



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **December 31, 2025**

or

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **001-40535**

UPEXI, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

83-3378978

(IRS Employer
Identification No.)

**3030 North Rocky Point Drive
Tampa, FL**

(Address of principal executive offices)

33607

(Zip Code)

(727) 287-2800

(Registrant's telephone number, including area code)

(Former name, former address, and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.00001	UPXI	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated Filer

☒

Smaller reporting company

☒

Emerging growth company

☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of February 9, 2026 the registrant had 69,760,581 shares of common stock, par value \$0.00001 per share, issued.

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FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

Our unaudited condensed consolidated financial statements are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to “common shares” refer to shares of our common stock.

As used in this quarterly report, the terms “we”, “us”, “our” and the “Company” mean Upexi, Inc., unless otherwise indicated.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

UPEXI, INC.

Condensed Consolidated Financial Statements (Unaudited)

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UPEXI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 31, 2025 (Unaudited)	June 30, 2025
ASSETS		
Current assets		
Cash	\$ 1,616,765	\$ 2,975,150
Accounts receivable, net	594,552	157,515
Inventory, net	728,273	1,152,870
Due from VitaMedica transition	304,880	228,017
Prepaid expenses and other receivables	1,302,064	350,836
Current digital assets at fair value	164,703,917	49,913,655
Purchase price receivable - VitaMedica	2,000,000	2,000,000
Total current assets	171,250,451	56,778,043
Property and equipment, net	543,246	2,052,573
Intangible assets, net	874,733	163,113
Goodwill	673,854	848,854
Deferred tax asset	5,948,858	5,948,858
Digital assets at fair value, net of current	90,998,464	56,083,525
Other assets	218,710	192,123
Right-of-use asset, net	636,449	1,739,755
Total other assets	99,894,314	67,028,801
Total assets	<u>\$ 271,144,765</u>	<u>\$ 123,806,844</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	665,840	\$ 1,039,370
Accrued compensation	3,111,115	3,470,296
Deferred revenue	47,287	13,155
Accrued liabilities	1,964,281	356,064
Accrued interest	2,902,942	792,449
Acquisition payable	260,652	260,652
Current portion of promissory notes	560,000	560,000
Short-term treasury debt	62,695,723	20,000,000
Current portion of Cygnet subsidiary notes payable	5,380,910	5,380,910
Current portion of operating lease payable	263,672	691,010
Total current liabilities	<u>77,852,422</u>	<u>32,563,906</u>
Operating lease payable, net of current portion	460,134	1,145,440
Convertible notes payable	144,115,480	-
Total long-term liabilities	<u>144,575,614</u>	<u>1,145,440</u>
Stockholders' equity		
Preferred stock, \$0.00001 par value, 10,000,000 shares authorized, and 150,000 and 150,000 shares issued and outstanding, respectively	2	2
Common stock, \$0.00001 par value, 1,000,000,000 shares authorized, 63,212,588 and 38,270,571 shares issued, as of December 31, 2025 and June 30, 2025, respectively	632	383
Treasury stock, 416,226 and 0, as of December 31, 2025 and June 30, 2025, respectively	(799,277)	-
Additional paid in capital	222,236,002	150,640,935
Accumulated deficit	(172,720,630)	(60,543,822)
Total stockholders' equity	<u>48,716,729</u>	<u>90,097,498</u>
Total liabilities and stockholders' equity	<u>\$ 271,144,765</u>	<u>\$ 123,806,844</u>

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

UPEXI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Revenue				
Revenue	\$ 2,908,527	\$ 4,005,492	\$ 6,064,655	\$ 8,362,007
Digital asset revenue	5,143,513	-	11,227,130	-
Total revenue	8,052,040	4,005,492	17,291,785	8,362,007
Cost of revenue	1,340,881	1,031,386	2,297,626	2,457,833
Gross profit	6,711,159	2,974,106	14,994,159	5,904,174
Operating expenses				
Sales and marketing	915,841	949,963	1,983,396	1,991,388
Distribution costs	924,201	1,276,422	1,811,797	2,732,147
General and administrative	5,522,786	1,548,590	14,779,994	2,916,280
Unrealized loss on digital assets	164,495,019	-	86,498,895	-
Realized loss on digital asset revenue conversion to USD	341,599	-	341,599	-
Stock-based compensation	8,300,673	32,578	14,057,071	173,876
Amortization of acquired intangible assets	19,190	19,190	38,380	38,380
Impairment on assets from manufacturing shut down	1,422,289	-	1,422,289	-
Depreciation	134,388	220,562	270,290	460,467
	182,075,986	4,047,305	121,203,711	8,312,538
Loss from operations	(175,364,827)	(1,073,199)	(106,209,552)	(2,408,364)
Other expense, net				
Interest expense, net	(3,604,709)	(228,111)	(6,304,092)	(518,523)
Other income, net	44,606	-	336,836	-
Other expense, net	(3,560,103)	(228,111)	(5,967,256)	(518,523)
Loss on operations before income tax	(178,924,930)	(1,301,310)	(112,176,808)	(2,926,887)
Income tax benefit (expense)	-	-	-	-
Net loss	\$ (178,924,930)	\$ (1,301,310)	\$ (112,176,808)	\$ (2,926,887)
Basic loss per share:				
Loss per share	<u>\$ (2.94)</u>	<u>\$ (1.24)</u>	<u>\$ (1.93)</u>	<u>\$ (2.80)</u>
Diluted loss per share:				
Loss per share	<u>\$ (2.94)</u>	<u>\$ (1.24)</u>	<u>\$ (1.93)</u>	<u>\$ (2.80)</u>
Basic weighted average shares outstanding	60,829,603	1,045,429	58,085,114	1,045,429
Fully diluted weighted average shares outstanding	60,829,603	1,045,429	58,085,114	1,045,429

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

UPEXI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Preferred Stock Shares*	Preferred Stock Par** **	Common Stock Shares*	Common Stock Par * **	Treasury Stock Shares	Treasury Stock Amount	Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Equity
FY 2025									
Balance, June 30, 2024	25,000	\$ 1	1,045,429	\$ 11	-	\$ -	\$ 53,375,502	\$ (46,859,613)	\$ 6,515,901
Stock-based compensation	-	-	-	-	-	-	141,298	-	141,298
Net loss for the three months ended September 30, 2024	-	-	-	-	-	-	-	(1,625,577)	(1,625,577)
Balance, September 30, 2024	25,000	\$ 1	1,045,429	\$ 11	-	\$ -	\$ 53,516,800	\$ (48,485,190)	\$ 5,031,622
Stock-based compensation	-	-	-	-	-	-	32,578	-	32,578
Net loss for the three months ended December 31, 2024	-	-	-	-	-	-	-	(1,301,310)	(1,301,310)
Balance, December 31, 2024	<u>25,000</u>	<u>\$ 1</u>	<u>1,045,429</u>	<u>\$ 11</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 53,549,378</u>	<u>\$ (49,786,500)</u>	<u>\$ 3,762,890</u>
FY 2026									
Balance, June 30, 2025	150,000	\$ 2	38,270,571	\$ 383	-	\$ -	\$ 150,640,935	\$ (60,543,822)	\$ 90,097,498
Stock-based compensation	-	-	-	-	-	-	5,756,398	-	5,756,398
Exercise of pre-funded warrants	-	-	7,889,266	79	-	-	7,810	-	7,889
Issuance of common stock in private placement	-	-	12,457,186	125	-	-	47,007,790	-	47,007,915
Issuance of stock for conversion of debt	-	-	276,238	2	-	-	1,174,008	-	1,174,010
Net income for the three months ended September 30, 2025	-	-	-	-	-	-	-	66,748,122	66,748,122
Balance, September 30, 2025	150,000	\$ 2	58,893,261	\$ 589	-	\$ -	\$ 204,586,941	\$ 6,204,300	\$ 210,791,832
Stock-based compensation	-	-	-	-	-	-	8,300,673	-	8,300,673
Issuance of stock for the exercise of cashless warrants	-	-	678,352	7	-	-	(7)	-	-
Issuance of stock for the exercise of warrants	-	-	33,334	-	-	-	100,000	-	100,000
Issuance of vested stock from equity incentive plans	-	-	318,167	3	-	-	(3)	-	-
Issuance of common stock in private placement	-	-	3,289,474	33	-	-	9,248,398	-	9,248,431
Common stock repurchases	-	-	(416,226)	-	416,226	(799,277)	-	-	(799,277)
Net loss for the three months ended December 31, 2025	-	-	-	-	-	-	-	(178,924,930)	(178,924,930)
Balance, December 31, 2025	<u>150,000</u>	<u>\$ 2</u>	<u>62,796,362</u>	<u>\$ 632</u>	<u>416,226</u>	<u>\$ (799,277)</u>	<u>\$ 222,236,002</u>	<u>\$ (172,720,630)</u>	<u>\$ 48,716,729</u>

* Common stock has been restated to reflect the 1 for 20 reverse split

** Common stock par value has been adjusted to \$0.00001

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

UPEXI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months ended December 31,	
	2025	2024
Cash flows from operating activities		
Net loss from operations	\$ (112,176,808)	\$ (2,926,887)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	308,670	498,847
Unrealized loss on digital assets	86,498,895	-
Digital asset revenue	(11,227,130)	-
Digital asset revenue conversion to USD	4,771,563	-
Loss on digital asset revenue conversion to USD	341,599	-
Amortization of loan costs	-	2,571
Impairment on assets from manufacturing shut down	1,422,289	-
Amortization of deferred financing costs	1,748,299	-
Stock-based compensation	14,057,071	173,876
Changes in assets and liabilities		
Accounts receivable	(437,037)	(554,721)
Inventory	424,597	(804,873)
Prepaid expenses and other assets	(1,074,739)	410,598
Operating lease assets and liabilities, net	1,966	36,946
Accounts payable and accrued liabilities	2,844,746	(98,699)
Deferred revenue	34,132	(96,294)
Net cash used in operating activities	(12,461,887)	(3,358,636)
Cash flows from investing activities		
Proceeds from the sale of building	-	4,005,516
Proceeds from the sale of E-core	-	2,000,000
Proceeds from the sale of MW Products assets	175,000	-
Acquisition of digital assets	(36,225,236)	-
Acquisition of royalty interest	(750,000)	-
Acquisition of property and equipment	(32,278)	(167,410)
Net cash (used in) provided by investing activities	(36,832,514)	5,838,106
Cash flows from financing activities		
Proceeds from issuance of common stock	60,000,000	-
Payments of equity issuance costs	(3,743,654)	-
Repurchases of common stock	(799,277)	-
Proceeds from exercise of pre-funded warrants	7,889	-
Proceeds from exercise of warrants	100,000	-
Repayment of related party advance	-	(100,000)
Payments of debt issuance costs	(7,628,942)	-
Repayment on note payable on building	-	(2,634,538)
Net cash provided by (used in) financing activities	47,936,016	(2,734,538)
Net decrease in cash	(1,358,385)	(255,068)
Cash, beginning of period	2,975,150	661,415
Cash, end of period	\$ 1,616,765	\$ 406,347
Supplemental Cash Flow Disclosures		
Interest paid	\$ 2,503,125	\$ 294,634
Income tax paid	-	-
Non-cash Investing and Financing Activities		
Issuance of common stock for the repayment of convertible notes payable	\$ 1,174,010	\$ -
Issuance of convertible debt for digital assets acquired	151,169,169	-
Issuance of short-term debt for digital assets acquired	42,695,723	-

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

UPEXI, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Company Information and Basis of Presentation

Nature of Operations

Upexi, Inc., is a Delaware corporation, originally formed as a Nevada corporation in 2018. The Company is made up of seven active subsidiaries. We are in the cryptocurrency industry and the management of cash assets through a cryptocurrency portfolio, primarily focused on Solana tokens and staking of those tokens. We continue to be a brand owner specializing in the development, manufacturing, and distribution of consumer products.

Solana Treasury Strategy. We diversified into the cryptocurrency industry and cash management of assets through a cryptocurrency portfolio, primarily focused on Solana tokens and staking of those tokens. Early in 2025, we updated and modified our cash management and treasury strategy to include holding digital currency assets directly on our balance sheet. This was a shift from holding excess cash primarily in FDIC-insured interest-bearing accounts. We adopted this strategy to obtain the highest yield on excess cash. Under our new approach, our treasury policy focuses primarily on Solana (“SOL”), an asset that is considered early in its lifecycle, with respect to both development and usage, as well as institutional adoption. This strategy involves applying a public-market treasury model similar to what has been done with Bitcoin. Management will focus its resources to this digital asset strategy, and a significant portion of the balance sheet will be the Company’s Solana digital asset treasury. Currently, our treasury is exclusively dedicated to the SOL digital asset and we do not intend to dedicate any of the treasury allocated capital to other digital assets.

Our products are distributed in the United States of America and internationally through multiple entities and managed through our locations in Florida.

Upexi operates from our corporate location in Tampa, Florida, where direct to consumer, wholesale and Amazon sales are driven by on-site and remote teams for all brands. The Tampa location also supports all the other locations with accounting, corporate oversight, day-to-day finances, business development and operational management operating from this location.

MW Products operates from our corporate headquarters, managing direct to consumer, wholesale and Amazon sales for multiple brands and develops new products through our research and development team in Henderson, Nevada and distributes products through our Tampa, Florida warehouse.

LuckyTail operates from our Tampa, Florida warehouse with sales and marketing driven by on-site and remote teams that operate the Amazon sales strategy and daily business operations.

HAVZ, LLC, d/b/a/ Steam Wholesale operates manufacturing and/or distribution centers in Odessa, Florida, supporting our health and wellness products, including those products manufactured with hemp ingredients and our overall distribution operations. As of December 31, 2025, the Company decided on a course of action to exit certain manufacturing and distribution operations (see Note 16).

Upexi Distribution operates from our Tampa, Florida warehouse providing warehousing, distribution and other services in support of our product sales.

Basis of Presentation and Principles of Consolidation

The Company’s unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The unaudited condensed consolidated financial statements include the accounts of all subsidiaries in which the Company holds a controlling financial interest as of December 31, 2025 and June 30, 2025 and for the periods ending December 31, 2025 and 2024.

In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. All significant intercompany transactions and balances are eliminated in consolidation. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

Note 2. Significant Accounting Policies

The significant accounting policies followed are:

Use of Estimates - The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates underlying the Company's reported financial position and results of operations include the allowance for credit losses, useful lives of property and equipment, impairment of long-lived assets, inventory valuation, fair value of stock-based compensation, fair value of digital assets, fair value of the Phantom Stock Unit compensation, and valuation allowance on deferred tax assets.

Cash - The Company considers all highly liquid investment instruments with a maturity of three months or less to be cash equivalents. Cash is maintained at financial institutions and at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

Accounts Receivable - Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within a specified time from the invoice date. The trade terms vary based on the customer and typically range from prepaid to 45 days from the invoice date. Interest is not charged by the Company on past due accounts. The carrying amount of receivables is reduced by an allowance for expected credit losses, as necessary, that reflects management's best estimate of the amount that will not be collected. This estimation takes into consideration historical experience, current conditions and as applicable, reasonable supportable forecasts. Actual results could vary from the estimate. Accounts are charged against the allowance when management deems them to be uncollectible. The net accounts receivable balances at December 31, 2025 and June 30, 2025 were \$594,552 and \$157,515, respectively. Based on management's review of accounts receivable, the allowance for credit losses was approximately \$641,800 at December 31, 2025 and \$636,600 at June 30, 2025. For the three months ended December 31, 2025 and 2024, the Company had credit losses of \$5,336 and \$10,000, respectively. For the six months ended December 31, 2025 and 2024, the Company had credit losses of \$5,565 and \$10,000, respectively.

Inventory - The Company reviews the inventory level of all products and raw materials quarterly. For most products that have been in the market for one year or more, we consider inventory levels of greater than one year's sales to be excess or other items that show slower than projected sales. Products that are no longer part of the current product offering are considered obsolete. The potential for re-sale of slow-moving and obsolete inventories is based upon our assumptions about future demand and market conditions. The recorded cost of obsolete inventories is then reduced to zero. The slow-moving and obsolete inventory is written off and recorded as charges to cost of goods sold. All adjustments for obsolete inventory establish a new cost basis for that inventory as we believe such reductions are permanent declines in the market price of our products. Generally, obsolete inventory is sold to companies that specialize in liquidation, while we continue to market slow-moving inventories until they are sold or become obsolete. Inventory consists of raw materials and finished goods and is stated at the lower of cost or net realizable value, cost is determined by the weighted average moving cost inventory method. Net realizable value is determined, with appropriate consideration given to obsolescence, excessive levels, deterioration, and other factors.

Digital Assets - Pursuant to Accounting Standards Update ("ASU") 2023-08, *Intangibles — Goodwill and Other — Crypto Assets: Accounting for and Disclosure of Crypto Assets, codified into ASC subtopic 350-60*, in-scope crypto assets are required to be measured at fair value in the statement of financial position, with gains and losses from changes in the fair value of such crypto assets recognized in net income each reporting period. ASU 2023-08 also requires certain interim and annual disclosures for crypto assets within the scope of the standard.

The Company adopted this guidance effective April 1, 2025, as this was the start of the Company first holding digital assets. SOL tokens are measured using Level 1 inputs under ASC 820, based on quoted prices from a principal market. ASC 820 defines "principal market" as the market with the greatest volume and level of activity for the asset or liability. The determination of the principal market (and, as a result, the market participants in the principal market) is made from the perspective of the reporting entity. The digital assets held by the Company are traded on a number of active markets globally. The Company determines CoinMarketCap as its principal market, as it is one of the earliest and the most trusted sources by users, institutions, and media for comparing thousands of crypto assets and selected by the U.S. government. The Company recognizes revenue by utilizing daily close prices obtained from CoinMarketCap.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Leasehold improvements are amortized over the shorter of their estimated useful lives of 5 years or the related lease term. Gains and losses upon disposition are reflected in the Condensed Consolidated Statements of Operations in the period of disposition. Maintenance and repair expenditures are charged to expense as incurred.

Goodwill - The Company evaluates its goodwill for possible impairment, simplifying the test for goodwill impairment at least annually and when one or more triggering events or circumstances indicate that the goodwill might be impaired. Under this guidance, annual or interim goodwill impairment testing is performed by comparing the estimated fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the carrying value of goodwill.

The Company performed its annual test as of June 30, 2025 and 2024, respectively. As of December 31, 2025 and June 30, 2025, the amount in goodwill was \$673,854 and \$848,854, respectively. During the three months ended December 31, 2025, as a result of the Company's disposition of certain assets associated with Moonwlkr, the Company recorded a disposal on goodwill, which decreased goodwill by \$175,000.

Revenue Recognition - In accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, the Company recognizes revenue when we satisfy performance obligations as evidenced by the transfer of control of our products or services to customers. In general, the Company generates revenue from product sales, either directly to customers or to distributors. In determining whether a contract exists, we evaluate the terms of the agreement, the relationship with the customer or distributor and their ability to pay.

The Company recognizes revenue from sales of our products, including sales to our distributors, at a point in time, generally upon shipment or delivery to the customer or distributor, depending upon the terms of the sales order. Control is considered transferred when title and risk of loss pass, when the customer becomes obligated to pay and, where applicable, when the customer has accepted the products or upon expiration of the acceptance period. For sales to distributors, payment is due on our standard commercial terms and is not contingent upon the distributors' resale of the products.

Shipping and handling fees billed to customers are included in revenue. Shipping and handling fees associated with inbound freight, are generally included in cost of revenue.

Our business is subject to contingencies related to customer orders, including:

Right of Return

A large portion of our revenue comes from the sale of consumable products, which are sold in high-volume and low quantities, and are generally maintained at stock levels of less than ninety days in our facility. Customer returns have historically represented a very small percentage of sales on an annual basis. Other product sales relate to some pet products, including small mechanical devices.

Warranties

The Company does not accept sales returns from wholesale customers, as the products are pre-approved prior to production and shipment. E-Commerce product returns must be completed within 45 days of the date of purchase. The Company accrues an allowance for refunds, returned deposits and discounts given by customer services post shipment of the product based on historical experience and management's estimate of future expenses, including replacement, freight charges and other fulfillment expenses.

Conditions of Acceptance

Sales of our consumable products and pet products, generally do not have customer acceptance terms.

Revenue by Geography and Product Source

The following table, which excludes digital asset revenue, discloses disaggregated revenue:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Primary geographical markets:				
United States of America	\$ 2,861,066	\$ 3,951,804	\$ 5,951,870	\$ 8,232,397
Other	47,461	53,688	112,785	129,610
Total	<u>\$ 2,908,527</u>	<u>\$ 4,005,492</u>	<u>\$ 6,064,655</u>	<u>\$ 8,362,007</u>
Product source:				
Internally manufactured	\$ 2,036,778	\$ 2,510,832	\$ 4,243,888	\$ 4,677,174
Contract manufactured	855,119	834,862	1,780,189	1,413,178
Purchased as finished good	16,630	659,798	40,578	2,271,655
Total	<u>\$ 2,908,527</u>	<u>\$ 4,005,492</u>	<u>\$ 6,064,655</u>	<u>\$ 8,362,007</u>

Deferred Revenue - The Company records deposits as deferred revenue when a customer pays in advance of shipping the product. Once the product is shipped, the deposit is recorded as revenue and the related commissions are paid. All products were shipped related to deposits in deferred revenue, in less than one year.

We expect to recognize 100% of the deferred revenue at December 31, 2025 and June 30, 2025, as revenue in the year ended June 30, 2026.

Digital Assets Revenue, Realized and Unrealized Gains and Losses

Acquisition of Solana tokens

We acquire liquid Solana tokens through purchases. In the case of liquid bulk purchases, we recognize for cost basis as the actual price paid. In the case of liquid VWAP (volume-weighted average price) or TWAP (time-weighted average price) over multiple hours or days, we recognize the cost basis as the average price paid for all tokens purchases.

The Company is able to acquire Solana tokens that are locked through direct negotiations with the owner of a third party at a discounted price from the Solana market value price. These locked tokens will unlock over a period of time and once unlocked can be sold on several Solana exchanges. With the purchase of locked Solana, we recognize the cost basis as the actual price paid. While the tokens remain locked, the Solana is marketed to fair value based on a 14% discount to the end of the period market price and the unrealized gain or loss is recognized. The unlocking of the purchased Solana occurs over a series of dates as prescribed by the purchase agreement. At the time of unlocking, tokens can remain in the original wallet or be transferred into the wallet at our custodian or sold on an open exchange. Once the Solana is unlocked, the fair value is measured at the end of the period at the market value without a discount.

Per ASC 350-60-45-2, gains and losses from the remeasurement of crypto assets shall be included in net income and presented separately from changes in the carrying value of other intangible assets. Pursuant to this guidance, changes in fair value are reflected on the Condensed Consolidated Statements of Operations in the line item "Realized and unrealized (gain) loss on digital assets" or "Unrealized (gain) loss on digital assets", if there were no realized sales in the period, in the operating expense section of the Condensed Consolidated Statements of Operations. We measure changes in fair value as the difference between the cost basis and the prevailing market price of the digital asset at the date of measurement, multiplied by the quantity held of the digital asset. Our policy on prevailing market price is the last trading price prior to midnight.

Remeasurement on a recurring basis

Subsequent to the acquisitions of Solana tokens, remeasurement of change in fair value is done by taking the spot price from CoinMarketCap at the end of a month. Our tokens are bifurcated between liquid and locked tokens. In the case of liquid tokens, the aggregate fair value is computed by taking the number of liquid tokens and multiplying that number by the month-end spot price. In the case of locked tokens, the aggregate fair value is computed by taking the number of locked tokens, discounted by 14%, and multiplying that number by the month-end spot price. As locked tokens become unlocked over time, they will be added to the count of liquid tokens and accordingly, make up less of that discount percentage over time when computing aggregate fair value on locked tokens. The discount used by management is based on the historical purchases of locked Solana management has made on behalf of the Company. Management monitors this discount percentage and adjusts when appropriate. Per ASC 350-60-45-2, gains and losses from the remeasurement of crypto assets shall be included in net income and presented separately from changes in the carrying value of other intangible assets. Pursuant to this guidance, changes in fair value are reflected on the Condensed Consolidated Statements of Operations in the line item “Realized and unrealized (gain) loss on digital assets”, or “Unrealized (gain) loss on digital assets”, if there were no realized sales in the period in the operating expense section of the Condensed Consolidated Statements of Operations.

Staking revenue

We earn staking rewards by delegating our digital assets to third-party validators on proof-of-stake blockchain networks. These tokens remain under the Company’s control and are not derecognized, as the delegation does not constitute a transfer of control under ASC 610-20 or ASC 350-60. Rewards are recognized as income when the Company obtains control of the new tokens, typically upon receipt into its wallet. While there is no explicit guidance under U.S. GAAP for staking activities, the Company applies the principles of ASC 606, Revenue from Contracts with Customers, by analogy. Management evaluates whether a contract exists, identifies the performance obligations, and determines whether the Company acts as a principal or agent in the transaction. The transaction price is measured at the fair value of the digital assets received at the time control is obtained. Due to the evolving nature of blockchain protocols and limited regulatory guidance, management exercises significant judgment in evaluating validator reliability and the risk of slashing or forfeiture. Changes in protocol rules or accounting interpretations may materially impact how staking revenue is recognized and measured. Solana tokens held by the Company, whether liquid or locked, are eligible for staking. Staking revenue is calculated based on the number of tokens earned and the month-end spot price. This revenue is reported on the Condensed Consolidated Statements of Operations under the line item “Digital asset revenue”. Changes in fair market value of the staking revenue after the initial digital asset revenue is disclosed on the Condensed Consolidated Statements of Operations as “Realized and unrealized (gain) loss on digital assets”, or “Unrealized (gain) loss on digital assets”, if there were no realized sales in the period.

Realized sales of digital assets

To the extent such digital assets may be sold, unrealized gain (or loss) shall reverse and realized gain (or loss) shall be recorded for the difference between price at which the digital asset sold and cost basis. These gain (or loss) amounts are presented in the operating expense section of the Condensed Consolidated Statements of Operations.

Advertising - The Company supports its products with advertising to build brand awareness of the Company’s various products in addition to other marketing programs executed by the Company’s marketing team. The Company believes continual investment in advertising is critical to the development and sale of its branded products. Advertising costs of \$542,859 and \$447,282 were expensed as incurred during the three months ended December 31, 2025 and 2024, respectively. Advertising costs of \$1,182,290 and \$865,121 were expensed as incurred during the six months ended December 31, 2025 and 2024, respectively.

Stock-Based Compensation - The Company recognizes all stock-based payments to employees, including grants of employee stock options and grants of restricted shares as compensation expense in the condensed consolidated financial statements based on their fair values. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period) or immediately if the stock-based payments vest immediately.

Non-Employee Stock-Based Payments - The Company’s accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC 2018-07, which simplifies the accounting for non-employee stock-based payment transactions. The amendments specify that Topic 718 applies to all stock-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing stock-based payment awards. Stock-based payments related to non-employees are accounted for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor’s performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement.

Fair Value Measurements - The Company accounts for financial instruments in accordance with FASB ASC 820, *Fair Value Measurement and Disclosures*, (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Liquid Solana tokens are measured at fair value using quoted prices from CoinMarketCap (Level 1 inputs). The fair value of locked tokens is computed by taking the number of locked tokens and discounting the quoted prices from CoinMarketCap price by 14%. The discount, a Level 2 input, used by management is based on the Company's historical purchases of locked Solana. Management monitors this discount percentage and adjusts when appropriate.

The estimated fair value of certain financial instruments, including cash, accounts receivable, accounts payable, accrued expenses, deferred revenue and debt are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

Leases - The Company determines if a contract contains a lease at inception. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of 12 months or less are not recorded within the accompanying Condensed Consolidated Balance Sheets. GAAP requires that the Company's leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date and the lease term used in the evaluation includes the non-cancellable period for which the Company has the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option will result in an economic penalty. All the Company's real estate leases are classified as operating leases.

Most real estate leases include one or more options to renew, with renewal terms that generally can extend the lease term for an additional two years. The exercise of lease renewal options is at the Company's discretion. The Company evaluates renewal options at lease inception and on an ongoing basis and includes renewal options that it is reasonably certain to exercise in its expected lease terms when classifying leases and measuring lease liabilities. Lease agreements generally do not require material variable lease payments, residual value guarantees or restrictive covenants.

The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular currency environment.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the condensed consolidated financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2025 and June 30, 2025, there was a valuation allowance of \$10,092,765.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, *Income Taxes*. Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's condensed consolidated financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date.

ASC Topic 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's condensed consolidated financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. There were no material uncertain tax positions at December 31, 2025 or June 30, 2025.

Reverse Stock Split - On September 18, 2024, we filed a Certificate of Change with the Nevada Secretary of State to effect a reverse stock split of our common stock at a rate of 1-for-20 (the "Reverse Stock Split"), which became effective as of October 3, 2024 (the "Effective Date"). The Reverse Stock Split was approved by the Board of Directors in accordance with Nevada law. The Reverse Stock Split did not have any impact on the par value of common stock.

On the Effective Date, every twenty shares of common stock issued and outstanding were automatically combined into one share of common stock, without any change in the par value per share. As the per-share par value did not change, we reclassified \$19,860 from common stock to Additional Paid-in-Capital on the Effective Date. The exercise prices and the number of shares issuable upon exercise of outstanding stock options, equity awards and warrants, and the number of shares available for future issuance under the equity incentive plans were adjusted in accordance with their respective terms. The Reverse Stock Split affected all stockholders uniformly and did not alter any stockholder's percentage interest in our common stock. We did not issue any fractional shares in connection with the Reverse Stock Split. Instead, fractional shares were initially rounded up to the next largest whole number, resulting in the issuance of 8 shares on October 3, 2024, the Effective Date, and an additional issuance of 38 shares on October 8, 2024. On October 10, 2024, the transfer agent received additional requests to issue a total of 202,183 shares of common stock for round up of fractional shares. These shares were issued on October 23, 2024 and on October 30, 2024 we were notified that the shares were returned to the Company's transfer agent. Although the Company did receive the common stock back after issuance, the potential dilution remains a risk and is the subject of a complaint filed by the Company in the United States District Court for the District of Nevada with the purpose of eliminating any said risk. The Reverse Stock Split did not modify the relative rights or preferences of the common stock.

Unless otherwise indicated, all issued and outstanding shares of common stock and all outstanding securities entitling their holders to purchase shares of our common stock or acquire shares of our common stock, including stock options, restricted stock units, and warrants per share data, share prices and exercise prices, as required by the terms of those securities, have been adjusted retroactively to reflect the Reverse Stock Split.

Loss Per Share

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Basic loss per share:				
Numerator:				
Net loss	\$ (178,924,930)	\$ (1,301,310)	\$ (112,176,808)	\$ (2,926,887)
Denominator:				
Weighted average common shares outstanding	60,829,603	1,045,429	58,085,114	1,045,429
Basic loss per share	\$ (2.94)	\$ (1.24)	\$ (1.93)	\$ (2.80)

In the three and six months ended December 31, 2025 and 2024, the Company was in a net loss position and therefore, diluted loss per share equaled basic loss per share.

Convertible Debt and Securities - The Company accounts for convertible notes as a single debt instrument measured at amortized cost. The Company has not identified any embedded features contained within its notes which would require bifurcation from the debt host. As applicable, any debt discount and debt issuance costs incurred in connection with the issuance of the notes are recorded as a direct deduction from the carrying amount of the notes. These amounts are amortized to interest expense using the effective interest method over the expected term of the notes. Upon conversion, the carrying amount of the notes, including any unamortized debt issuance costs and unamortized discounts, are reduced by the amount converted, with any difference being reflected as a change in equity.

Recent Accounting Pronouncements - From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, ("FASB"), or other standard setting bodies and adopted by us as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are applicable and not yet effective will not have a material impact on the Company's financial position or results of operations upon adoption. What follows below are accounting pronouncements adopted or issued but not yet adopted. The Company qualifies as an emerging growth company, and as such, has elected to use the extended transition period for complying with new or revised accounting standards and is not subject to the new or revised accounting standards applicable to public companies during the extended transition period. The accounting standards discussed below indicate effective dates for the Company as an emerging growth company using the extended transition period.

In December 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09"). The amendments expand income tax disclosure requirements by requiring an entity to disclose (i) specific categories in the rate reconciliation, (ii) additional information for reconciling items that meet a quantitative threshold, and (iii) the amount of taxes paid disaggregated by jurisdiction. The standard is effective for annual reporting periods beginning after December 15, 2024. The Company has adopted this guidance effective for the annual reporting period beginning July 1, 2025 (fiscal year ended June 30, 2026). The adoption of ASU 2023-09 will impact the Company's disclosures but will not impact financial position nor results of operations.

In December 2023, the FASB issued ASU 2023-08, *Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (“ASU 2023-08”), which establishes accounting guidance for crypto assets meeting certain criteria. Solana meets these criteria. The amendments require crypto assets meeting the criteria to be recognized at fair value with changes recognized in net income each reporting period. Upon adoption, a cumulative-effect adjustment was made to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption. ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt ASU 2023-08 for the year ended June 30, 2025, effective as of July 1, 2024. As a result of the adoption, the Company did not have a cumulative-effect adjustment as the Company did not have any Crypto Assets prior to January 1, 2025. In the current year for the three months and six months ended and date as of December 31, 2025, SOL, the token of Solana blockchain, is recognized at fair value.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures* (“ASU 2024-03”) requires disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity: (1) disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e), (2) include certain amounts that are already required to be disclosed under current GAAP in the same disclosure as the other disaggregation requirements, (3) disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and (4) disclose the total amount of selling expenses and, in annual reporting periods, an entity’s definition of selling expenses. An entity is not precluded from providing additional voluntary disclosures that may provide investors with additional decision-useful information. The ASU is effective for annual periods beginning after December 15, 2026, and interim report periods beginning after December 15, 2027. Early application of the amendment is permitted. The ASU should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements. The Company is evaluating the effect that ASU 2024-03 will have on its consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets* which provides for all entities with the option to elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of an asset, with respect to estimates of expected credit losses. This guidance is effective for annual reporting periods beginning after December 15, 2025 and interim periods within those annual reporting periods, with early adoption permitted and application of guidance prospectively. We are currently evaluating the effect of this pronouncement.

For the fiscal year beginning July 1, 2025, there have been no other recent accounting pronouncements issued but not yet adopted that are expected to be material to the Company.

Note 3. Inventory

Inventory, net, consisted of the following:

	December 31, 2025	June 30, 2025
Raw materials	\$ 274,757	\$ 489,574
Finished goods	453,516	663,296
Inventory, net	<u>\$ 728,273</u>	<u>\$ 1,152,870</u>

The Company writes off the value of inventory deemed excessive or obsolete. During the three months ended December 31, 2025 and 2024, the Company wrote off inventory valued at \$160,935 and \$6,322, net, respectively. During the six months ended December 31, 2025 and 2024, the Company wrote off inventory valued at \$231,335 and \$48,692, net, respectively. At December 31, 2025 and June 30, 2025, the Company had inventory reserves of \$1,065,752 and \$593,539, respectively.

Note 4. Property and Equipment

Property and equipment, net, consisted of the following:

	December 31, 2025	June 30, 2025
Furniture and fixtures	\$ 137,536	\$ 127,050
Computer equipment	104,792	102,279
Internal use software	570,645	570,645
Manufacturing equipment	451,292	2,112,561
Leasehold improvements	176,292	852,825
Vehicles	206,501	206,501
Property and equipment, gross	1,647,058	3,971,861
Less accumulated depreciation	(1,103,812)	(1,919,288)
Property and equipment, net	<u>\$ 543,246</u>	<u>\$ 2,052,573</u>

Depreciation expense for the three months ended December 31, 2025 and 2024 was \$134,388 and \$220,562, respectively. Depreciation expense for the six months ended December 31, 2025 and 2024 was \$270,290 and \$460,467, respectively.

Note 5. Digital Assets

The following table summarizes the Company's digital asset holdings as of:

	December 31, 2025	June 30, 2025
Approximate number of Solana tokens held	2,173,204	744,026
Digital assets, fair value	\$ 255,702,381	\$ 105,997,180

The following table summarizes the Company's digital asset purchases, unrealized gains (losses) on digital assets, and revenue from staking for the three and six months ended December 31, 2025 and 2024:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Number of Solana tokens purchased	100,065	-	1,391,519	-
Digital asset purchases	\$ 19,341,218	\$ -	\$ 230,090,128	\$ -
Unrealized losses on digital assets	\$ 164,495,019	\$ -	\$ 86,498,895	\$ -
Revenue from staking	\$ 5,143,513	\$ -	\$ 11,227,130	\$ -
Approximate number of Solana tokens earned as revenue	34,373	-	65,720	-

Cost basis is reflected in the above table as "Digital asset purchases".

The following table summarizes the composition of Solana tokens held broken out by liquid and locked as of:

	December 31, 2025	June 30, 2025
Number of Solana tokens liquid	1,322,397	322,575
Number of Solana tokens locked	850,807	421,451

The Company has approximately 95% of its Solana treasury staked as of December 31, 2025 and as of June 30, 2025. The Company maintains control over the delegated SOL tokens throughout the staking period. Although the tokens undergo a bonding process with validators, the Company retains the ability to initiate unbonding at any time. Upon notification to the validator, the unbonding process begins, which typically takes up to two days. During this period, the tokens remain unavailable for transfer or sale on the open market. Validators do not gain control over the tokens in a manner that meets derecognition criteria. They cannot sell, pledge, or otherwise dispose of the tokens. As such, the Company continues to recognize the delegated SOL tokens as part of its digital asset holdings.

The Company has 850,807 tokens that are considered locked at December 31, 2025. The following table summarizes the unlocking schedule of Solana tokens currently locked as of December 31, 2025 in the years then ended:

June 30, 2026	434,153
June 30, 2027	389,654
June 30, 2028	27,000
Total	<u>850,807</u>

The Company valued the Solana treasury at \$124.48 per liquid token and \$107.05 per locked token as of December 31, 2025. The Company valued the Solana treasury at \$154.74 per liquid token and \$133.07 per locked token as of June 30, 2025. The aggregate fair value of locked tokens is computed by taking the number of locked tokens and discounting the month-end spot price by 14%. The discount used by management is based on the historical purchases of locked Solana management has made on behalf of the Company. Management monitors this discount percentage and adjusts when appropriate. \$124.48 and \$154.74 are the market prices from the closing price listed by CoinMarketCap at December 31, 2025 and June 30, 2025, respectively.

Note 6. Intangible Assets

Intangible assets as of December 31, 2025:

	Estimated Life	Cost	Accumulated Amortization	Net Book Value
Customer relationships	4 years	\$ 1,834,692	\$ 1,834,692	\$ -
Trade name	5 years	383,792	259,059	124,733
Online sales channels	2 years	1,800,000	1,800,000	-
Vendor relationships	5 years	6,000,000	6,000,000	-
Royalty interest	Indefinite	750,000	-	750,000
Intangible assets		<u>\$ 10,768,484</u>	<u>\$ 9,893,751</u>	<u>\$ 874,733</u>

Intangible assets as of June 30, 2025:

	Estimated Life	Cost	Accumulated Amortization	Net Book Value
Customer relationships	4 years	\$ 1,834,692	\$ 1,834,692	\$ -
Trade name	5 years	383,792	220,679	163,113
Online sales channels	2 years	1,800,000	1,800,000	-
Vendor relationships	5 years	6,000,000	6,000,000	-
Royalty interest	Indefinite	-	-	-
Intangible assets		<u>\$ 10,018,484</u>	<u>\$ 9,855,371</u>	<u>\$ 163,113</u>

For the three months ended December 31, 2025 and 2024, the Company recorded amortization expense of \$19,190. For the six months ended December 31, 2025 and 2024, the Company recorded amortization expense of \$38,380.

On August 28, 2025, the Company entered into an agreement with Cybersyn Holdings, LLC, which hosts and owns the platform for Alpha City Exchange. Under the terms of the agreement, the Company paid \$750,000 to acquire a contractual royalty interest equal to 14.9% of all future gross revenue generated by the platform. The Company accounts for the royalty interest as an intangible asset and presents it within intangible assets on the Condensed Consolidated Balance Sheets. As of December 31, 2025, the agreement had not been terminated and the platform had not generated gross revenue from which the Company would be entitled to amounts under the royalty interest.

Future amortization of intangible assets as of December 31, 2025 is set forth below in the years then ended:

June 30, 2026	\$ 38,379
June 30, 2027	76,758
June 30, 2028	9,596
Total	<u>\$ 124,733</u>

Note 7. Prepaid Expenses and Other Receivables

Prepaid and other receivables consist of the following at:

	December 31, 2025	June 30, 2025
Insurance	\$ 244,271	\$ 107,256
Prepayment to vendors	207,060	201,192
Deposits on services	10,000	10,000
Subscriptions and services being amortized over the service period	837,473	26,500
Other receivables	3,260	5,888
Prepaid expenses and other receivables	<u>\$ 1,302,064</u>	<u>\$ 350,836</u>

All prepaid expenses are expected to be expensed within one year.

Note 8. Operating Leases

We have entered into various non-cancellable operating and finance lease agreements for certain of our offices, manufacturing, technology, and equipment. We determine if an arrangement is a lease, or contains a lease, at inception, and record the leases in our financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor. Our lease terms may include one or more options to extend the lease terms, for periods from one year to 20 years, when it is reasonably certain that we will exercise that option. As of December 31, 2025, no option to extend the lease was recognized as right-of-use (“ROU”) assets and lease liabilities. We have lease agreements with lease and non-lease components, and non-lease components are accounted for separately and not included in our ROU assets and corresponding liabilities. We have elected not to present short-term leases on the Condensed Consolidated Balance Sheets as these leases have a lease term of 12 months or less at lease inception.

During November 2018, the Company entered into a lease for equipment that commenced on November 1, 2018, and recorded a right of use asset and corresponding lease liability. Lease expenses were \$1,910 for the three months ended December 31, 2025 and 2024. Lease expenses were \$3,820 for the six months ended December 31, 2025 and 2024.

On March 15, 2023, the Company entered a lease for approximately 20,400 square feet of warehouse and office space, located in Tampa, Florida, to be used as the Company’s distribution center. The initial term of the lease is 38 months and was not completed when the lease was signed. The Company moved into the facility in July 2023 and started operations. The Company is responsible for real estate taxes, utilities, and repairs under the terms of certain operating leases and accounted for as non-lease components and not part of the ROU. During the three months ended December 31, 2025 and 2024, the Company recognized \$102,020 and \$100,756 expense, respectively. During the six months ended December 31, 2025 and 2024, the Company recognized \$200,590 and \$201,512 expense, respectively.

On July 25, 2023, the Company entered a lease for approximately 5,700 square feet of office space, located in Tampa, Florida, to be used as the Company’s corporate headquarters. The initial term of the lease is 61 months. During the three months ended December 31, 2025 and 2024, the Company recognized \$73,958 and \$60,433 expense, respectively. During the six months ended December 31, 2025 and 2024, the Company recognized \$136,473 and \$109,677 expense, respectively.

On April 1, 2024, the Company entered into a lease agreement with MFA 2510 Merchant LLC, which is owned by our CEO, Allan Marshall. The lease is for approximately 10,000 square feet of warehouse and office space, located in Odessa, Florida for \$20,060 per month. The initial term of the lease is five years. The Company is responsible for real estate taxes, utilities, and repairs under the terms of certain of the operating leases and accounted for as non-lease components and not part of what we include in ROU assets. The Company spent \$611,768 in leasehold improvements to prepare the facility for product manufacturing, which will be amortized over the five-year lease term. Product manufacturing was at full capacity and fully moved from the Nevada facility as of August 1, 2024. During the three months ended December 31, 2025 and 2024, the Company recognized \$79,944 expense. During the six months ended December 31, 2025 and 2024, the Company recognized \$159,888 expense. As a result of the Company’s course of action to terminate the CBD gummy and other operations, a loss on disposal of approximately \$477,000 was recorded during the three months ended December 31, 2025 to remove these certain leasehold improvements.

Operating leases are included in operating ROU assets. Current and non-current operating lease liabilities, and finance leases are included in property, plant and equipment, accrued expenses and other current liabilities, and other liabilities on the Condensed Consolidated Balance Sheets. As of December 31, 2025, our finance leases are not material.

The table below reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under noncancelable operating leases with terms of more than one year to the total operating lease liabilities recognized in the condensed consolidated balance sheet as of December 31, 2025:

2026	\$	378,052
2027		365,425
2028		21,115
2029		-
Total undiscounted future minimum lease payments		764,592
Less: Imputed interest		(40,786)
Present value of operating lease payable		723,806
Less: current portion of operating lease payable		263,672
Operating lease payable, net of current portion	\$	460,134

The Company's weighted average remaining lease term and weighted average discount rate for operating leases as of December 31, 2025 and 2024 are:

	December 31,	
	2025	2024
Weighted average remaining lease term months	26	37
Weighted average incremental borrowing rate	5.0%	5.0%

For the three and six months ended December 31, 2025 and 2024, the components of lease expense, included in general and administrative expenses and interest expense in the Condensed Consolidated Statement of Operations, are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Lease expense:				
Amortization of ROU assets	\$ 190,290	\$ 370,296	\$ 380,580	\$ 669,260
Interest expense	17,771	55,787	38,753	99,633
Operating lease cost	1,910	7,529	3,820	16,181
Short-term lease expense	-	-	-	670,173
Variable lease expense	49,042	103,671	101,078	169,309
Total lease expense	\$ 259,013	\$ 537,283	\$ 524,231	\$ 1,624,556

Note 9. Accrued Liabilities

Accrued liabilities consist of the following at:

	December 31, 2025	June 30, 2025
Accrued professional fees	\$ 187,803	\$ 300,000
Accrued sales tax	19,340	38,281
Accrued services	1,179,448	-
Assignment of lease	150,000	-
Other accrued liabilities	427,690	17,783
Accrued liabilities	<u>\$ 1,964,281</u>	<u>\$ 356,064</u>

Note 10. Convertible Notes, Notes Payable, Promissory Notes, and Short-Term Debt

Convertible Notes, Notes Payable and Promissory Notes outstanding are summarized below:

	Maturity Date	December 31, 2025	June 30, 2025
Convertible Notes:			
Convertible Notes issued for digital assets, due July 16, 2027. Interest rate per annum is 2%. Accrued interest is payable quarterly. The Notes shall be convertible into shares of common stock of the Company at the option of the holder, at any time and from time to time. The conversion price is \$4.25 per share.	July 16, 2027	\$ 149,996,123	\$ -
Unamortized deferred financing costs on Convertible Notes		(5,880,643)	-
Convertible Notes, net		<u>\$ 144,115,480</u>	<u>-</u>
Less: current portion		-	-
Convertible notes payable		<u>\$ 144,115,480</u>	<u>\$ -</u>

Cygnnet Subsidiary Notes Payable:

SBA note payable, 30-year term note, 10.25% interest rate and collateralized with all assets of the Company	October 6, 2051	\$ 3,694,721	\$ 3,694,721
Inventory consignment note, 60 monthly payments, with first payment due June 30, 2022, 3.5% interest rate and no security interest in the assets of the business	June 30, 2027	1,000,290	1,000,290
GF Note, 6 annual payments, with first payment due December 31, 2022, 3.5% interest rate and no security interest in the assets of the business	November 7, 2026	685,899	685,899
Total		<u>\$ 5,380,910</u>	<u>\$ 5,380,910</u>
Current portion of Cygnnet subsidiary notes payable		<u>\$ 5,380,910</u>	<u>\$ 5,380,910</u>

Promissory Notes:

Promissory Notes, 12% interest rate that is paid in cash monthly, and maturity date of June 1, 2026. These Promissory Notes are subordinate to the Convertible Notes. These Promissory Notes are convertible into shares of common stock at the option of the holders, at any time and from time to time. The conversion price is \$3.00 per share.	June 1, 2026	\$ 560,000	\$ 560,000
Current portion of promissory notes		<u>\$ 560,000</u>	<u>\$ 560,000</u>
Total Convertible Notes, Cygnnet Subsidiary Notes Payable, and Promissory Notes		<u>\$ 150,056,390</u>	<u>\$ 5,940,910</u>

As of December 31, 2025, future payments on Convertible Notes, Notes Payable and Promissory Notes are set forth below:

	Total
2026 – Notes Payable (Cygnet) and Promissory Notes	\$ 5,940,910
2027	-
2028 – Convertible Notes*	149,996,123
Total principal payments	155,937,033
Unamortized deferred financing costs on Convertible Notes	(5,880,643)
Total	<u>\$ 150,056,390</u>

* The convertible notes cannot be repaid in cash; the convertible notes can only be converted into approximately 35,293,206 of the Company's common stock at a per share price of \$4.25 or repaid at the end of the term of the note with approximately 962,955 SOL tokens.

Convertible Notes

On July 16, 2025, the Company entered into securities purchase agreements with certain investors (the "Purchasers"), pursuant to which the Company agreed to sell and issue to the Purchasers in a private placement offering (the "Note Offering") secured convertible notes (the "Notes") in exchange for locked and spot Solana in the aggregate, original principal amount of \$151,169,169. The total principal amount arising out of the Notes Offering was \$151,169,169. The maturity date on the Notes is the two-year anniversary from the date of the closing of the Notes Offering, or July 16, 2027. The applicable interest rate is an annual rate equal to 2.0%. Interest shall be calculated on the basis of a 365-day year and the actual number of days elapsed, and accrues daily commencing on the Issue Date, or July 16, 2025, with interest paid quarterly. At the maturity date of the Notes, the holders of the Notes are entitled to an amount equal to the accrued and unpaid interest and liquidated damages (if any) and, to the extent unpaid principal remains, the return of the Subscription Amount (pro-rated to the extent principal was paid down) in the form of Digital Assets paid to the Company. At any time after the Issue Date until the Notes are no longer outstanding, the Notes shall be convertible into shares of common stock of the Company at the option of the holder, at any time and from time to time. The conversion price is \$4.25 per share. Furthermore, the Company may deliver forced conversion notices. Under the terms of the forced conversion, if after the legend removal date, the volume-weighted average price for each of the 30 consecutive trading days exceeds \$6.37, the Company may within five trading days deliver a notice to the holders to cause the holder to convert all or part of then outstanding principal on the Notes.

The Company accounts for convertible notes as a single debt instrument measured at amortized cost. The Company has not identified any embedded features contained within its Notes that would require bifurcation from the debt host. As applicable, any debt discount and debt issuance costs incurred in connection with the issuance of the Notes are recorded as a direct deduction from the carrying amount of the Notes. These amounts are amortized to interest expense using the effective interest method over the expected term of the Notes. Upon conversion, the carrying amount of the Notes, including any unamortized debt issuance costs and unamortized discounts, are reduced by the amount converted, with any difference being reflected as a change in equity.

During July 2025, the Company issued 276,238 shares of common stock upon conversion of a portion of the convertible notes, resulting in a reduction of the outstanding principal balance of \$1,173,046 and accrued interest of \$964.

Cygnet Subsidiary Notes Payable

All amounts are current as payment amounts that have been due have since passed. The maturity dates in the above table refer to the original maturity dates per the original executed agreements.

	Maturity Date	December 31, 2025	June 30, 2025
Short-Term Treasury Debt:			
BitGo Credit Facility, 11.5% interest rate per annum. The term of the credit facility is for one year and is renewable for successive one-year options.	N/A	\$ 62,695,723	\$ 20,000,000

Short-Term Treasury Debt

The Company entered into a credit facility with BitGo Prime, LLC ("BitGo"). Pursuant to a Master Loan Agreement at December 31, 2025 the Company may borrow in excess of \$71,000,000 for the purchase of digital assets with interest at the rate of 11.5% per year. The term of the credit facility is for one year and is renewable for successive one-year options. Each individual loan under the facility is negotiable as to the amount, term prepayment or recall (payment demand). The loans shall be collateralized by the Company's treasury assets, already held at BitGo. The initial availability is based on a 260% collateral level and a margin call level of 175%. There are no requirements or fees for non-use of the credit facility and the facility can be increased in the future based on the value of the assets BitGo is the custodian of for the Company. At December 31, 2025 and June 30, 2025, the outstanding balance of the credit facility was \$62,695,723 and \$20,000,000, respectively. The credit facility was used for the purchase of SOL.

Note 11. Related Party Transactions

In March 2025, Allan Marshall purchased 125,000 shares of Series A preferred shares from the Company at a per share price of \$2.60 per preferred share. This purchase was settled through the cancellation of a \$400,000 related party advance. There are no advances due to Allan Marshall at December 31, or June 30, 2025.

On April 1, 2024, the Company entered into a lease agreement with MFA 2510 Merchant LLC, which is owned by our CEO, Allan Marshall. The lease is for approximately 10,000 square feet of warehouse and office space, located in Odessa, Florida for \$20,060 per month on a triple net basis. The initial term of the lease is five years. The Company spent \$611,768 in leasehold improvements to prepare the facility for product manufacturing, which will be amortized over the five year lease term. Product manufacturing was at full capacity and fully moved from the Nevada facility as of August 1, 2024.

On June 13, 2024, the Company entered into a Stock Purchase Agreement pursuant to which the Company sold one hundred percent (100%) of the issued and outstanding equity of its wholly owned subsidiary VitaMedica, Inc. to three investors (the “Buyers”). One of the minority interest Buyers is Allan Marshall, the Company’s CEO. The purchase price for the stock was \$6,000,000, subject to certain customary post-closing adjustments. The proceeds of the transaction have been used for working capital, the reduction of debt and the reduction of other liabilities currently outstanding. As of December 31, 2025, the remaining purchase price receivable is \$2,000,000. Subsequent to December 31, 2025, the Buyers made a \$660,000 payment with \$1,340,000 remaining and expected to be paid prior to June 30, 2026.

The above related party transactions are not necessarily indicative of the amounts and terms that would have been incurred had comparable transactions been entered into with independent parties.

Note 12. Equity Transactions

Convertible Preferred Stock

The Company has 150,000 shares of Preferred Stock issued and outstanding to Allan Marshall, CEO. The preferred stock is convertible into 138,889 shares of the Company’s common stock at the holder’s option, has preferential liquidation rights and the preferred stock shall vote together with the common stock as a single class on all matters to which shareholders of the Company are entitled to vote at the rate of ten votes per share of preferred stock.

Common Stock

During the six months ended December 31, 2025:

7,889,226 Pre-Funded Warrants were exercised for 7,889,226 shares of common stock in connection with the Private Placement offering occurring in April 2025 in which the Company issued 35,970,383 shares of common stock at an offering price of \$2.28 per share.

In connection with a private placement offering of equity in July 2025, 12,457,186 shares of common stock were issued.

In connection with the notice of conversion relating to convertible debt in July 2025, 276,238 shares of common stock were issued.

In connection with the cashless exercises of certain warrants, 678,352 shares of common stock were issued.

In connection with the exercises of certain warrants for cash, 33,334 shares of common stock were issued.

In connection with the vesting of certain restricted stock units, 318,167 shares of common stock were issued.

In connection with a private placement offering of equity in November 2025, 3,289,474 shares of common stock were issued. On November 26, 2025, the Company issued in the aggregate 3,289,474 shares of common stock and 3,289,474 common stock purchase warrants (the “Private Placement Warrants”) to purchase up to 3,289,474 shares of common stock for an aggregate purchase price of \$10,000,000, representing a purchase price of \$3.04 per share of common stock and accompanying warrant. Each warrant is exercisable for one share of common stock at an exercise price of \$4.00 per share.

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance included in ASC 480, *Distinguishing Liabilities from Equity* and ASC 815, *Derivatives and Hedging*. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether the warrants meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815. Warrants that meet all of the criteria for equity classification are required to be recorded as a component of additional paid-in capital at the time of issuance, or when the conditions for equity classification are met, and are not remeasured. Warrants that do not meet the required criteria for equity classification are classified as liabilities.

The Company evaluated the Private Placement Warrants and concluded that they met the criteria to be classified within stockholders' equity within additional paid-in-capital. The Private Placement Warrants are equity classified because they (1) are freestanding financial instruments that are legally detachable and separately exercisable from the common stock, (2) are immediately exercisable, (3) do not embody an obligation for the Company to repurchase its shares, (4) permit the holder to receive a fixed number of shares of common stock upon exercise, (5) are indexed to the Company's common stock and (6) meet the equity classification criteria. As of December 31, 2025, all 3,289,474 of the Private Placement Warrants remain outstanding.

Stock Repurchase Program

In November 2025, the Company's Board of Directors authorized a share repurchase program of up to \$50M of common stock. The timing, manner, price, and amount of repurchases will be determined at management's discretion, based on factors such as share price, market conditions, and available liquidity. The program does not obligate the Company to acquire any specific number of shares and may be suspended or discontinued at any time.

In December 2025, the Company repurchased 416,226 shares of common stock at an average price, including fees, of \$1.94. These shares were not retired and are designated as treasury stock.

Stock Split

The Company effectuated a reverse stock split, at a rate of 20 to 1, effective at 12:01 am ET, October 3, 2024. The total issued and outstanding shares of the Company's common stock, post reverse stock split was 1,040,886. The Depository Trust Company ("DTC") has requested an additional 202,183 shares of the Company's common stock to round up, pursuant to the terms of the reverse stock split, the holdings of DTC's beneficial holders. These shares were issued on October 23, 2024 and on October 30, 2024 we were notified that the shares were returned to the Company's transfer agent. Although the Company did receive the common stock back after issuance, the potential dilution remains a risk, and is the subject of a complaint filed by the Company in the United States District Court for the District of Nevada with the purpose of eliminating any said risk. The Reverse Stock Split did not modify the relative rights or preferences of the Common Stock.

Note 13. Stock-Based Compensation

The Board of Directors of the Company may, from time to time, in its discretion, grant to directors, officers, consultants and employees of the Company, non-transferable options to purchase shares of common stock. The options are exercisable for a period of up to 10 years from the date of the grant.

A summary of stock option activity for the six months ended December 31, 2025 is as follows:

	Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregated Intrinsic Value
Outstanding at June 30, 2025	621,353	\$ 3.39	5.66	\$ 374,500
Exercised	-	-	-	-
Forfeited	(1,875)	83.14	-	-
Granted	125,000	4.63	4.82	-
Options outstanding at December 31, 2025	744,478	\$ 3.40	5.09	\$ -
Options exercisable at December 31, 2025 (vested)	619,164	\$ 3.14	5.14	\$ -

A summary of stock option activity for the six months ended December 31 2024 is as follows:

	Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregated Intrinsic Value
Outstanding at June 30, 2024	200,714	\$ 57.40	5.83	\$ -
Exercised	-	-	-	-
Forfeited	-	-	-	-
Granted	-	-	-	-
Options outstanding at December 31, 2024	200,714	\$ 57.40	5.32	\$ -
Options exercisable at December 31, 2024 (vested)	198,247	\$ 58.01	5.34	\$ -

The closing market price per common share on December 31, 2025 was \$1.68.

Stock-based compensation attributable to stock options was \$51,939 and \$32,578 for the three months ended December 31, 2025 and 2024, respectively. Stock-based compensation attributable to stock options was \$91,299 and \$173,876 for the six months ended December 31, 2025 and 2024, respectively. As of December 31, 2025, there was approximately \$491,758 of unrecognized compensation expense related to unvested stock options outstanding, and the weighted average vesting period for those options was 1.32 years.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the year ended June 30, 2025, in light of the 1-20 reverse split, certain grants were cancelled and re-issued. The estimate of forfeitures relating to terminations is still 0%.

There were 4,090,778 shares available for issuance as of December 31, 2025, under the 2019 Plan as amended. The Plan contains an “evergreen” provision pursuant to which shares authorized for issuance may be automatically replenished.

Restricted Stock Units

Stock-based compensation from RSUs was approximately \$3,834,436 for the three months ended December 31, 2025 and \$0 for the three months ended December 31, 2024. Stock-based compensation from RSUs was approximately \$9,243,501 for the six months ended December 31, 2025 and \$0 for the six months ended December 31, 2024.

Pursuant to the 2019 Plan, restricted stock units may be granted. As of December 31, 2025, there was approximately \$11,637,704 of unrecognized compensation expense related to 3,044,085 restricted stock units. The weighted-average term remaining on the unvested shares was approximately 0.54 years.

	Shares	Weighted-Average Grant Date Fair Value
Outstanding as of June 30, 2024	7,500	\$ 9.82
Granted	-	-
Cancelled or Forfeited	-	-
Vested	-	-
Outstanding as of December 31, 2024	7,500	\$ 9.82
Outstanding as of June 30, 2025	221,917	\$ 2.48
Granted	4,814,000	4.57
Cancelled or Forfeited	-	-
Issued	(318,167)	3.29
Outstanding as of December 31, 2025	4,717,750	\$ 4.56

At December 31, 2025, there were approximately 1,673,665 vested RSUs that are included in the 4,717,750 RSUs outstanding above as they are not included in the Company’s issued and outstanding common stock.

The components of stock-based compensation are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Stock options amortization	\$ 51,939	\$ 32,578	\$ 91,299	\$ 173,876
Restricted stock units amortization	3,834,436	-	9,243,501	-
Warrants amortization granted to asset manager	4,414,298	-	4,722,271	-
Total stock-based compensation	<u>\$ 8,300,673</u>	<u>\$ 32,578</u>	<u>\$ 14,057,071</u>	<u>\$ 173,876</u>

As a result of the termination of the Company’s asset management agreement, the Company expensed all remaining unamortized costs associated with the warrants granted to the asset manager, which was approximately \$4.4 million and \$4.7 million for the three and six months ended December 31, 2025, respectively. These expenses are included within Stock-based compensation in the Condensed Consolidated Statements of Operations.

Note 14. Phantom Stock Appreciation Plan

On July 1, 2025 the Board of Directors with the recommendation of the Compensation Committee approved the Upexi, Inc. Phantom Stock Appreciation Plan (the “Plan”). The Plan permits the granting of an award to any employee of the Company who is selected and approved by the Board of Directors, upon such criteria determined by the Board of Directors. Except as otherwise provided in a Participant’s employment or award agreement, the Phantom Stock Unit (“PSU”) will vest on each June 30th following the date of grant, provided the Participant is employed by the Company or an Affiliate on such date.

The Company established the Plan to motivate and reward key employees of the Company by providing incentive compensation opportunities based on the increase in the Company value and the value increase to our shareholders, thereby increasing the long-term value of the Company. The Company recognizes the estimated compensation cost related to the awards and expected to be awarded during the year in its condensed consolidated financial statements in accordance with ASC 718. The Company estimated the cost of compensation related to the Plan during the three and six months ended December 31, 2025 as \$0 and \$1,441,987, respectively, and recognized this expense as a general and administrative compensation expense and accrued this on the balance sheet as accrued compensation. As of December 31, 2025, there has been no compensation paid to the participants related to this Plan. There are no comparable amounts for the three and six months ended December 31, 2024 as the Plan did not yet exist.

The Company shall credit to each Participant’s Account by means of a bookkeeping entry the number of PSUs awarded. On an annual basis, as of the end of each Plan Year (June 30), the Account for each Participant shall be equal to the excess of (a) the Payment Date Value at the end of the Plan Year (or such other determination date selected by the Company if the Payment Date is not July 1); over (b) the Grant Date Value or the Rollover Date Value as applicable, multiplied by (c) the number of PSUs in a Participant’s Account. Such amount shall be paid to a Participant.

The PSUs in the Account shall be valued each year and such process shall continue until the earliest to occur of the date a Participant has terminated employment, the date of a Change of Control as defined by the Company, and the date the Plan has terminated or the Company has terminated one or more awards for a Participant. If the per unit value of PSU at the end of the Plan Year is less than the per unit value of the PSU at the beginning of such Plan Year, no amount shall be payable to a Participant under the Plan for such Plan Year.

The Payment Date Value is the 30-day average closing price of Upexi, Inc. common stock on NASDAQ between June 1st and June 30th immediately preceding the Payment Date. If the Payment Date is other than July 1st, then the Payment Date Value shall be the 30/31-day average closing price of Upexi, Inc. common stock on NASDAQ for the full month immediately preceding the designated payment date as determined by the Company.

A Participant must be employed on June 30th to receive the Account value for such Plan Year except as otherwise determined by the Company. The Account value shall be paid in a lump sum payment no later than September 15th following the end of each Plan Year. Payment will be made in cash. The Company may also elect to pay up to 50% of the Account value prior to June 30 of each year with a true up made for the Payment Date Value on June 30 if applicable.

At December 31, 2025 the Board of Directors had awarded the following PSUs with the following Grant Value:

	<u>2025</u>
Phantom Stock Units with a grant value of \$2.89	1,153,997
Phantom Stock Units with a grant value of \$3.04	82,238
Phantom Stock Units with a grant value of \$4.00	311,432
Phantom Stock Units with a grant value of \$4.25	6,908
Total Phantom Stock Units granted	<u>1,554,575</u>

The awards from the Plan are earned and paid on an annual basis and the Company estimates the annual expected compensation expense for the Plan year and recognizes 1/12th of the estimated expense each month. This estimate is updated on a quarterly basis for variable components of the plan, including all of the awards that will be issued during the year, the expected grant value of those awards and the estimated Payment Date value.

Management’s estimate of the fair value of the PSU’s at the reporting date is based on a combination of valuation approaches designed to reflect the expected settlement value of the awards. In determining this estimate, the Company considered multiple inputs and methodologies, including valuations derived from Black-Scholes option pricing model, the Company’s common stock price as of the reporting date, and management’s estimate of the Payment Date Value. Management evaluated these approaches and selected the methodology it believes best reflects the value of the liability as of the balance sheet date consistent with the cash settlement features of the Plan. As these awards are classified as liability awards, the fair value is remeasured at each reporting period, with changes in the estimated fair value recognized in general and administrative compensation expense.

Compensation expense for the Plan Awards is based on the fair value of the units as of the balance sheet date as further discussed above, and such costs are recognized ratably over the service period of the awards. As the fair value of liability awards is required to be re-measured each period end, stock compensation expense amounts recognized in future periods for these awards will vary. The estimated future cash payments of these awards are presented as a liability within “Accrued compensation” in the Condensed Consolidated Balance Sheets.

Note 15. Income Taxes

The Company computed the year-to-date income tax provision by applying the estimated annual effective tax rate to the year-to-date pre-tax income and adjusted for discrete tax items in the period. For the three and six months ended December 31, 2025, the Company's effective tax rate was 0.0% due to the significant unrealized losses on the Company's digital assets and timing differences between book and tax. For the three and six months ended December 31, 2024, the Company reserved 100% of the benefit calculated as income tax benefit and computed income tax benefit of \$348,225 and \$783,225, respectively.

The estimated effective tax rate is subject to fluctuation based on the mix of earnings and losses by tax jurisdiction and the relative impact of permanent book to tax differences. Each quarter, a cumulative adjustment is recorded for any fluctuations in the estimated annual effective tax rate as compared to the prior quarter. As a result of these factors, and due to potential changes in the Company's period-to-period results, fluctuations in the Company's effective tax rate and respective tax provisions or benefits may occur. For the three and six months ended December 31, 2025, the difference between the U.S. statutory rate and the Company's effective tax rate is due to the significant unrealized losses on the Company's digital assets and timing differences between book and tax for an effective tax rate of approximately 0.0%. The income tax benefit for the three and six months ended December 31, 2024, was primarily attributable to federal and state income taxes and non-deductible expenses for an effective tax rate of approximately 25.83%.

Deferred tax assets and liabilities resulting from temporary differences in the recognition of income and expenses for tax and financial reporting purposes. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred taxes. Future realization of the tax benefits of existing temporary differences and net operating loss carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. On June 30, 2025, the Company performed an evaluation to determine whether a valuation allowance was needed. The Company considered all available evidence, both positive and negative, which included the results of operations for the current and preceding years. The Company also considered whether there was any currently available information about future years. The Company determined that it is more likely than not that the Company will have future taxable income. As of December 31, 2025 and June 30, 2025, the Company had a valuation reserve of \$10,092,765.

The Company files federal and state income tax returns in jurisdictions with varying statutes of limitations. Income tax returns generally remain subject to examination by federal and most state tax authorities. The Company is not currently under examination in any federal or state jurisdiction.

Note 16. Exit of Manufacturing and Distribution Operations

As of December 31, 2025, the Company decided on a course of action to shut down certain manufacturing and distribution centers supporting the Company's health and wellness products, including those products manufactured with hemp ingredients and certain related distribution operations, which it expects to be completed by February 15, 2026.

The Company has focused its resources on the digital asset strategy and this exit is intended to allow the reallocation of resources toward other business initiatives consistent with the Company's broader strategy. The Company continues to operate other non-hemp consumer product lines.

During the three and six months ended December 31, 2025, as a result of the Company's course of action to shut down these manufacturing and distribution centers, a loss on disposal of \$1,422,289 was recorded in Impairment on assets from manufacturing shut down within the Condensed Consolidated Statements of Operations.

Note 17. Risks and Uncertainties

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the scope of operation of Farm Bill-compliant hemp programs relative to the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the U.S. Drug Enforcement Administration, or DEA, and/or the FDA and the extent to which manufacturers of products containing Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of our products in different markets.

The Company holds a significant portion of its assets in cryptocurrencies, which are subject to substantial market volatility, evolving regulatory frameworks, liquidity constraints, cybersecurity threats, and technological risks. These factors may cause material fluctuations in the fair value of the Company's holdings and could adversely affect its financial condition and results of operations.

Note 18. Subsequent Events

Convertible Note Issuance

On January 9, 2026, subsequent to the end of the reporting period, the Company entered into a secured convertible note with an original principal amount of approximately \$36 million, in exchange for the transfer of 265,500 units of locked Solana. No amounts related to this transaction were recognized in the accompanying condensed consolidated financial statements. As consideration for the issuance of the convertible note, the investor transferred and assigned to the Company all of the investor's beneficial and economic ownership interest in the 265,500 units of locked Solana.

The convertible note bears interest at a rate of 1.0% per annum, payable quarterly in cash, and has a maturity date of January 9, 2028. At maturity, or upon acceleration following an event of default, to the extent the convertible note has not been converted in full, the investor is entitled to receive a pro rata return of the 265,500 units of locked Solana corresponding to the outstanding principal balance of the convertible note at such time. The principal amount of the convertible note is not payable in cash under any circumstances.

The principal amount of the note is convertible, in whole or in part, at the option of the investor at any time, into shares of the Company's common stock at a fixed conversion price of \$2.39 per share, subject to customary adjustments and other conditions set forth in the note, including provisions that permit mandatory conversion under certain circumstances.

BitGo Credit Facility Borrowing

As of the date of filing of this Form 10Q, the Company had approximately \$59.1 million outstanding under the BitGo Credit Facility.

Stock Issuance

The Company issued 165,498 shares of common stock, subsequent to December 31, 2025 related to restricted stock grants that vested.

Registered direct offering of common stock and warrants

During February 2026, subsequent to the end of the reporting period, the Company closed a registered direct offering with a single institutional investor for the sale and issuance of 6,337,000 shares of common stock of the Company and warrants to purchase up to 6,337,000 shares of common stock at a combined offering price of \$1.17 per share of common stock and accompanying warrant. The warrants have an exercise price of \$1.50 per share, will be exercisable immediately upon issuance, and will expire five years following the date of issuance and forced conversion at \$5.00. The Company also amended certain existing warrants to purchase up to an aggregate of 3,289,474 shares of the Company's common stock that were previously issued to investors in December 2025, with an exercise price of \$4.00 per share such that the amended warrants will have a reduced exercise price of \$2.83 per share, the redemption price trigger will be reduced from \$8.50 per share to \$7.00 per share.

No amounts related to the offering or the warrant amendment have been recognized in the accompanying condensed consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

As used in this current report and unless otherwise indicated, the terms “we”, “us”, “our”, and the “Company” mean Upexi, Inc.

Upexi, Inc., a Delaware corporation, originally formed as a Nevada corporation in September of 2018. The Company has seven active subsidiaries that are part of the Company. We are in the cryptocurrency industry and the management of cash assets through a cryptocurrency portfolio, primarily focused in Solana tokens and staking of those tokens. We continue to be a brand owner specializing in the development, manufacturing, and distribution of consumer products.

Operating Segments

The Company's financial reporting is organized into a single segment that includes production, sales and distribution of branded products, following the sale of E-Core, Technology Inc. and its subsidiaries. Other sources of revenue and related costs are aggregated and viewed by management as immaterial or have similar economic characteristics, products, production, distribution processes and regulatory environment as the other product sales or directly support the Company's single segment.

DESCRIPTION OF BUSINESS

Our Company

We are in the cryptocurrency industry and the management of cash assets through a cryptocurrency portfolio, primarily focused in Solana tokens and staking of those tokens. We continue to be a brand owner specializing in the development, manufacturing, and distribution of consumer products.

Our Solana Treasury Strategy

Early in 2025, we updated and modified our cash management and treasury strategy to include holding digital currency assets directly on our balance sheet. This was a shift from before when we held excess cash primarily in FDIC-insured interest-bearing accounts. The change to adopt this strategy results from our intention to obtain the highest yield on excess cash. Under our new approach, our treasury policy focuses primarily on Solana (“SOL”). The approach involves applying a public-market treasury model to an asset that is considered earlier in its lifecycle, with respect to both development and usage, as well as institutional adoption, than Bitcoin. Management will focus its resources on this digital asset strategy and a significant portion of the balance sheet will be allocated to holding Solana in the Company's digital asset treasury. Currently our treasury is exclusively dedicated to the SOL digital asset and currently we do not intend to dedicate any of the treasury allocated capital to other digital assets. We will stake the vast majority of the Solana in our treasury to earn a staking yield and turn the treasury into a productive asset. Currently we are staking approximately 95% of our SOL treasury, and intend to maintain a similar or higher percentage going forward. We do not hedge our SOL and do not have plans to hedge our SOL in the future.

Our treasury is intended to bring value to our shareholders in these ways:

- We plan to utilize intelligent capital markets issuance – including the issuance of both equity and convertible debt - where we may issue capital in an accretive fashion for the benefit of shareholders to purchase and hold more Solana.
- We will stake the majority of the Solana in our treasury to earn a staking yield and turn the treasury into a productive asset.
- We will purchase locked Solana at a discount to the current spot price, which will provide higher gains for our shareholders as the discount moves to par over time.

Note that we are underpinned by Solana, which we believe is the leading high-performance blockchain and may see its price rise in the future. If this occurs, our Solana treasury will move up in value, also benefiting shareholders.

Our Staking Program

Pursuant to our treasury strategy, we will use our SOL in the treasury to generate a return through various opportunities with the most significant portion being allocated to our staking program. We will utilize several validators in the staking program to reduce our risk with a single validator and maximize the overall yield from the staking program. We will also dedicate a portion of the SOL in our staking program to utilize smaller validators to help improve the overall Solana ecosystem. These validators are scrutinized through our due diligence program and are initially only given a small amount of SOL for the Company to be able to verify the expected performance and yield, and to ensure that the validator should be included in our future allocation of SOL to validators. Management evaluates the validators on a routine basis around performance, yield, and economics, and makes monthly adjustments on the overall allocation of the SOL in the treasury based on our evaluation. Currently we have approximately 95% of our SOL treasury staked and target a similar or higher percentage in the future.

We maintain possession and control of the SOL when it is staked at all times. Native staking is generally considered a safe activity, as it is done in-protocol (i.e. is built into Solana itself), and as, unlike other networks, Solana has not implemented “slashing” penalties for validators that either intentionally misbehave or perform their duties poorly. As such, the major risk with staking is that we choose a validator with poor performance who realizes a low staking yield. Additionally, as part of the “activating” and “exiting” processes of SOL staking, any staked SOL will be inaccessible for a period of time determined by a range of factors, resulting in certain liquidity risks that we manage.

Process of Staking

Management has bi-weekly meetings to evaluate treasury operations, including the staking of the Company's SOL. Based on these meetings, management determines the allocation of the SOL treasury to the staking program and determines the amount of allocation to each validator, ensuring that no single validator has such a large percentage of our stake that it represents concentration risk.

If it is determined to reduce the amount of the SOL dedicated to the staking program or it is determined to change the allocation of SOL to a validator, we will initiate an unstaking process and notify the validator of the change, which effectively reverses the delegation of the SOL from the applicable validator node.

Solana has a cooldown period known as the "deactivation period," which is the time it takes for the unstaked SOL to become fully liquid. During this period, the tokens are not actively earning rewards, but they are also not yet available for transfer or use. The length of this period can vary based on network conditions, but is generally expected to be 48 hours or less. Once the cooldown period is complete, the Company will have complete control over the SOL, including the ability to sell the SOL or transfer it as determined by management.

Liquidity Management

The Company's staking program involves the temporary loss of the ability to transfer, assign a new validator or otherwise dispose of the SOL. Under normal conditions, the Company will regain complete control over its unstaked SOL within two days of initiating the unstaking. However, there can be no guarantee that such process will result in the Company regaining complete control of its SOL in time to satisfy its current obligations. We maintain a certain amount of liquid SOL in the treasury, classified as current digital assets at fair value and a certain amount of cash to ensure that the Company is able to satisfy its current obligations.

How We Earn Staking Rewards

To earn staking rewards, we delegate our SOL to leading Solana validators via Solana's in-protocol delegation system. This means we deposit our SOL tokens into a staking account, which is then delegated to a validator's vote account. We utilize native staking only, and stake to top validators who have demonstrated a track record of high performance, high yield generation, and attractive delegator economics. We use multiple validators to both maximize the return on our Solana treasury and to mitigate the risk of having only one or two validators for our treasury staking.

SOL and the Solana Network

SOL is a digital asset that is created and transmitted through the operations of the peer-to-peer Solana network (the "Solana blockchain" or "Solana network"), which is a decentralized network of computers operating the implementation of the Solana protocol. While certain entities such as Solana Labs, Inc. and the Solana Foundation have influence over the Solana network's development and governance (which was particularly true during the network's early years), no single entity owns or operates the Solana network, the infrastructure of which is collectively maintained by a decentralized user base. The Solana network allows the creation and exchange of tokens, including SOL, which are recorded on the Solana network. SOL can be used to pay for goods and services, including to send a transaction on the Solana network, or it can be swapped to other tokens or converted to fiat currencies, such as the U.S. dollar, at rates determined on digital asset trading platforms or in individual end-user-to-end-user transactions under a market-based system. Furthermore, the Solana network allows users to write and implement general purpose code known as smart contracts or programs that create decentralized applications, and for users to openly interact with said decentralized applications. Using programs, users can create decentralized applications covering a variety of categories and subsectors, including borrow/lend protocols, decentralized exchanges, social applications, web3 gaming, tokenized assets, AI agents, decentralized physical infrastructure networks, and many more. As such, the Solana network expands blockchain use well beyond just a peer-to-peer money system.

The Solana protocol introduced the proof-of-history timestamping mechanism. Proof-of-history is not a consensus mechanism, but a cryptographic clock that enables greater organization without extensive communication, thereby increasing throughput. Proof-of-history enables leaders to know when it's their turn to produce a block, rather than requiring the entire network to first come to an agreement on the prior block before the leader can begin their work.

In addition to the proof-of-history mechanism, the Solana network uses a proof-of-stake consensus mechanism to incentivize SOL holders to validate transactions. Unlike proof-of-work, in which miners expend computational and energy resources to be the miner to propose a block and receive the block reward, in proof-of-stake, validators pledge or "stake" coins, perform duties such as proposing or validating blocks, and receive staking rewards generally in proportion to the amount of coins staked. A validator that performs its duties poorly, whether maliciously or unintentionally, would receive fewer or no rewards. Proof-of-stake is viewed as more energy efficient and scalable than proof-of-work. Proof-of-history combined with a proof-of-stake consensus model are some of the components on Solana that enable high throughput and low-latency transaction processing.

Overview of the Solana Network

In order to own, transfer or use SOL directly on the Solana network on a peer-to-peer basis (as opposed to through an intermediary, such as a custodian or centralized exchange), a person generally must have internet access to connect to the Solana network and set up a wallet, which is the software that safeguards a user's keypair (public key plus secret key). SOL transactions may be made directly between end-users without the need for an intermediary. To transact on the Solana network, a user, typically through an application such as a wallet or smart contract, will board the transaction to the current leader, who will organize the transactions into shards before the network processes and validates such transactions. Using cryptography and its proof-of-stake consensus mechanism, the Solana network can come to a shared state of the network in a decentralized fashion and without a centralized leader. Blocks are built on top of prior ones by subsequent leaders, continuing the process.

Prior to transacting on Solana, a user generally must first install on their computer or mobile device a software program that will allow the user to generate a private and public key pair such as a wallet. The wallet also enables the user to connect to the Solana network, interact with decentralized applications, and transfer or swap tokens with other users or applications.

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Each user has their own key pair that is stored in such software, like a wallet. To receive SOL in a peer-to-peer transaction, the SOL recipient must provide its public key to the party initiating the transfer. This activity is analogous to a recipient for a transaction in U.S. dollars providing a routing address in wire instructions to the payor so that cash may be wired to the recipient's account. The payor approves the transfer to the address provided by the recipient by "signing" a transaction that consists of the recipient's public key with the private key of the address from where the payor is transferring the SOL. The recipient, however, does not make public or provide to the sender its private key (though the network can still verify the validity of the signature – i.e. that it was signed by the holder of the private key – using cryptography). With cold storage, our custodian maintains all of the private keys.

Neither the recipient nor the sender reveal their private keys in a peer-to-peer transaction because the private key authorizes transfer of the funds in that address to other users. Therefore, if a user loses their private key, the user may permanently lose access to the SOL contained in the associated address. Likewise, SOL is irretrievably lost if the private key associated with them is deleted and no backup has been made. When sending SOL, a user's Solana network software program must validate the transaction with the sender's associated private key. In addition, since every computation on the Solana network requires processing power, there is a mandatory transaction fee involved with the transfer that is paid by the payor. The resulting digitally validated transaction is sent by the user's Solana network software program to the Solana network validators to allow transaction confirmation.

Solana network validators record and confirm transactions when they validate and add blocks of information to the Solana blockchain. When a validator is selected to validate a block, it creates that block, which includes data relating to (i) the verification of newly submitted and accepted transactions and (ii) a reference to the prior block in the Solana blockchain to which the new block is being added. The validator becomes aware of outstanding, unrecorded transaction requests through peer-to-peer data packet transmission and distribution discussed above.

Upon the addition of a block of SOL transactions, the Solana network software program of both the spending party and the receiving party will show confirmation of the transaction on the Solana blockchain and reflect an adjustment to the SOL balance in each party's Solana network public key, completing the SOL transaction. Once a transaction is confirmed on the Solana blockchain, it is irreversible.

Some SOL transactions are conducted "off-blockchain" and are therefore not recorded on the Solana blockchain. These "off-blockchain" transactions involve the transfer of control over, or ownership of, a specific digital wallet holding SOL or the reallocation of ownership of certain SOL in a pooled-ownership digital wallet, such as a digital wallet owned by a digital asset trading platform. If a transaction takes place through a centralized digital asset exchange or a custodian's internal books and records, it is not broadcast to the Solana network or recorded on the Solana blockchain. In contrast to on-blockchain transactions, which are publicly recorded on the Solana blockchain, information and data regarding off-blockchain transactions are generally not publicly available. Therefore, off-blockchain transactions are not truly SOL transactions in that they do not involve the transfer of transaction data on the Solana network and do not reflect a movement of SOL between addresses recorded on the Solana blockchain. For these reasons, off-blockchain transactions are not immutable or irreversible as any such transfer of SOL ownership is not cryptographically protected by the protocol behind the Solana network or recorded in, and validated through, the blockchain mechanism.

Since inception, transaction fees on the Solana Network have comprised of a fixed rate of 0.000005 SOL per transaction, plus a variable fee component based on the computation resources used during the transaction. SOL holders can also pay an additional prioritization fee to expedite their transaction.

Validators

In proof-of-stake, validators risk or stake coins to be randomly selected to validate transactions and are rewarded for performing their responsibilities and behaving in accordance with protocol rules. Malfunctions that cause validators to go offline and, in turn, inhibit them from performing their duties can result in financial penalties. Any malicious activity, such as making incorrect attestations or otherwise violating protocol rules may result in lower rewards or the lost opportunity to gain rewards. The penalty varies depending on the type of offense and correlation to potential offenses by other validators.

Validators are typically professional operations that design and build dedicated machines and data centers, including "clusters," which are groups of validators that act cohesively and combine their processing to confirm transactions. When a validator confirms a transaction, the validator and any associated stakers receive a fee. During the course of ordering transactions and validating blocks, validators may be able to prioritize certain transactions in return for increased transaction fees, an incentive system known as "Maximal Extractable Value" or "MEV." For example, in blockchain networks that facilitate decentralized finance "DeFi" protocols in particular, such as the Solana network, users may attempt to gain an advantage over other users by offering greater transaction fees.

Validators less commonly capture MEV in the Solana network because, unlike the Ethereum network, it does not publicly expose transactions before they are accepted by a validator.

Staking rewards on the Solana network are determined by the protocol and are distributed to validators and their associated stakers based on the proportion of their stake relative to the total active stake in the network. The rewards are funded by inflationary issuance of new tokens and transaction fees collected on the network. The specific amount each validator and staker receives depends on, among other things, their share of the total stake, the validator's uptime and performance, and the overall network conditions.

The historical range of staking rewards on the Solana network has varied due to differing levels of network congestion and protocol parameters. The actual annualized reward rate has fluctuated over time, reflecting changes in network activity, inflation rates, and protocol adjustments.

Staking rewards on Solana are distributed at regular intervals. At the end of each epoch, with one epoch being roughly two days, the reward is calculated. The reward is automatically distributed at the beginning of the subsequent epoch. This regular reward frequency ensures that participants receive their share of rewards in a timely manner, reflecting their contribution to network security and transaction validation.

How We Purchase or Sell Digital Assets

Our management team reviews the Company's short-term obligations and excess cash available to dedicate to the treasury strategy. When it is determined that the Company has excess cash available to dedicate to the treasury strategy, we deploy that capital into one of our custodians and through acquisition strategies with the custodians and our asset manager. We acquire the SOL over several days or weeks to maximize the number of SOL that is acquired with the capital deployed. If it is determined that the treasury needs to liquidate part of its SOL, the same process of selling the SOL into the market would be used. The Company has not reduced its treasury or sold any of its SOL staking rewards to date.

Use of Custodians and Storage of SOL Tokens

We do not self-custody and only utilize third-party qualified custodians to hold our Solana. We use qualified custodians that utilize risk management and operational best practices around items like hot vs. cold storage, access controls, custody technology, insurance, etc. Our primary custodian is BitGo Trust Company, Inc. ("BitGo"). We also maintain a custodial relationship with Coinbase, Inc. ("Coinbase") and are in the process of distributing our treasury to different custodians and onboarding other qualified custodians to ensure that we mitigate our Solana treasury risk through the use of several qualified custodians.

Storage of Our Digital Assets in our SOL Treasury

The Custodians

The custodians are responsible for safekeeping all of the SOL owned by the Company. We maintain multiple custodians to reduce the risk of a single failure, and we plan to expand to additional custodians as our treasury grows. The custodian accounts are all opened by the Company, this segregates our assets into an individual custodian account owned by the Company and access is monitored and controlled by the Company. Our asset management company is given access to the custodian accounts with established controls to ensure transactions require consensus of a minimum of two individuals when assets are being transferred between wallets and additional controls if an asset of the treasury is moved out of the custodian's control. The assets go through the custodian's trust company, which maintains its own insurance and is regulated by their respective state where the trust is incorporated in.

Our primary custodian is currently BitGo Trust Company, Inc. a South Dakota corporation, and is regulated by the state of South Dakota. On May 1, 2025, we entered into a Custodial Services Agreement with BitGo (the "BitGo Agreement") to hold our digital currency. The term of the BitGo Agreement is for one year with successive one-year renewals unless prior notice of non-renewal is given by either party. The Company pays BitGo a monthly digital asset storage fee based upon the market value of the assets in storage, plus \$500. The BitGo Agreement is terminable by either the Company or BitGo on thirty days' notice as a result of a breach of the BitGo Agreement and may be suspended by BitGo if the Company violates the intended use of the account or due to a change in the applicable law, litigation or bankruptcy.

Our secondary custodian is Coinbase Inc., a subsidiary of Coinbase Global, Inc., a Delaware corporation, which is primarily used for the acquisition of digital assets. On May 5, 2025, the Company entered into an Institutional Client Agreement with Coinbase (the "Coinbase Agreement"). The Coinbase Agreement is terminable at will by either the Company or Coinbase. The Company pays Coinbase its regularly scheduled fees based on the dollar trading volume over a thirty-day period. The Coinbase Agreement is terminable by either the Company or Coinbase on ten days' notice as a result of a breach of the Coinbase Agreement and may be suspended by Coinbase if the Company violates the intended use of the account or due to a change in the applicable law, governmental proceeding, litigation or bankruptcy. Coinbase may also close the Company's account if it has been inactive for more than one year.

BitGo maintains a \$250,000,000 policy against loss, theft and misuse. Currently, as of December 31, 2025, we have approximately \$199,000,000 of treasury value at BitGo, based on the SOL price of \$124.48 per liquid token and \$107.04 per locked token. At the current price of SOL as of the date of this report, these policies were adequate to fully cover the full loss of our SOL.

Solana, as with all digital assets, can be highly volatile. Management reviews the account balances and the total value held with custodians to allocate the Company's holdings between multiple accounts and custodians to mitigate risk. We do not use self-storage for any of the SOL treasury assets.

Private keys are generated by the custodian in key generation ceremonies at secure locations using offline devices that have never been connected to a network. Private keys are generated according to detailed procedures using specialized offline devices and within these secure facilities to mitigate risk of hacks, errors, or other unintended external exposure. Key ceremony processes are highly controlled, require segregation of duties across multiple parties and are reviewed and witnessed by designated oversight personnel. Thorough validations and signoffs are performed to verify the integrity and security of key generation ceremonies.

The custodians hold a majority of SOL in cold storage and provide a user interface for the Company to manage the allocation of SOL between cold and hot storage for the wallets. The Company maintains more than 98% of its SOL treasury in cold wallets.

The custodians have multiple, redundant cold storage sites, which are geographically distributed including sites within the United States. Cold storage locations of the custodian are monitored by 24x7 on-site security, video surveillance and alarms, hardened room structures, and access to these facilities is controlled by multi-person controls, multi-team access rules, and multi-factor authentication. The locations of the cold storage sites may change at the discretion of the custodian and are kept confidential by the custodian for security purposes. Transactions from cold to hot storage require physical access, according to the above controls, to one or more cold storage facilities, as well as systematically enforced approvals and integrity verifications, before the secure device can be used to cryptographically complete the transaction. At no point during this process is the private key removed from the secure device(s) nor the cold storage facility. Once these security processes have been completed, a transfer on the Solana network can be executed, as signed using the private keys held offline in cold storage.

The custodians also maintain geographically dispersed backups of private keys, which are cryptographically generated into shards and stored in separate locations; multiple locations must be accessed to reconstruct a single key. The storage facilities are highly secured, and include 24x7 on-premises security presence, video surveillance, and alarms for unexpected entry. Access to facilities is controlled by multi-person controls, multi-team access rules, and multi-factor authentication.

All of our custodians have SOC type 2 reports that the Company has reviewed and we get regular bridge reports from our custodians to help ensure the controls are being maintained. Our custodians maintain their own insurance policies to cover our loss, which is in addition to the policies that we maintain ourselves. We currently have two qualified custodians that we have approved for our treasury use and we are in the process of onboarding a third as part of our risk management process.

The Company is charged for storage fees, staking fees and transaction fees for services specifically requested by the Company or the asset management company. Except as set forth above, the contract terms of the agreements are typically for one to three years and can be terminated upon 30-day notice and payment of all fees due and one month of additional fees.

SOL – the Token of the Solana Blockchain

SOL is the native token of the Solana blockchain. According to Solana Compass – a popular website covering the Solana ecosystem that also runs a Solana validator – Solana was created with an initial supply of 500 million SOL, though much of the initial supply was locked or earmarked for various use cases such as for the community, investors, foundation, team, etc. New Solana tokens are brought into existence primarily through inflationary rewards distributed to validators (and delegators). Solana currently has a total supply of 606.5 million SOL, a circulating supply of 538.2 million, and no maximum supply. The Solana staking yield is made up of three primary components: inflationary rewards, transaction/priority fees, and maximal extractable value (MEV). Inflationary rewards started out at 8.0%, currently sit at 4.3%, and will fall 15% every epoch-year until it reaches a long-term floor of 1.5%. There are currently 27.2 million locked SOL, representing 6.7% of the total SOL supply with various vesting schedules. Historically, 50% of all transaction fees were burned (with the other 50% going to the validator), but now all transaction fees go to the validator after the passage and adoption of Solana Improvement Document 96 (SIMD-96).

How SOL is Used

SOL is used as part of Solana’s proof-of-stake consensus mechanism. In general, proof-of-stake blockchains have block producers called validators that run nodes, bond or stake the protocol’s native token, propose blocks when chosen to do so, and validate/sign the transactions and blocks of others when not. Validators are chosen to produce a block in proportion to their stake, which makes it extremely costly for bad actors to attempt to control the network and add invalid transactions to the blockchain. Validators receive staking rewards for the work they perform, which further incentivizes validators to behave properly, as they would otherwise miss out on such rewards. Other proof-of-stake networks often “slash” some or all of a validator’s stake if it intentionally or unintentionally performs its duties poorly, for example, by double-signing a transaction, though Solana has not implemented slashing at this time. In addition to its use within consensus, SOL is also a “gas token”, meaning that users of the Solana blockchain pay SOL to validators (and delegators) as compensation for processing their transactions. As such, the value of SOL may increase if/as the Solana blockchain sees greater usage.

We see three particularly notable items giving Solana a technical advantage compared to many smart contract blockchain peers. First, Solana’s proof-of-history gives validators a notion of time and enables them to produce blocks when it’s their turn without requiring the network to first agree upon the current block. This results in immense speed advantages. Second, unlike peer blockchains that often use single-threaded virtual machines, Solana enables parallel transaction execution to increase throughput and advantage of future hardware improvements resulting from an increasing CPU core counts. Lastly, Solana optimized for speed and security, and is naturally growing into decentralization as hardware and bandwidth costs fall over time, optimally positioning it well along the Blockchain Trilemma.

The Solana Ecosystem

As one of the first “second-generation” high performance blockchains, Solana uniquely enjoys both the best-in-class technology described above, as well as strong network effects that have attracted a large, growing, and vibrant ecosystem of users, developers, and decentralized applications. Indeed, while Solana is focused on bringing global finance onchain (commonly referred to as “onchain Nasdaq” or “Internet Capital Markets”), Solana’s performance and technical capabilities enable a plethora of use cases from DeFi to decentralized physical infrastructure networks (DePIN), AI agents, social media, gaming, stablecoins, real-world assets (RWA’s), and more. Moreover, according to Electric Capital’s 2024 Developer Report, Solana is the #1 ecosystem for new developers, growing 83% in 2024, with this metric often considered a leading indicator of blockchain growth. Lastly, we note that Solana often leads all blockchains in key metrics such as daily active users, decentralized application revenues, and decentralized exchange volumes, sometimes putting up better metrics than all other chains combined.

Asset Management Agreement

On April 23, 2025, the Company entered into an Asset Management Agreement (the “Asset Management Agreement”) with GSR Strategies LLC (the “Asset Manager”), pursuant to which the Asset Manager shall provide discretionary investment management services with respect to the Company’s cryptocurrency treasury (the “Account Assets”). According to the Asset Management Agreement, the Asset Manager will invest the Account Assets, including any funds raised in accordance with the funding allocation provided in the Asset Management Agreement, principally with a long-only strategy primarily in Solana, including staking (and restaking) Solana to improve returns (the “SOL Treasury Strategy”).

The Company shall pay the Asset Manager an asset-based fee (the “Asset-based Fee”) equal to 1.75% per annum, of the assets under the Asset Manager’s management, which shall be calculated and paid in advance as of the first business day of each calendar month, as determined by the Asset Manager in a commercially reasonable manner and in good faith, by reference to, where applicable, available prices on Coinbase as of 12:00 UTC on such day. For any asset prices not available on Coinbase, the Asset Manager shall determine the value of such assets in a commercially reasonable manner and in good faith by reference to reputable industry sources.

As compensation for services rendered by the Asset Manager, the Company issued warrants to the Asset Manager to purchase 2,192,982 shares of common stock at various prices per share of common stock as follows: (i) 877,193 shares of common stock at an exercise price of \$2.28 per share of common stock; (ii) 438,596 shares of common stock at an exercise price of \$3.42 per share of common stock; (iii) 438,596 shares of common stock at an exercise price of \$4.56 per share of common stock; (iv) 438,597 shares of common stock at an exercise price of \$5.70 per share of common stock.

The Asset Management Agreement will, unless early terminated in accordance with its terms, continue in effect until the twentieth (20th) anniversary of April 23, 2025. The Asset Management Agreement may be terminated by the Company without cause solely upon a two-thirds majority vote of the Company’s common stockholders to terminate the SOL Treasury Strategy. If the Company terminates the Asset Management Agreement for any other reason other than for cause, the Company shall pay the Asset Manager an early termination fee (the “Termination Fee”) in the amount equal or greater of (i) five (5) times the aggregate amount of the management fees paid by the Company to the Asset Manager over the prior ten (10) year period, or (ii) \$15 million. The Asset Management Agreement may be terminated for Cause (i) by the Company upon at least thirty (30) days prior written notice to the Asset Manager and (ii) by the Asset Manager upon at least sixty (60) days prior written notice to the Company.

On October 27, 2025, the Asset Manager provided the Company notice that it believed the Company had defaulted under the Asset Management Agreement between the Company and the Asset Manager dated April 23, 2025. The Company disputes the Asset Manager's allegations and disputes that it has defaulted under the Asset Management Agreement. As such, on November 26, 2025, the Company filed an Arbitration Demand, instituting an arbitration proceeding against the Asset Manager with respect to the Asset Management Agreement ("Arbitration"). On December 30, 2025, the Asset Manager filed Counterclaims in the Arbitration asserting certain damages. The Company intends to vigorously defend against these Counterclaims.

Critical Accounting Estimates

There have been no material changes to our critical accounting policies as disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended June 30, 2025.

Results of Operations

The following summary of the Company's operations should be read in conjunction with its unaudited condensed consolidated financial statements for the three and six months ended December 31, 2025 and 2024, which are included herein.

	Three Months Ended December 31,		Change
	2025	2024	
Revenue	\$ 2,908,527	\$ 4,005,492	\$ (1,096,965)
Digital asset revenue	5,143,513	-	5,143,513
Cost of revenue	1,340,881	1,031,386	309,495
Sales and marketing expenses	915,841	949,963	(34,122)
Distribution costs	924,201	1,276,422	(352,221)
General and administrative expenses	5,522,786	1,548,590	3,974,196
Unrealized losses on digital assets	164,495,019	-	164,495,019
Realized losses on digital asset revenue conversion to USD	341,599	-	341,599
Other operating expenses	9,876,540	272,330	9,604,210
Other expenses	3,560,103	228,111	3,331,992
Net loss	\$ (178,924,930)	\$ (1,301,310)	\$ (177,623,620)

Revenue declined by approximately \$1.1 million, or 27.4%, as compared with the same period last year. Management's focus is on the digital asset strategy and resources are allocated accordingly. We do not expect significant increases to these revenue sources in future quarters.

Digital asset revenue increased by approximately \$5.1 million as compared with the same period last year as the Company began its investments in digital assets toward the end of fiscal year 2025. The Company earns staking revenue by delegating its digital assets to third-party validators on proof-of-stake blockchain networks. The digital asset revenue is expected to increase as the number of SOL tokens the Company has staked increases, the overall increase in the price of SOL and the Company's continued expansion of its digital asset strategy.

Cost of revenue increased by approximately \$0.3 million, or 30%, as compared with the same period last year. The gross margin was approximately 53.9% and 74.3% for the three months ended December 31, 2025 and 2024, respectively, a decrease of approximately 20%, as compared with the same period last year, mainly due to inventory valuation adjustments.

Sales and marketing expenses decreased by approximately \$34,000, or 3.6%, as compared with the same period last year. Management expects the sales and marketing expenses to significantly decline, quarter over quarter for the year remainder of the year as less marketing expenses are spent on the remaining products and several of the fixed sales and marketing expenses have been eliminated.

Distribution costs decreased by approximately \$0.3 million, or 27.6%, as compared with the same period last year. The decrease in distribution costs was primarily related to the overall decline in revenue and is expected to continue to decline for the remainder of the year.

General and administrative expenses increased approximately \$4.0 million, or 257%, as compared with the same period last year. The increase is mainly a result of expenses in connection with the change in the business strategy to hold digital assets as parts of its treasury. The increase was primarily due to the \$1.5 million increase in public company expenses, \$0.4 million increase in professional fees and the \$1.5 million increase in compensation to employees.

Unrealized losses on digital assets increased by approximately \$164.5 million as the Company began its investments in digital assets toward the end of fiscal year 2025. The changes mainly result from the price changes on SOL over the recorded cost of SOL during the three months ended December 31, 2025. There were no digital assets in the Company's treasury in the same period one year ago.

Realized losses on digital asset revenue converted into USD increased by approximately \$0.3 million as the Company began its investments in digital assets toward the end of fiscal year 2025 and there was no staking revenue converted into USD in the prior period. The losses were a result of the price changes on SOL from the period the digital assets were recorded as staking revenue and the price the staking revenue was converted into USD during the three months ended December 31, 2025. The digital assets sales are recorded on a first in first out basis.

Other operating expenses increased by approximately \$9.6 million, or 3,527%, as compared with the same period last year. The increase was primarily due to increased stock compensation of approximately \$8.3 million. The increase was primarily related to the \$4.4 million increase related to the warrants for the asset management agreement, the \$1.4 million impairment of assets from manufacturing shutdown and approximately \$3.8 million increase in the amortization of stock-based compensation related to restricted stock units.

Other expenses increased by approximately \$3.3 million, or 1,461%, as compared with the same period last year. The increase was primarily due to increased debt used in the purchase of SOL for the digital asset treasury and partially offset by gains from cash management.

	Six Months Ended December 31,		
	2025	2024	Change
Revenue	\$ 6,064,655	\$ 8,362,007	\$ (2,297,352)
Digital asset revenue	11,227,130	-	11,227,130
Cost of revenue	2,297,626	2,457,833	(160,207)
Sales and marketing expenses	1,983,396	1,991,388	(7,992)
Distribution costs	1,811,797	2,732,147	(920,350)
General and administrative expenses	14,779,994	2,916,280	11,863,714
Unrealized losses on digital assets	86,498,895	-	86,498,895
Realized losses on digital assets	341,599	-	341,599
Other operating expenses	15,788,030	672,723	15,115,307
Other expenses	5,967,256	518,523	5,448,733
Net loss	\$ (112,176,808)	\$ (2,926,887)	\$ (109,249,921)

Revenue declined by approximately \$2.3 million, or 27.5%, as compared with the same period last year. Management's focus is on the digital asset strategy and resources are allocated accordingly. We do not expect significant increases to these revenue sources in future periods.

Digital asset revenue increased by approximately \$11.2 million as compared with the same period last year as the Company began its investments in digital assets toward the end of fiscal year 2025. The Company earns staking revenue by delegating its digital assets to third-party validators on proof-of-stake blockchain networks. The digital asset revenue is expected to increase as the number of SOL tokens the Company has staked increases, the overall increase in the price of SOL and the Company's continued expansion of its digital asset strategy.

Cost of revenue decreased by approximately \$0.2 million, or 6.5%, as compared with the same period last year. The gross margin was approximately 62.1% and 70.6% for the six months ended December 31, 2025 and 2024, respectively, a decrease of approximately 8%, as compared with the same period last year, mainly due to inventory valuation adjustments.

Sales and marketing expenses decreased marginally by approximately \$8,000, or 0.4%, compared with the same period last year. Management expects the sales and marketing expenses to significantly decline, quarter over quarter for the remainder of the year as less marketing expenses are spent on the remaining products and several of the fixed sales and marketing expenses have been eliminated.

Distribution costs decreased by approximately \$0.9 million, or 33.7%, as compared with the same period last year. The decrease in distribution costs was primarily related to the overall decline in revenue and is expected to continue to decline for the remainder of the year.

General and administrative expenses increased approximately \$11.9 million, or 407%, as compared with the same period last year. The increase is mainly a result of expenses in connection with the change in the business strategy to hold digital assets as parts of its treasury. The increase was primarily due to the \$3.8 million increase in public company expenses, \$0.8 million increase in professional fees, \$1.7 million in digital asset treasury fees, \$0.6 million in travel related expenses and \$4.5 million increase in compensation to employees.

Unrealized losses on digital assets increased by approximately \$86.5 million as the Company began its investments in digital assets toward the end of fiscal year 2025. The changes mainly result from the price changes on SOL over the recorded cost of SOL during the six months ended December 31, 2025.

Realized losses on digital asset revenue converted into USD increased by approximately \$0.3 million as the Company began its investments in digital assets toward the end of fiscal year 2025 and there was no staking revenue converted into USD in the prior period. The losses were a result of the price changes on SOL from the period the digital assets were recorded as staking revenue and the price the staking revenue was converted into USD during the six months ended December 31, 2025. The digital assets sales are recorded on a first in first out basis.

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Other operating expenses increased by approximately \$15.1 million, or 2,247%, as compared with the same period last year. The increase was primarily due to increased stock-based compensation of approximately \$9.2 million related to restricted stock units, \$4.7 million increased stock-based compensation related to the warrants for the asset management agreement, and \$1.4 million impairment of assets from manufacturing shutdown.

Other expenses increased by approximately \$5.4 million, or 1,051%, as compared with the same period last year. The increase was primarily due to increased debt used in the purchase of SOL for the digital asset treasury and partially offset by gains from cash management.

Liquidity and Capital Resources

Working Capital

	As of December 31, 2025	As of June 30, 2025
Current assets	\$ 171,250,451	\$ 56,778,043
Current liabilities	77,852,422	32,563,906
Working capital	<u>\$ 93,398,029</u>	<u>\$ 24,214,137</u>

Cash Flows

	Six Months Ended December 31, 2025	2024
Cash flows used in operating activities	\$ (12,461,887)	\$ (3,358,636)
Cash flows (used in) provided by investing activities	(36,832,514)	5,838,106
Cash flows provided by (used in) financing activities	47,936,016	(2,734,538)
Net change in cash during the period	<u>\$ (1,358,385)</u>	<u>\$ (255,068)</u>

On December 31, 2025, the Company had cash of \$1,616,765, a decrease of \$1,358,385 from June 30, 2025. The primary changes resulted from financing obtained to implement and grow the Company's digital asset strategy that was deployed to acquire digital assets.

Net cash flows used in operating activities was \$12,461,887 for the six months ended December 31, 2025, as compared to net cash flows used in operating activities of \$3,358,636 for the six months ended December 31, 2024. The digital asset revenue was approximately \$6.5 million non-cash as approximately \$11.2 million was recognized as revenue, with approximately \$4.7 million converted to USD. The unrealized losses of approximately \$86.5 million, approximately \$14.1 million in stock-based compensation, approximately \$1.7 million in deferred financing cost amortization and approximately \$1.4 million in impairment of manufacturing assets were all non-cash expenses offsetting the operational losses. Various costs were incurred in connection with beginning, implementing and growing the Company's digital asset strategy and are expected to continue.

Net cash flows used in investing activities was approximately \$36.8 million for the six months ended December 31, 2025, as compared to net cash flows provided by investing activities of approximately \$5.8 million for the six months ended December 31, 2024. The primary use of funds was on the acquisitions of SOL for the digital assets treasury during the six months ended December 31, 2025. In the six months ended December 31, 2024, the primary driver was the cash collected in connection with the sale of a building and the collection of the purchase price for E-core.

Net cash flows provided by financing activities was approximately \$47.9 million for the six months ended December 31, 2025, as compared to net cash flows used in financing activities of approximately \$2.7 million for the six months ended December 31, 2024. The primary driver of the change was the financing obtained from a capital raise occurring in each of July 2025 and November 2025 for purposes of executing the Company's digital asset strategy in the six months ended December 31, 2025. This capital raise was offset by the expenses incurred for the capital raise and the expenses incurred for the convertible note obtained in a swap transaction for SOL. Other notable drivers include the exercise of warrants that provided cash of \$100,000 and cash used for common stock repurchases of approximately \$800,000. In the six months ended December 31, 2024, the primary driver of cash used in financing activities was the payment on a note in connection with the sale of a building.

We estimate that we will have sufficient working capital to fund our operations over the twelve months following the date of the issuance of these condensed consolidated financial statements and meet all of our debt obligations. Additionally, we have a shelf registration statement on file with the SEC that was declared effective January 8, 2026. Specific information on the terms of and the securities being offered will be provided at the time of the applicable offering. Proceeds from any future offerings are expected to be used for corporate purposes or other purposes to be disclosed at the time of offering.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a “smaller reporting company”, the Company is not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior Management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of December 31, 2025 (the “Evaluation Date”). Based on this evaluation, our principal executive officer and principal financial and accounting officer concluded as of the Evaluation Date that our disclosure controls and procedures were not effective such that the information relating to us required to be disclosed in our Securities and Exchange Commission (“SEC”) reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosure. This conclusion is based on findings that constituted material weaknesses. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s interim financial statements will not be prevented or detected on a timely basis.

In performing the above-referenced assessment, our Management identified the following material weaknesses:

- (i) inadequate segregation of duties consistent with control objectives; and
- (ii) lack of multiple levels of supervision and review.

We believe the weaknesses and their related risks are not uncommon in a company of our size because of the limitations in the size and number of staff. Due to our size and nature, segregation of all conflicting duties has not always been possible and may not be economically feasible. However, we plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this quarterly report on Form 10-Q, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the appointment of additional qualified personnel to address inadequate segregation of duties and implement modifications to our financial controls to address such inadequacies, by the end of our 2026 fiscal year as resources allow.

We are currently reviewing our disclosure controls and procedures related to these material weaknesses and expect to implement changes in the current fiscal year, including identifying specific areas within our governance, accounting and financial reporting processes to add adequate resources to potentially mitigate these material weaknesses.

Our Management will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting (as defined in Rules 12a-15(f) and 15d-15(f) under Exchange Act) that occurred during the quarter ended December 31, 2025, that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. The Company is not involved in any pending legal proceeding or litigation, and, to the best of its knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties are subject, which would reasonably be likely to have a material adverse effect on the Company, other than the following:

- On November 26, 2025, Upexi, Inc. (“Upexi”) filed for arbitration against GSR Strategies LLC (“GSR”). The case is presently in active arbitration and is styled Upexi, Inc. v. GSR Strategies LLC, American Arbitration Association. The action stems from an Asset Management Agreement entered between Upexi and GSR effective April 23, 2025 (the “AMA”) and principally relates to the rights and obligations of the parties under the AMA, which was terminated by GSR effective December 26, 2025. Upexi seeks an award concluding the AMA be held void *ab initio* and various declaratory judgments regarding Upexi’s rights under the AMA while GSR through its counterclaims seeks monetary damages and indemnification. Upexi is vigorously prosecuting its claims and defending against all counterclaims by GSR.
- On or about April 7, 2025, Bloomios, Inc., Infused Confections, LLC and Infusionz, LLC (collectively, the “Plaintiffs”), filed an action against the Company and each of its executive officers and directors, and Grove, Inc., which is the Company’s prior name. The action stems from Bloomios’ acquisition of Infusionz from the Company in October 2022. The Plaintiffs’ claims allege fraud, misrepresentation, and breach of contract, among other claims, and are seeking damages in an unspecified amount, plus punitive damages, and unspecified declaratory relief. The Company considers the action baseless. The Company was successful in obtaining the dismissal of individual Board members from this action and filed counterclaims for the approximately \$19.5 million the Plaintiffs owe the Company from the transaction. The Company intends to seek reimbursement of all attorneys’ fees as a result of the false statements made by the Plaintiffs in the complaint.
- On December 20, 2024 MVW Holdings filed a lawsuit against E-Core Technology, Inc. and named the Company as a defendant in a trade-dress lawsuit involving limited versions of products sold by E-Core. While E-Core Technology, Inc. is no longer owned by the Company, MVW continues to pursue claims against the Company.
- On September 6, 2024, Eric Hanig filed suit against the Company and Cygnet Online, LLC in state court in Nevada for an alleged failure to pay \$300,000 pursuant to a Letter Agreement. The Company denies all claims and filed counterclaims against Eric Hanig for fraudulently inducing it to enter into the Letter Agreement and for absconding with the balance of Cygnet Online, LLC’s bank account.
- On March 14, 2024, Get Fit Fast Supplements, LLC, filed for arbitration against Cygnet Online, LLC, and Eric Hanig. The case is presently in active arbitration and is styled Get Fit Fast Supplements, LLC v. Cygnet Online, LLC, et al., American Arbitration Association Case No. 01-24-0003-1085. The foregoing action, and related actions that have been combined in the same arbitration, are principally a series of breach of contract and fraud cases related to the rights and obligations of the parties under the various transaction documents associated with the acquisition by the Company of Cygnet Online, LLC, and the acquisition, prior thereto, by Cygnet Online, LLC of Get Fit Fast Supplements, LLC. The parties are seeking monetary damages in their various claims and counterclaims against one another. The Company, on behalf of Cygnet, is vigorously defending all claims made against Cygnet in the arbitration. The Company is not a party to this arbitration. The final hearing was held December 1-3 and a decision is anticipated in March 2026.

Other than the foregoing, the Company is not involved in any pending legal proceeding or litigation, and, to the best of its knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of its properties is subject, which would reasonably be likely to have a material adverse effect on the Company.

Item 1A. Risk Factors

As a “smaller reporting company”, the Company is not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth our market repurchases of common stock during the quarter ended December 31, 2025.

	Number of Shares Repurchased	Average Price per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares Yet to Be Repurchased Under the Plans or Programs
Stock Repurchases				
<i>Quarter Ended December 31, 2025</i>				
October 1, 2025 to October 31, 2025	-	\$ -	-	\$ -
November 1, 2025 to November 30, 2025	-	-	-	50,000,000
December 1, 2025 to December 31, 2025	416,226	1.94	416,226	49,200,718
For the Three Months Ended December 31, 2025	416,226	\$ 1.94	416,226	\$ 49,200,718

On November 13, 2025, the Company announced a program to repurchase up to \$50.0 million of its own common stock. The program does not obligate the Company to acquire any specific number of shares and may be suspended or discontinued at any time.

On November 26, 2025, the Company issued in the aggregate 3,289,474 shares of common stock and 3,289,474 common stock purchase warrants to purchase up to 3,289,474 shares of common stock for an aggregate purchase price of \$10,000,000, representing a purchase price of \$3.04 per share of common stock and accompanying warrant. Each warrant is exercisable for one share of common stock at an exercise price of \$4.00 per share.

All of the securities issued by the Company were issued pursuant to the exemption for transactions by an issuer not involved in any public offering under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder and corresponding state securities laws. For more information regarding securities issued, see the Liquidity and Capital Resources section to our Unaudited Condensed Consolidated Financial Statements included herein.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended December 31, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer, pursuant to Rule 13a-14a and 15-d-14a of the Securities Exchange Act of 1934
31.2*	Certification of Principal Financial Officer, pursuant to Rule 13a-14a and 15-d-14a of the Securities Exchange Act of 1934
32.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Interactive Data File
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UPEXI, INC.

Dated: February 10, 2026

/s/ Allan Marshall
Allan Marshall
President, Chief Executive Officer
(Principal Executive Officer)

Dated: February 10, 2026

/s/ Andrew J. Norstrud
Andrew J. Norstrud
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Marshall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Upexi, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its condensed consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2026

/s/ Allan Marshall

Allan Marshall,
President, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew J. Norstrud, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Upexi, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its condensed consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2026

/s/ Andrew J. Norstrud

Andrew J. Norstrud,
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Allan Marshall, President and Chief Executive Officer of Upexi, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the quarterly report on Form 10-Q of Upexi, Inc. for the period ended December 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Upexi, Inc.

Dated: February 10, 2026

/s/ Allan Marshall

Allan Marshall

President, Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Andrew J. Norstrud, Chief Financial Officer of Upexi, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the quarterly report on Form 10-Q of Upexi, Inc. for the period ended December 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Upexi, Inc.

Dated: February 10, 2026

/s/ Andrew J. Norstrud

Andrew J. Norstrud,
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)