised for gross proceeds of \$140.
- E. During the year ended December 31, 2023, the Company issued 185,800 Common Shares in respect of 185,800 RSUs that were exercised.

A2Z CUST2MATE SOLUTIONS CORP.

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NOTE 18 – SHAREHOLDERS’ EQUITY (CONTINUED):

- F. On January 4, 2024, the Company closed a registered direct offering for gross proceeds of \$3,227 through the issuance of 1,122,521 units (“January 2024 Units”) at a price per Unit of \$2.88 (CAD\$3.40). Each January 2024 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a “January 2024 Warrant”). An aggregate of 561,260 January 2024 Warrants were issued with an exercise price of CAD\$5.13 (\$3.75) per share. The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 561,260 Common Shares (“January 2024 Registered Direct Offerings Warrants”). A finder’s fee of \$258 (CAD\$348 thousand) was paid and 89,802 January 2024 Registered Direct Offerings Warrants were issued in connection with the registered direct Offering.
- G. On April 2, 2024, the Company closed a registered direct offering for gross proceeds of approximately \$3,300 at a purchase price of \$0.875 per share and issued an aggregate of 3,792,200 common shares in the registered direct offering. The Company issued 293,776 common shares as finders’ fee.
- H. On August 12, 2024, the Company closed its previously announced private placement for gross proceeds of approximately \$2,502, at a purchase price of \$0.875 per common share and \$0.875 per pre-funded warrant. The Company issued a total of 1,839,554 common shares and pre-funded warrants to purchase up to 1,200,000 common shares, with each pre-funded warrant having an exercise price of \$0.0001 per share. Each pre-funded warrant has an exercise price of \$0.00025 per share and will expire when exercised in full.
- Certain directors and officers of the Company purchased \$420 value of common shares in the private placement. In connection with the closing, the Company has issue certain non-U.S. residents 180,624 common shares as finders fees.
- I. On October 2, 2024, the Company closed its previously announced securities purchase agreement with certain accredited investors to issue, in a registered direct offering, 2,165,200 common shares at a purchase price of US\$1.875 per share, for gross proceeds of \$4,060. The Company paid \$325 and issued 134,720 common shares and 21,333 warrants as finders’ fees.
- J. On October 15, 2024, the Company closed its previously announced securities purchase agreement with certain accredited investors to issue, in a registered direct offering, 642,858 common shares at a purchase price of US\$2.80 per share, for gross proceeds of \$1,800. The Company paid \$144 and issue 51,428 common shares as finders’ fees.
- K. On December 16, 2024, the Company issued in a registered direct offering 1,947,000 common shares at a purchase price of \$6.40 per share, for gross proceeds of \$12,460. The Company paid \$997 in cash and issued 146,940 common shares as finders’ fees.
- L. During the year ended December 31, 2024, the Company issued 1,330,300 Common Shares in respect of 1,330,300 warrants that were exercised for gross proceeds of \$576 (note 19 (a)).
- M. During the year ended December 31, 2024, the Company issued 764,001 Common Shares in respect of 764,001 RSUs that were exercised (note 19 (c)).

A2Z CUST2MATE SOLUTIONS CORP.

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NOTE 18 – SHAREHOLDERS' EQUITY (CONTINUED):

- N. On January 29, 2025, the Company announced the pricing of an underwritten public offering of 3,281,250 Common Shares at a public offering price of \$6.40 per share. The Company concurrently announced the pricing of a registered direct offering of 1,406,250 Common Shares at a purchase price of \$6.40 per share. The offerings closed on January 29, 2025. The total gross proceeds from the offerings to the Company were \$30,000. Titan Partners Group LLC, a division of American Capital Partners LLC, acted as sole bookrunner for the underwritten public offering. The Company paid \$2,400 in cash and issued 60,650 Common Shares and 229,688 warrants as finders' fees. The warrants expire on January 29, 2030 and the fair value of the warrants is credited to the Warrant reserve on the Statement of Changes in Shareholder Equity.
- O. On September 16, 2025, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with Titan Partners Group LLC, a division of American Capital Partners LLC, as sole bookrunner (the "Underwriter"), relating to an underwritten public offering (the "Offering") of 5,625,000 of its common shares, no par value per share (the "Common Shares"), with each Common Share sold at a public offering price of \$8.00. The offering closed on September 18, 2025. The total gross proceeds from the offerings to the Company were \$45,000. The Company paid \$3,150 in cash and issued 324,625 warrants as finders' fees. The warrants expire on September 16, 2030 and the fair value of the warrants is credited to the Warrant reserve in the Statement of Changes in Shareholder Equity. The warrants expire on September 16, 2030 and the fair value of the warrants is credited to the Warrant reserve on the Statement of Changes in Shareholder Equity.
- P. During the year ended December 31, 2025, the Company issued 219,667 Common Shares in respect of the exercise of 219,667 vested RSUs (note 19 (c)).
- Q. During the year ended December 31, 2025, the Company issued 225,332 Common Shares in respect of the exercise of 225,332 share options for proceeds of \$548 (note 19 (b)).
- R. During the year ended December 31, 2025, the Company issued 3,474,596 Common Shares in respect of the exercise of 3,474,596 warrants for proceeds of \$17,149 (note 19 (a)).
- S. During the year ended December 31, 2025, the Company issued 5,000 Common Shares in respect of services rendered in the amount of \$35.

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 – WARRANTS AND OPTIONS:

a) Warrants

(i) Warrant transactions for the years ended December 31, 2025, and 2024 are as follows:

	Number	Weighted Average Exercise Price
Balance, January 1, 2024	4,386,234	\$ 6.58
Warrants issued in the January 2024 Registered Direct Offering	651,062	
Warrants issued in the July 2024 Private Placement	1,200,000	
Exercise of warrants	(1,330,300)	
Warrants issued in the October 2024 Private Placement	21,333	
Balance, December 31, 2024	4,928,329	\$ 6.17
Expiry of warrants	(721,239)	
Exercise of warrants	(3,474,595)	
Warrants issued in the January 2025 Registered Direct Offering and September 2025 underwritten public offering	554,313	
Balance, December 31, 2025	1,286,808	\$ 13.39

(ii) As of December 31, 2025, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

December 31, 2025	Expiry date	Exercise price	Exercise price (USD)
88,440	April 18, 2026	ILS 72.563	\$ 22.75
433,825	May 28, 2026	ILS 72.563	\$ 22.75
(*) 252,967	January 4, 2026	CAD 5.13	\$ 3.75
3,200	October 2, 2026	CAD 2.70	\$ 1.88
183,751	January 29, 2030	USD 8.00	\$ 8.00
324,625	September 16, 2030	USD 10.00	\$ 10.00
1,286,808			

(*)Liability Warrants – see note 16.

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 – WARRANTS AND OPTIONS (CONTINUED):

b) Stock Options

Stock option transactions for the years ended December 31, 2025, and 2024 are as follows:

	Number	Weighted Average Exercise Price (CAD)	Weighted Average Exercise Price (USD)
Balance January 1, 2024	1,411,170	\$ 6.33	\$ 4.78
Options granted (i)	552,000		
Expiry of options	(206,500)		
Balance December 31, 2024	1,756,670	\$ 5.39	\$ 3.75
Options cancelled	(127,668)		
Options exercised	(225,332)		
Options granted (ii)(iii)(iiii)(iv)	2,863,500		
Balance December 31, 2025	4,267,170	\$ 6.14	\$ 8.41

- (i) On August 14, 2024, 552,000 stock options were issued to employees, consultants and officers with an exercise price of \$1.78. The options expire on August 13, 2029. The fair value of the options granted was estimated at \$779 using the Black-Scholes option pricing model, using the following assumptions: Share Price: \$1.78; Expected option life 5 years; Volatility 109%; Risk-free interest rate 3.67%; Dividend yield 0%.
- (ii) On January 15, 2025, the Company granted an employee 105,000 share options to purchase Common Shares of the company with an exercise price of \$6.40 per share. The share options vest quarterly starting on January 15, 2026, and expire on January 15, 2035. The fair value of the options granted was estimated at \$627 using the Black-Scholes option pricing model, using the following assumptions: Share Price: \$6.38; Expected option life 10 years; Volatility 110%; Risk-free interest rate 4.65%; Dividend yield 0%.
- (iii) On February 12, 2025, the Company granted the CEO 500,000 share options to purchase Common Shares with an exercise price of \$6.40 per share, vesting immediately and expiring on February 2, 2035. The fair value of the options granted was estimated at \$3,092 using the Black-Scholes option pricing model, using the following assumptions: Share Price: \$6.61; Expected option life 10 years; Volatility 110%; Risk-free interest rate 4.64%; Dividend yield 0%.
- (iii) On June 20, 2025, 229,000 share options were granted to employees. 30,000 share options have an exercise price of \$1.775 per share and their vesting schedule is as follows: a third vest on June 30, 2025, a third on June 30, 2026, and a third on June 30, 2027. The remaining 199,000 share options have an exercise price of \$6.40 per share and their vesting schedule is as follows: a third vest on June 30, 2026, a third on June 30, 2027, and a third on June 30, 2028. The options expire on June 20, 2035. The fair value of the options granted was estimated at \$2,252 using the Black-Scholes option pricing model, using the following assumptions: Share Price: \$10.36; Expected option life 10 years; Volatility 108%; Risk-free interest rate 4.38%; Dividend yield 0%.
- (iv) On October 9, 2025, 239,000 share options were granted to employees. 215,000 share options have an exercise price of \$8.00 per share, 24,000 share options have an exercise price of \$6.40 per share. The vesting schedule is as follows: a third vest on September 30, 2026, a third on September 30, 2027, and a third on September 30, 2028. The options expire on October 9, 2035. The fair value of the options granted was estimated at \$1,644 using the Black-Scholes option pricing model, using the following assumptions: Share Price: \$7.33; Expected option life 10 years; Volatility 113%; Risk-free interest rate 4.15%; Dividend yield 0%.
- (iv) On December 30, 2025, 1,790,500 share options were granted to employees. 474,500 share options have an exercise price of \$8.00 per share and their vesting schedule is as follows: a third vest on December 30, 2025, a third on December 30, 2027, and a third on December 30, 2028. 800,000 share options have an exercise price of \$8.00 per share and vest immediately. 1,000 share options have an exercise price of \$6.40 per share and their vesting schedule is as follows: a third vest on June 30, 2026, a third on June 30, 2027, and a third on June 30, 2028. 15,000 share options have an exercise price of \$8.00 per share and their vesting schedule is as follows: a third vest immediately, a third on December 30, 2026, and a third on December 30, 2027. The remaining 500,000 share options have an exercise price of \$6.00 per share and vest immediately. The options expire on December 30, 2035. The fair value of the options granted was estimated at \$7,747 using the Black-Scholes option pricing model, using the following assumptions: Share Price: \$6.43; Expected option life 10 years; Volatility 105%; Risk-free interest rate 4.13%; Dividend yield 0%.

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NOTE 19 – WARRANTS AND OPTIONS (CONTINUED):

b) Stock Options (continued)

(vi) As of December 31, 2025, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Outstanding as of December 31, 2025	Exercisable as of December 31, 2025	Expiry date	Exercise price (CAD)	Exercise price (USD)
20,000	20,000	June 3, 2026	CAD 21.00	\$ 15.32
6,670	6,670	October 28, 2026	CAD 20.00	\$ 14.59
360,000	360,000	August 2, 2032	CAD 8.90	\$ 6.49
120,000	120,000	August 21, 2032	CAD 10.00	\$ 7.30
220,000	220,000	January 4, 2033	CAD 4.13	\$ 3.01
100,000	100,000	January 4, 2033	CAD 4.13	\$ 3.01
40,000	40,000	November 25, 2027	CAD 5.03	\$ 3.67
103,000	91,000	April 18, 2033	CAD 4.00	\$ 2.92
441,000	146,333	August 14, 2034	CAD 2.43	\$ 1.78
105,000	-	January 15, 2035	CAD 8.77	\$ 6.40
500,000	500,000	February 2, 2035	CAD 8.77	\$ 6.40
30,000	10,000	June 20, 2035	CAD 2.43	\$ 1.775
192,000	-	June 20, 2035	CAD 8.77	\$ 6.40
239,000	6,667	October 9, 2035	CAD 10.96	\$ 8.00
500,000	500,000	December 30, 2035	CAD 8.22	\$ 6.00
1,290,500	805,000	December 30, 2035	CAD 10.96	\$ 8.00
4,267,170	2,925,670			

(vii) Share-based compensation expense is recognized over the vesting period of options. During the year ended December 31, 2025, share-based compensation of \$12,703 was recognized and charged to the Consolidated Statement of Comprehensive Loss (December 31, 2024 - \$729, December 31, 2023 - \$4,245).

c) RSU's

On January 4, 2023, the Company granted 410,800 RSUs to directors, officers and advisers, of which 104,000 RSUs are to executives and directors, pursuant to the Company's RSU Plan and in acknowledgment of the Company's management recent success and increased future workload. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 410,800 common shares of no-par value in the Company.

On April 18, 2023, the Company granted 46,500 RSUs to employees, pursuant to the Company's RSU Plan. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 46,500 common shares of no-par value in the Company.

On June 28, 2023, the Company granted 66,000 Restricted Share Units ("RSUs") to officers pursuant to the Company's RSU Plan. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 66,000 common shares of no-par value in the Company ("Common Shares").

On August 14, 2024, the Company granted 326,000 Restricted Share Units ("RSUs") to officers and advisers, pursuant to the Company's RSU Plan. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 326,000 common shares of no-par value in the Company.

On January 15, 2025, the Company granted an employee 20,000 Restricted Share Units ("RSUs") pursuant to the Company's RSU plan and in acknowledgement of the Company's recent success and future workload. The RSUs will vest immediately.

On February 12, 2025, the Company granted the CEO 400,000 RSUs pursuant to the Company's RSU plan and in acknowledgement of the Company's recent success and future workload. The RSUs will vest upon the Company entering into one or more agreements for the binding supply of at least 10,000 smart carts.

On June 20, 2025, the Company granted 125,000 RSUs to an advisor. The RSUs vest immediately.

On December 28, 2025, the Company granted the CEO 500,000 RSUs pursuant to the Company's RSU plan and in acknowledgement of the Company's recent success and future workload. The RSUs will vest upon the Company entering into one or more agreements for the binding supply of at least 30,000 smart carts.

On December 30, 2025, the Company granted 500,000 RSUs to an advisor. The RSUs vest immediately.

RSU's transactions for the year ended December 31, 2025, and for the year ended December 31, 2024, are as follows:

	Number
Balance, January 1, 2024	588,834
RSUs granted	326,000
Expiry of RSUs	(40,166)
Exercise of RSUs	(764,001)
Balance, December 31, 2024	110,667
RSUs granted	1,545,000
Expiry of RSUs	(6,000)
Exercise of RSUs	(219,667)
Balance, December 31, 2025	1,430,000

Total exercisable RSU's as at December 31, 2025, are 930,000. During the year ended December 31, 2025, share-based compensation in respect of RSU's of \$7,619 was charged to the Consolidated Statement of Comprehensive Loss (December 31, 2024 - \$1,184, December 31, 2023 - \$1,079).

A2Z CUST2MATE SOLUTIONS CORP.

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NOTE 20 – NON-CONTROLLING INTERESTS

The following Company subsidiaries which have non-controlling interests:

	December 31, 2025	December 31, 2024
Cust2mate	\$ (1,547)	\$ (7,065)
	<u>\$ (1,547)</u>	<u>\$ (7,065)</u>
		Non-controlling interests
Balance, December 31, 2024		(7,065)
Increase in holding of Cust2mate		6,267
Non-controlling interest share of losses		(749)
Balance, December 31, 2025		<u>(1,547)</u>

NOTE 21 – REVENUES:

Revenue streams:

	Year Ended December 31		
	2025	2024	2023
Revenues from sales of precision metal parts	\$ 4,693	\$ 4,844	\$ 3,084
Smart Carts:			
Product	2,386	-	5,628
Services	822	532	500
Revenues from smart carts project	3,208	532	6,128
	<u>\$ 7,901</u>	<u>\$ 5,376</u>	<u>\$ 9,212</u>

NOTE 22 – COST OF REVENUES:

	Year Ended December 31		
	2025	2024	2023
Payroll and related expenses	\$ 1,812	\$ 1,583	\$ 1,412
Share-based compensation	315	-	-
Subcontractor and outsourced work	135	3	116
Materials and components consumed	3,675	1,566	5,701
Depreciation	321	117	118
Smart cart maintenance	514	41	429
Other	35	177	183
	<u>\$ 6,807</u>	<u>\$ 3,487</u>	<u>\$ 7,959</u>

NOTE 23 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year Ended December 31		
	2025	2024	2023
Payroll and related expenses	\$ 4,610	\$ 2,417	\$ 1,758
Subcontractor and outsourced work	935	1,081	1,683
Share-based compensation	4,154	191	532
Pilot expenses and other	245	164	130
	<u>\$ 9,944</u>	<u>\$ 3,853</u>	<u>\$ 4,103</u>

NOTE 24 – SALES AND MARKETING:

	Year Ended December 31		
	2025	2024	2023
Payroll and related expenses	\$ 338	\$ 686	\$ 363
Professional fees	1,181	434	776
Share-based compensation	2,338	96	238
	<u>\$ 3,857</u>	<u>\$ 1,216</u>	<u>\$ 1,377</u>

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NOTE 25 – GENERAL AND ADMINISTRATIVE EXPENSES:

	Year Ended December 31		
	2025	2024	2023
Payroll and related	\$ 2,956	\$ 2,891	\$ 4,007
Professional fees	2,525	1,470	1,966
Share-based compensation	13,550	1,632	4,531
Depreciation and amortization	494	395	414
Office maintenance	951	367	252
Investor relations	1,298	258	-
Rent and related expenses	244	200	360
Travel	349	184	129
Public company related expenses	173	144	824
Directors & officers' insurance	350	228	253
Other	859	179	331
	<u>\$ 23,749</u>	<u>\$ 7,948</u>	<u>\$ 13,067</u>

NOTE 26 - LOSS PER SHARE:

Both the basic and diluted loss per share have been calculated using the weighted average number of shares in issue during the relevant financial periods, the weighted average number of equity shares in issue and loss for the period as follows:

	Year Ended December 31		
	2025	2024	2023
Net loss for the year attributable to A2Z's shareholders	\$ 37,735	\$ 16,996	\$ 16,061
Weighted average number of ordinary shares	36,958,606	21,369,527	13,899,212
Basic and diluted loss per share from continued operations	\$ 0.96	\$ 0.71	\$ 1.10
Basic and diluted loss per share from discontinued operations	\$ 0.07	\$ 0.09	\$ 0.06

NOTE 27 – FINANCIAL EXPENSES, NET:

	Year Ended December 31		
	2025	2024	2023
Bank fees and interest	\$ 20	\$ 136	\$ 124
Interest expenses from lease liabilities	185	47	62
Revaluation of financial asset at fair value	1,014	153	70
Finance income	(618)	(158)	(85)
Financial expenses	<u>\$ 601</u>	<u>\$ 178</u>	<u>\$ 171</u>

NOTE 28 – INCOME TAX EXPENSE:

A. Taxes on income:

The combined Canadian federal and provincial statutory income tax rate is 26.5% in 2025, 2024 and 2023.

Israeli corporate tax rates is 23% in 2025, 2024 and 2023.

B. Tax reconciliation:

	Year Ended December 31		
	2025	2024	2023
Loss before income tax	\$ (38,484)	\$ (19,263)	\$ (18,057)
Statutory tax rate	23%	23%	23%
Income tax benefit at the statutory tax rate	8,851	4,430	4,153
Current period tax losses carried forward (unrecognized)	(8,851)	(4,430)	(4,153)
Income tax expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTE 29- RELATED PARTIES AND SHAREHOLDERS:

The following transactions arose with related parties:

	Year ended December 31, 2025				Amounts owing by (to) as of December 31, 2025
	Directors Fees	Consulting Fees/ Salaries	Share based awards	Total	
Chairman and former CEO	\$ -	\$ 578	\$ -	\$ 578	\$ (61)
Director and CEO	-	1,161	9,035	10,196	(63)
CFO	-	34	8	42	(3)
Directors	21	-	21	42	(2)
	<u>\$ 21</u>	<u>\$ 1,773</u>	<u>\$ 9,064</u>	<u>\$ 10,858</u>	<u>\$ (129)</u>

	Year ended December 31, 2024				Amounts owing by (to) as of December 31, 2024
	Directors Fees	Consulting Fees/ Salaries	Share based awards	Total	
Chairman and former CEO	\$ -	\$ 730	\$ -	\$ 730	\$ (44)
Director and CEO	-	543	249	792	(27)
Former CFO	-	90	-	90	-
CFO	14	19	34	67	(2)
Directors	19	-	63	82	(4)
	<u>\$ 33</u>	<u>\$ 1,382</u>	<u>\$ 346</u>	<u>\$ 1,761</u>	<u>\$ (76)</u>

	Year ended December 31, 2023				Amounts owing by (to) as of December 31, 2023
	Directors Fees	Consulting Fees/ Salaries	Share based awards	Total	
Director and CEO	\$ -	\$ -	\$ -	\$ -	\$ 462
Company controlled by CEO	-	1,235	-	1,235	(103)
CFO	-	96	-	96	(9)
Directors	32	325	263	620	(30)
	<u>\$ 32</u>	<u>\$ 1,656</u>	<u>\$ 263</u>	<u>\$ 1,951</u>	<u>\$ (142)</u>

- (1) The Company's former CEO has a consulting agreement with the Company pursuant to which he earns \$27 per month.
- (2) The Company's CFO has a consulting agreement with the Company pursuant to which he earns \$3 (CAD\$4) per month.
- (3) The Company's CEO has a consulting agreement with the Company pursuant to which he earns \$50 per month.
- (4) Three non-executive directors, of which two earn directors' fees of \$1 per month.

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of US Dollars, except per share data)

NOTE 30 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position.

The Company's financial instruments are its cash, trade and other receivables, payables, other payables and loans in different currencies (NIS, CAD and USD). The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly credit risk and currency risk. The risk rate on loans is fixed. The risk management policies employed by the Company to manage these risks are discussed below.

A. Credit risk:

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties and controls access to its intellectual property which enables it to ensure the prompt collection of customers' balances.

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties and controls access to its intellectual property which enables it to ensure the prompt collection of customers' balances.

The Company's main financial assets are cash and cash equivalents and trade accounts receivable and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Company holds cash with major financial institutions In Israel.

	December 31, 2025	December 31, 2024
Cash and Cash Equivalents	\$ 13,525	\$ 13,526
Deposits	384	206
Investment in financial assets	55,642	-
Short term and long term trade receivables	4,255	2,024
Long term financial assets at fair value	333	200
Other accounts receivable	2,937	581
Total	\$ 77,076	\$ 16,537

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 30 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED):

B. Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having an available adequate amount of committed credit facilities. The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay

	Carrying amounts	Contractual	
		Within 1 year	over 1 year
Trade payables	\$ 3,348	\$ 3,348	\$ -
Other accounts payable	\$ 2,200	\$ 2,200	\$ -
Loans	\$ 38	\$ 9	\$ 29
Lease liability	\$ 2,577	\$ 1,030	\$ 1,959

C. Market risks:

The Company's business of maintenance services of various electronic systems is highly competitive and involves a certain degree of risk. The Company's business operations will depend largely upon the outcome of continued sales and services to security establishments and the initiation of sales of their products to the civilian markets.

The Company's Cust2Mate business is new, and the Company is aware of competitors in the market. In addition to the regular management oversight and skills required, success in this segment will require the Company to penetrate the market as rapidly as possible.

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company buys its inventories mostly in USD and sells its products in NIS. Foreign exchange exposures are managed within utilizing forward foreign exchange contracts.

As of December 31, 2025, if the Company's functional currency (ILS) had strengthened/ weakened by 5% against the USD, with all other variables held constant, the loss for the year would decrease /increase by approximately \$838.

D. Interest rate risks:

The Company's exposure to cash flow interest rate risk from long-term borrowings at variable rate, which is immaterial.

E. Capital management

The Company considers its capital to be comprised financial assets and inventory net of financial liabilities excluding warrant liabilities. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2025. There are no externally imposed restrictions on the Company's capital.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 31 – COMMITMENTS

One of the Company's Israeli subsidiaries leases office space with the lease expiring on March 31, 2029. Lease payments are approximately \$48 per month (\$576 annually). Another one of the Company's Israeli subsidiaries leases warehouse space, with the lease expiring on March 31, 2029. Lease payments are approximately \$18 thousand per month (\$216 thousand annually). Another one of the Company's Israeli subsidiaries leases its factory space with the lease expiring on March 31, 2027. Lease payments are approximately \$19 thousand per month (\$228 thousand annually).

NOTE 32 – DISCONTINUED OPERATIONS

On June 30, 2025, the Company entered into a share purchase agreement (the "A2ZMS Agreement") pursuant to which it sold its wholly-owned subsidiary A2ZMS Advanced Military Solutions Ltd., a company organized under the laws of Israel ("A2ZMS"), to a purchaser residing in Israel for a purchase price of 500,000 ILS. The purchaser is related to a director of the Company. The A2ZMS Agreement was approved by all of the independent directors of the Company. The Company received an independent valuation of A2ZMS in connection with this transaction.

The results of operations of A2ZMS were classified as discontinued operations in these consolidated financial statements of the Company as of December 31, 2025.

The below are the data of operating results attributed to the discontinued operations:

	Year ended December 31,		
	2025	2024	2023
Revenues	\$ 824	\$ 1,790	\$ 2,163
Cost of revenues	767	1,692	1,423
Gross profit	57	98	740
Expenses:			
Research and development costs	9	164	648
General and administration expenses	1,455	1,714	866
Operating loss	(1,407)	(1,780)	(774)
Other expense	-	-	-
Financial (income) expense	9	61	46
Loss before taxes on income	(1,416)	(1,841)	(820)
Income tax expense	-	-	-
Loss on disposal of discontinued operations*	(1,009)	-	-
Net loss for the year from discontinued operations	\$ (2,425)	\$ (1,841)	\$ (820)

(*) The loss on disposal of discontinued operations was determined as follows:

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 33 – OPERATING SEGMENTS:

The Company and its subsidiaries are engaged in the following two segments, currently in one graphical location (Israel):

- a. Retail automation solutions – Smart Carts (“Smart Carts”)
- b. Manufacturing and selling of precision metal parts – “Precision Metal Parts”

	Year Ended December 31, 2025		
	Precision Metal Parts	Smart Carts	Total
<i>Revenues</i>			
External	\$ 4,693	\$ 3,208	\$ 7,901
<i>Cost of revenues</i>			
External	4,163	2,644	6,807
Inter-segment	-	-	-
<i>Total</i>	<u>4,163</u>	<u>2,644</u>	<u>6,807</u>
<i>Segment operational loss</i>	<u>392</u>	<u>36,064</u>	<u>36,456</u>
Loss on revaluation of warrant liability			(998)
Finance expense, net			601
Tax expenses			-
Loss			<u>\$ 36,059</u>

	Year Ended December 31, 2024		
	Precision Metal Parts	Smart Carts	Total
<i>Revenues</i>			
External	\$ 4,844	\$ 532	\$ 5,376
<i>Cost of revenues</i>			
External	3,258	275	3,533
Inter-segment	-	(46)	(46)
<i>Total</i>	<u>3,258</u>	<u>229</u>	<u>3,487</u>
<i>Segment operational loss (gain)</i>	<u>(182)</u>	<u>13,037</u>	<u>12,855</u>
Loss on revaluation of warrant liability			4,389
Finance expense, net			178
Tax expenses			-
Loss			<u>\$ 17,422</u>

A2Z CUST2MATE SOLUTIONS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 33 – OPERATING SEGMENTS (CONTINUED):

	Year Ended December 31, 2023			
	Precision Metal Parts	Smart Carts	Total	
<i>Revenues</i>				
External	\$ 3,084	\$ 6,128	\$ 9,212	
<i>Cost of revenues</i>				
External	2,867	5,548	8,415	
Inter-segment	-	(456)	(456)	
<i>Total</i>	<u>2,867</u>	<u>5,092</u>	<u>7,959</u>	
<i>Segment operational loss</i>	<u>2,416</u>	<u>15,905</u>	<u>18,321</u>	
<i>Gain on revaluation of warrant liability</i>			(1,255)	
Finance expense, net			171	
Tax expenses			-	
<i>Loss</i>			<u>\$ 17,237</u>	
	As at December 31, 2025			
	Precision Metal Parts	Smart Carts	Total	
Segment assets	\$ 2,871	\$ 82,289	\$ 85,160	
Segment liabilities	\$ 1,138	\$ 7,601	\$ 8,739	
	As at December 31, 2024			
	Precision Metal Parts	Discontinued operations	Smart Carts	Total
Segment assets	\$ 3,017	\$ 1,043	\$ 14,818	\$ 18,878
Segment liabilities	\$ 2,138	\$ 717	\$ 9,179	\$ 12,034

NOTE 34 – SUBSEQUENT EVENTS:

During January 2026, the Company issued 400,000 Common Shares in respect of the exercise of 400,000 vested RSUs.

During January 2026, the Company issued 4,000 Common Shares in respect of the exercise of 4,000 share options for proceeds of \$11.

During January 2026, the Company issued 252,967 Common Shares in respect of the exercise of 252,967 warrants for proceeds of \$945.