



**BEACN WIZARDRY AND MAGIC INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
For the nine months ended September 30, 2025**

## **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") for BEACN Wizardry and Magic Inc. TSXV: BECN ("BEACN" or the "Company") has been prepared based on information known to management as of November 19, 2025.

This MD&A is intended to help the reader understand, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements and related notes for the nine months ended September 30, 2025 and the audited consolidated financial statements and related notes for the year ended December 31, 2024, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

Additional information relating to the Company is available on the SEDAR+ website, [www.sedarplus.ca](http://www.sedarplus.ca) under BEACN Wizardry & Magic Inc.

## **FORWARD LOOKING STATEMENTS**

### **Cautionary Note Regarding Forward-Looking Information**

This release includes certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws. All statements in this news release, other than statements of historical facts, including statements regarding future plans, objectives, timing, assumptions, or expectations of future performance, including without limitation BEACN's belief that there will be growth in sales and continued improvement in gross profit, are forward-looking information. Generally, forward-looking statements and information can be identified by the use of forward-looking terminology such as "intends" or "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would" or "occur".

Forward-looking statements are based on certain material assumptions and analysis made by the Company and the opinions and estimates of management as of the date of this press release,

including the Company's ability to maintain manufacturing volume for its products and its ability to sustain sales of products to customers, that general economic and market conditions will not change in an adverse manner, political and regulatory stability, stability in financial and capital markets.

These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Important factors that may cause actual results to vary, include, without limitation (a) supply chain disruption that may lead to a shortage of inventory for sale; (b) economic or other factors beyond the control of the Company that may influence the purchasing behavior of customers; (c) public health crises such as the Covid-19 pandemic may adversely impact the Company's business and operations; (d) the volatility of global capital markets; (e) unanticipated costs; and (f) risks relating to the extent and duration of the conflict in eastern Europe and its impact on global markets. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. The Company does not undertake to update any forward-looking statement or forward-looking information, except in accordance with applicable securities laws.

Forward looking statements that may have been made in this MD&A include:

- Budgets or estimates with respect to future activities;
- Estimates relating to growth in revenue;
- Estimates of how long the Company expects its working capital to last;
- Expectations regarding the ability to raise capital if required;
- Ability to continue supplying tech peripherals for content creators on the internet; and
- Management expectations of future activities and results.

## **RECENT ACTIVITIES AND OUTLOOK**

In the first nine months of 2025, BEACN realized a 16% decrease in revenue and a 17% decrease in gross profits when compared to the same period last year. Gross margin was maintained at 42% in the first nine months of 2025 (2024 – 42%) due to product mix and price increases which were offset by increased merchant fees and product discounts.

In Q3 2025, BEACN realized a 24% decrease in sales and 7% decrease in gross profit when compared to the same period last year. The reduction in sales and gross profit compared to same period last year is mainly attributed to no in-sell of new product in Q3 2025 vs Q3 2024 (BEACN Studio introduction). Removing in-sale figures from 2024, D2C revenue was down 5% vs. the same period last year. Weaker D2C sales was attributed to full implementation of increased USD retail prices across the product range due to US Tariffs.

On November 19th, BEACN co-founder Craig Fraser resigned as Chief Executive Officer (CEO) and was appointed by the board as Chief Product Officer. The board appointed Kevin Alexander as CEO, effective the same day.

In Q2 2025, BEACN realized a 5% increase in sales, and 17% increase in gross profit due to strong D2C sales. BEACN implemented price increases in May 2025 due to impending effects of US Tariffs.

In Q1 2025, the decrease in revenue in Q1 was due to a decrease in B2B sales compared to Q1 2024. The reduction in B2B sales was offset by a 15% increase in D2C sales when compared with Q1 2024.

In Q1 2025, BEACN added distribution in Australia via consumer electronics distributor, Innovate Music Australia. BEACN increased US retail prices on multiple products in January 2025 for better alignment with competitors and to mitigate risks of US tariff uncertainty.

In September 2025, Daniel Davies resigned as Chief Technology Officer and interim Chief Financial Officer of the Company, and Derek Sobel was elected as Chief Financial Officer.

BEACN continues to navigate the unique challenges that recent market conditions have presented while maintaining its focus on product development. BEACN continues to develop and expand its product suite and plans to introduce more product to the market in 2025. BEACN thanks the continued support of its shareholders and looks forward to continued success in the future.

For the nine months ended September 30, 2025, the Company achieved sales revenue of \$1,914,668 (2024 - \$2,268,241), gross profit of \$799,649 (42%) (2024 – gross profit of \$960,820 (42%)) and a net loss of \$1,368,646 (2024 - loss of \$1,214,966). Further information is available from the Company's financial statements for the nine months ended September 30, 2025, available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **BACKGROUND AND OVERVIEW**

BEACN Wizardry & Magic Inc. ("BEACN" or the "Company") was incorporated and domiciled in Canada under the Business Corporations Act (British Columbia) as a "Capital Pool Company" as defined in the TSX Venture Exchange's (the "Exchange") Listing Policy 2.4. On October 29, 2021, the Company completed the share exchange transaction with Beacon Hill Innovations Ltd. ("Beacon") which constituted the Company's Qualifying Transaction ("QT"). Beacon was incorporated under the Business Corporations Act (British Columbia) on February 7, 2020. Upon completion of the QT, the Company began trading under its new name on the Exchange with the symbol "BECN" on November 2, 2021. Beacon Hill Innovations Ltd. is a wholly owned subsidiary of BEACN Wizardry & Magic Inc. and any reference herein to BEACN or Company includes Beacon Hill Innovations Ltd.

BEACN was founded to be a supplier of tech peripherals for Gamers, YouTubers, Podcasters, and anyone creating content on the internet. With sales beginning Jan 31, 2022, the Company is focused on continued sales growth of its products and additional research and development into new concepts and additional products.

BEACN's founders have deep experience in audio engineering and hardware manufacturing and have enjoyed success in the streaming and gaming industry. The Company has focused on creating solutions to resolve the pain points for content creators, including the quality of incoming audio via microphones and management of multiple audio sources coming from their computers. These new, innovative, and user-friendly products are now selling. BEACN expects to see broad adoption of these products in the quickly expanding content creator market.

BEACN has launched five innovative products to date, including BEACN Mic, a microphone with real-time onboard audio processing, BEACN Mic Stand, a high-quality low-profile stand in two high demand colours, BEACN Mix and Mix Create, audio controllers which give users high levels of control over audio without 3rd party software, complicated settings, or distraction from the primary goal of creating compelling content for their audience, and BEACN Studio, a dual PC USB audio interface.

All BEACN audio products take advantage of the sophisticated BEACN App, a constantly developing digital platform which offers unique, industry leading features that directly address content creation workflow challenges. BEACN works directly with creators, streamers and gamers to define its future roadmap in both hardware and software. BEACN App is available for both PC and Mac.

Everything about BEACN's products is designed and engineered from the ground up, and BEACN components are created specifically for use in BEACN's products and are anticipated to be valuable components in future BEACN products.

## **FINANCIAL CONDITION**

### *Capital Resources*

Due to the Company's expected growth from both new product and B2B sales, management expects to raise more funds in the near term to support inventory purchases and continue the development of new products that continue to launch throughout 2025. Inventory must be purchased a number of months in advance to give manufacturers the lead time and to control manufacturing and shipping costs.

### *Liquidity*

As at September 30, 2025, the Company had a negative working capital of \$92,211 (December 31, 2024 – working capital of \$2,103,115). Cash totaled \$263,447 as at September 30, 2025, a decrease of \$528,738 from \$792,185 as at December 31, 2024. The decrease was due primarily to cash used in operating activities of \$394,704 and the purchase of product moulds and equipment of \$111,119.

As at September 30, 2025, the Company has an outstanding promissory note of \$401,011 (December 31, 2024 - \$389,792) with a shareholder and related party of the Company with a maturity date of December 31, 2025. The Note was without interest until December 31, 2020, and thereafter incurs interest at a rate of 4% per annum, payable quarterly. The Company can repay all or part of the Note at any time without penalty.

Additionally, the Company has an outstanding convertible loan of \$902,289 at September 30, 2025 (December 31, 2024 - \$822,873) with certain lenders of the Company ("Lenders"), two of which are shareholders and related parties to the Company, with a maturity date of February 28,

2026 ("Maturity Date"). The Loan incurs interest at a rate of 13.5% per annum, payable annually. At any time prior to the Maturity Date, each Lender will have the option (the "Conversion Option"), to convert all or a portion of the Loan Amount, excluding Interest, into common shares of the Borrower ("Shares") at a price of \$0.18 per Share (the "Conversion Price"), by simple notice to the Company that such Lender is exercising the Conversion Option. The Company can repay all or part of the loan at any time without penalty. During the nine months ended September 30, 2025, the Company and the Lenders agreed to extend the maturity date to August 28, 2026 and defer interest payments until the maturity date.

### Operations

#### **Selected Annual Information**

A summary of selected annual financial information for the last three fiscal years is as follows, as expressed in Canadian dollars:

	As at December 31, 2024		As at December 31, 2023		As at December 31, 2022	
Total revenues	\$	3,466,706	\$	2,933,180	\$	4,325,458
Net loss		1,351,109		2,281,917		451,154
Net loss per share		0.02		0.05		0.01
Total assets		3,020,441		2,845,446		4,457,427
Total liabilities		1,510,577		654,074		902,293

#### **For the nine months ended September 30, 2025 compared with the nine months ended September 30, 2024:**

The Company achieved \$1,914,668 in sales for the nine months ended September 30, 2025 (2024 - \$2,268,241). The loss and comprehensive loss for the period was \$1,368,646 (2024 - \$1,214,966).

Excluding the non-cash share-based compensation of \$3,922 (2024 - \$10,024), depreciation of property and equipment of \$64,997 (2024 - \$73,154), and depreciation of ROU asset of \$22,211 (2024 - \$18,991), the Company's operating loss was \$1,139,906 (2024 – loss of \$1,078,592), a negative change of \$51,796. The change in the operating loss was mainly due to decreased product sales net of cost of sales (2025 - \$799,649; 2024 - \$960,820), increased advertising and marketing expenses (2025 - \$399,376; 2024 - \$221,567) and increased office, supplies, and miscellaneous (2025 - \$190,557; 2024 - \$144,505), partially offset by decreased salaries and benefits (2025 - \$887,908; 2024 - \$1,161,008), decreased research and development costs (2025 - \$55,824; 2024 - \$59,824) and decreased consulting fees (2025 - \$131,510; 2024 - \$165,232).

#### **For the three months ended September 30, 2025 compared with the three months ended September 30, 2024:**

The Company achieved \$535,875 in sales for the three months ended September 30, 2025 (2024 - \$709,373). The loss and comprehensive loss for the period was \$451,881 (2024 - \$372,833).

Excluding the non-cash share-based compensation of \$1,653 (2024 - \$2,227), depreciation of property and equipment of \$23,706 (2024 - \$23,651), and depreciation of ROU asset of \$8,745 (2024 - \$6,330), the Company's operating loss was \$357,125 (2024 – loss of \$327,342), a negative change of \$29,801. The change in the operations was mainly due to decreased gross profit (2025 - \$238,995; 2024 - \$370,020) and increased advertising and marketing expenses (2025 - \$116,004; 2024 - \$87,999), partially offset by decreased salaries and benefits (2025 - \$271,025; 2024 - \$367,438) and decreased consulting fees (2025 - \$45,880; 2024 - \$65,285).

## Summary of Quarterly Results

Three months ended	Sept. 30, 2025	Jun. 30, 2025	Mar. 31, 2025	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023
Total assets	\$ 1,813,470	\$ 2,127,817	\$ 2,588,983	\$ 3,020,441	\$ 3,316,550	\$ 2,646,744	\$ 2,594,165	\$ 2,845,446	\$ 3,383,119
Shareholders' equity	145,140	595,368	1,052,517	1,509,864	1,646,008	1,868,511	1,935,178	2,191,372	2,811,635
Total revenues	535,875	584,839	793,954	1,198,465	709,373	556,453	1,002,415	951,370	886,786
Net income (loss)	(451,881)	(458,076)	(458,689)	(136,143)	(372,833)	(580,860)	(261,273)	(573,054)	(622,103)
Net income (loss) per share	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

## RISKS AND UNCERTAINTIES

The risks and uncertainties below must be taken into account, as they may affect the Company's ability to achieve our strategic goals. Investors are therefore advised to consider the following items in assessing the Company's future prospects as an investment.

### Future operations

The Company began generating revenue from sales of its products; however, future revenues are not guaranteed to be sufficient to meet operating and capital expenses and therefore the Company may continue to incur operating losses as it has since inception.

The Company's ability to continue as a going concern may be dependent upon obtaining further financing, successful and sufficient market acceptance of current products, and any new products that may be introduced, the continuing successful development of product and related technologies, and, finally, achieving and maintaining a profitable level of operations. The issuance of additional equity securities by the Company could result in dilution in the equity interests of the current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments.

There are no assurances that the Company will be able to obtain further funds required for continued operations. The Company is pursuing various financing alternatives to meet its long-term financial requirements. There can be no assurance that additional financing will be available to the Company when needed or, if available, that it can be obtained on commercially reasonable terms.

### Supply chain interruptions

The Company is exposed to potential supply chain disruptions due to fire, flood, shipping delays, and ongoing pandemic and uncertainty with respect to events surrounding the Ukraine, affecting our contract manufacturing facility, suppliers, and warehouse. Interruptions in the supply chain may also lead to the Company's inability to secure the necessary parts to manufacture its

products. Supply chain issues may lead to price fluctuations, and this could cause our profits to decrease if we cannot pass along the extra cost to consumers.

#### Competition and technological obsolescence

The markets for the Company's products experience ongoing technological changes and the Company must compete with existing technology and service providers, new companies and advancing technologies. To remain fully competitive, the Company must continue to innovate and respond with advanced generations of software, products and services. The inability to react in a timely fashion to technological and competitive changes could have a negative impact on the Company and its ability to attract and retain customers. Moreover, the highly competitive market in which the Company operates could cause the Company to reduce its prices and offer other favorable terms to compete successfully with its rivals. These practices could, over time, limit the prices that the Company can charge for its products. If the Company was unable to offset such potential price reductions from products, it could negatively impact the Company's profit margins and operating results.

#### Possible dilution to present and prospective shareholders

Business negotiations related to the Company's search for new business opportunities may result in the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

#### Dependence of key personnel

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term.

#### Tariffs and Duties

The Company is exposed to potential increased US tariffs and duties with respect to events surrounding the 2024 US election. Increased tariffs and duties may lead to the Company's inability to feasibly secure the necessary parts to manufacture its products due to the increased cost from suppliers. Tariffs and duties issues may lead to price fluctuations, and this could cause our profits to decrease if it cannot pass along the extra cost.

### **TRANSACTIONS WITH RELATED PARTIES**

For the nine months ended September 30, 2025:

	Salaries and benefits	Professional fees	Total
Craig Fraser Chief Executive Officer, Director	\$ 94,859	\$ -	\$ 94,859
Daniel Davies Director and former Chief Technology Officer	\$ 88,013	\$ -	\$ 88,013
Liberty Brunet, Corporate Secretary	\$ 69,663	\$ 3,333	\$ 72,996
Derek Sobel, Chief Financial Officer, through Catapult Consulting Corp.	\$ -	\$ 15,000	\$ 15,000
Kevin Alexander, Director	\$ -	\$ 90,870	\$ 90,870

As discussed in the Financial Condition section above, on August 28, 2024, the Company entered into a convertible loan agreement with three parties for an aggregate principal amount of \$786,510, two of which are shareholders and related parties to the Company.

Remaining amounts owing to/from related parties are non-interest bearing, unsecured, and have no fixed terms of repayment. The changes during the period were measured by the exchange amount, which is the amount agreed upon by the transacting parties. As of September 30, 2025, included in due to related parties are amounts owing to related parties of \$19,782 (2024 - \$7,576).

## DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at September 30, 2025, the Company's share capital is \$7,799,308 representing 56,670,746 common shares.

As of the date of this MD&A, there are 56,670,746 common shares issued and outstanding. In addition, there are 3,550,000 incentive stock options and 13,216,666 warrants outstanding.

## FINANCIAL INSTRUMENTS

The fair values of the Company's cash, accounts receivable, accounts payable and accrued liabilities, due to related parties and promissory note approximate their carrying values due to their short term nature.

The Company's convertible debt is measured based on unobservable inputs and is considered a Level 3 instrument. The Company's all other financial assets and liabilities are carried at amortized cost and are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the periods ended September 30, 2025 and December 31, 2024.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

### a) Credit risk



Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and accounts receivable. The Company's bank accounts are held with major banks in Canada and the United States. Accordingly, the Company believes it is not exposed to significant credit risk on its cash. Sales to retail and B2B customers are required to be settled using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off where there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit and loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

There was no loss allowance as at September 30, 2025 and no change in the loss allowance during the period then ended.

b) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As of September 30, 2025, the principal portion of the Company's convertible loan has a maturity greater than 90 days with interest accrued on the loan less than 90 days. As at September 30, 2025, the Company had a cash balance of \$263,447.

d) Equity market risk

The Company is exposed to price risk with respect to equity market prices. There is a potential adverse impact on the Company's ability to raise equity financing due to adverse movements in the Company's equity price or general movements in the level of the stock market. The Company monitors the movements of its equity price and the general stock market to determine the most beneficial course of action to be taken by the Company.

e) Currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and accounts payable that are denominated in United States dollars ("USD"). At September 30, 2025, the Company holds cash of US\$132,916 (2024 - US\$328,851) in USD bank accounts. A 1% change in foreign exchange rates would have an effect of US\$945 (2024 - US\$1,383) on foreign currency. During the nine months ended September 30, 2025, the Company had a foreign exchange loss of \$41,067 (2024 – loss of \$11,991).

f) Competitive product pricing

The Company operates in the competitive marketplace for content creator peripherals. The Company closely monitors the prices of its competitors to determine the most beneficial action for the Company with respect to manufacturing costs and product pricing.

## **MANAGEMENT OF CAPITAL RISK**

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

## **MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- the determination that the Company will continue as a going concern for the next year;

- the assessment of an impairment to inventory and related determination of the Net Realizable value of inventory and write-down of inventory if applicable;
- the assessment of the timing of recognition of revenue;
- the assessment of potential liabilities for warranties and product refunds or returns;
- the measurement of the fair value of share-based payments; and
- the determination that lease payments under the extension term (one option of three years) are not reasonably certain because the extension is subject to a condition that is not under the landlord's control. Accordingly, the extension term of the lease has not been included in the initial measurement of the lease liability.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements at the date of this MD&A.

## **DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all Company documents filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

## **INFORMATION ON THE BOARD OF DIRECTORS AND MANAGEMENT**

### **Directors:**

*Daniel Davies*  
*Kevin Alexander*  
*Scott Christopher*  
*Craig Fraser*

### **Audit Committee members:**

*Scott Christopher (Chair), Kevin Alexander, and Daniel Davies*

### **Management:**

*Kevin Alexander – Chief Executive Officer*  
*Craig Fraser – Chief Product Officer*  
*Derek Sobel – Chief Financial Officer*  
*Liberty Brunet – Corporate Secretary*