

SPECTRAL CAPITAL CORP

FORM 10-Q (Quarterly Report)

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from _____ to _____

Commission File No. 000-50274

Spectral Capital Corporation

(Exact name of Registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

51-0520296

(I.R.S. Employer
Identification Number)

701 Fifth Ave, Suite 4200 Seattle, WA

(Address of principal executive offices)

98104

(Zip/Postal Code)

(206) 262-7799

(Telephone Number)

4500 9th Ave NE, Seattle WA 98105

(Former name or former address if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report to its management's assessment of the effectiveness of its internal control over financial reporting under section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b2 of the Act). Yes ☐ No ☒

As of July 7, 2025, we have 67,699,516 shares of Common Stock outstanding and no shares of Preferred Stock outstanding, par value \$0.0001 per share.

SPECTRAL CAPITAL CORPORATION

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q, press releases and certain information provided periodically in writing or verbally by our officers or our agents contain statements which constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “expect”, “estimate”, “anticipate”, “believe”, “intend”, “plan”, “goal”, and similar expressions and variations thereof are intended to specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-Q and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources; (ii) our financing opportunities and plans; (iii) our ability to generate revenues; (iv) competition in our business segments; (v) market and other trends affecting our future financial condition or results of operations; (vi) our growth strategy and operating strategy and ; (vii) the declaration and/or payment of dividends.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as the result of various factors. The factors that might cause such differences include, among others, those set forth in Part II, Item 7 of this annual report on Form 10-Q, entitled Management’s Discussion and Analysis or Plan of Operation, including without limitation the risk factors contained therein. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this Form 10-Q after the date of this report.

Item 1: Financial Statements

Our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2025 and 2024 are part of this quarterly report. They are stated in United States Dollars (US\$) and are prepared in accordance with United States generally accepted accounting principles.

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SPECTRAL CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2025 AND DECEMBER 31, 2024

	March 31, 2025 (Unaudited)	December 31, 2024
Assets:		
Cash and cash equivalents	\$ 21,631	\$ 107,475
Prepaid expenses	-	6,500
Current assets	21,631	113,975
Total assets	\$ 21,631	\$ 113,975
Liabilities and Stockholders' Deficit:		
Current liabilities		
Accounts payable and accrued liabilities	\$ 499,327	\$ 482,462
Related party advances and accruals	685,700	550,700
Current liabilities	1,185,026	1,033,161
Total liabilities	1,185,026	1,033,161
Commitments and contingencies		
Preferred stock, par value \$0.0001, 5,000,000 shares authorized, no shares issued and outstanding	-	-
Series Quantum Preferred Stock, par value \$0.0001, 2,000,000 shares authorized, 1,000,000 shares issued and outstanding as of March 31, 2025 and December 31, 2024	100	100
Common stock, par value \$0.0001, 1,000,000,000 shares authorized, 67,699,302 shares issued and outstanding as of March 31, 2025 and December 31, 2024	6,770	6,770
Additional paid-in capital	34,045,045	33,629,226
Accumulated deficit	(34,993,424)	(34,333,396)
Total stockholders' deficit	(941,509)	(697,300)
Non-controlling interest	(221,886)	(221,886)
Total stockholders' deficit - Spectral Capital Corp.	(1,163,395)	(919,186)
Total liabilities and stockholders' deficit	\$ 21,631	\$ 113,975

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

SPECTRAL CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(UNAUDITED)

	Three Months Ended March 31, 2025 (Unaudited)	Three Months Ended March 31, 2024
Revenues	\$ -	\$ -
Costs of sales	-	-
Gross profit	-	-
Operating expenses:		
Selling, general and administrative	624,028	28,864
Wages and benefits	36,000	36,000
Research and development	-	-
Total operating expenses	660,028	64,864
Net loss before non-controlling interest	(660,028)	(64,864)
Loss attributable to non-controlling interest	-	-
Net loss attributable to Spectral Capital Corporation	\$ (660,028)	\$ (64,864)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)
Weighted average shares - basic and diluted	67,699,302	42,017,948

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

SPECTRAL CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(UNAUDITED)

Three Months Ended March 31, 2025

	<u>Series Quantum Preferred Stock</u>		<u>Common Stock</u>		Additional Paid-in Capital	Non- Controlling Interest	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
December 31, 2024	1,000,000	\$ 100	67,699,302	\$ 6,770	\$ 33,629,226	\$ (221,886)	\$ (34,333,396)	\$ (919,186)
Stock-based compensation	-	-	-	-	415,819	-	-	415,819
Net loss	-	-	-	-	-	-	(660,028)	(660,028)
March 31, 2025	<u>1,000,000</u>	<u>\$ 100</u>	<u>67,699,302</u>	<u>\$ 6,770</u>	<u>\$ 34,045,045</u>	<u>\$ (221,886)</u>	<u>\$ (34,993,424)</u>	<u>\$ (1,163,395)</u>

Three Months Ended March 31, 2024

	<u>Series Quantum Preferred Stock</u>		<u>Common Stock</u>		Additional Paid-in Capital	Non- Controlling Interest	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
December 31, 2023	-	\$ -	42,017,948	\$ 4,202	\$ 29,181,804	\$ (221,886)	\$ (29,296,599)	\$ (332,479)
Net loss	-	-	-	-	-	-	(64,864)	(64,864)
March 31, 2024	<u>-</u>	<u>\$ -</u>	<u>42,017,948</u>	<u>\$ 4,202</u>	<u>\$ 29,181,804</u>	<u>\$ (221,886)</u>	<u>\$ (29,361,463)</u>	<u>\$ (397,343)</u>

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

SPECTRAL CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(UNAUDITED)

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to Spectral Capital Corporation	\$ (660,028)	\$ (64,864)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	415,819	-
Changes in operating assets and liabilities:		
Prepays and other assets	6,500	-
Due to related parties - accrued salary	36,000	36,000
Accounts payable and accrued expenses	(19,135)	684
Net cash used in operating activities	<u>(220,844)</u>	<u>(28,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash used in investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term advances	135,000	29,000
Net cash provided by financing activities	<u>135,000</u>	<u>29,000</u>
Effect of exchange rate changes on cash	<u>-</u>	<u>-</u>
Change in cash and cash equivalents	(85,844)	820
Cash and cash equivalents, beginning of period	107,475	240
Cash and cash equivalents, end of period	<u>\$ 21,631</u>	<u>\$ 1,060</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

NOTE 1 – BUSINESS AND NATURE OF OPERATIONS

Spectral Capital Corporation (the “Company” or “Spectral”) was incorporated on September 13, 2000 under the laws of the State of Nevada. Spectral is focused on the identification, acquisition, development, and financing of technology that has the potential to transform existing industries. Spectral has acquired significant stakes in two recently reactivated technology companies (Noot and Monitr) as well as interests within telecommunications, data and switching services, specifically providing international long distance reselling services on a business-to-business (B2B) basis and a newly emergent business in the field of deploying Quantum Computing as a Service (“QAAS”) technologies as well as supporting start-ups in that field with shared technological, marketing and other resources.

Spectral’s business model is built on four synergistic pillars: (1) the development of a robust intellectual property portfolio—including patents and trade secrets—at the intersection of artificial intelligence and hybrid classical computing; (2) monetization of that IP through licensing agreements that include both cash payments and equity in licensee companies; (3) creation of high-impact software tools derived from Spectral’s core IP that are modular, cost-efficient, and capable of producing significant risk-adjusted returns; and (4) acquisition and transformation of smaller technology companies through the strategic application of Spectral’s proprietary technology.

In 2024, Spectral filed 104 patent applications across artificial intelligence, quantum computing, and autonomous systems, while concurrently developing an internal pipeline of over 400 additional patentable innovations. The Company also engaged a network of senior scientific and commercial advisors to enhance IP defensibility and commercialization readiness. These efforts support an expanding pipeline of licensing negotiations and product development initiatives.

The Company’s legacy as a technology incubator included several historical acquisitions, such as Noot Holdings and Monitr Holdings. In 2024, Spectral entered a new strategic phase through a series of acquisitions and platform developments in quantum and decentralized computing. However, in 2025, the Company formally rescinded certain transactions involving former Chairman Sean Michael Brehm and related entities. These rescissions preserved Spectral’s independently developed intellectual property, clarified ownership of over 100 provisional patents, and returned in excess of \$100 million in share-based consideration to shareholders—thereby restoring strategic focus and corporate governance alignment.

Spectral’s current operations are focused on licensing its IP, developing quantum- and AI-enhanced software products, and executing acquisitions where its technologies can drive transformative growth. The Company has not yet generated revenues and reported net losses for the three months ended March 31, 2025 and 2024. Management is actively pursuing strategic partnerships and financing opportunities to support operational expansion and long-term commercialization efforts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has recently discontinued revenue generating activities and has sustained substantial losses since inception. As of March 31, 2025, the Company has cash on hand of \$21,631 and negative working capital of \$1,163,395. The Company expects current cash on hand will not be able to fund operations for a period in excess of 12 months. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern.

To date management has funded its operations through selling equity securities and advances from related parties. The ability of the Company to continue as a going concern is dependent on the Company generating cash from its recently established operations, the sale of its common stock and/or obtaining debt financing and attaining future profitable operations, however, there can be no assurance the Company will be successful in these efforts. As of the date of these unaudited condensed consolidated financial statements the Company does not have any firm commitments for capital. Without the required capital, the Company has had to reduce its development expenditures which will delay the completion of products which are expected to generate future revenues.

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

Risks and Uncertainties

The Company has a limited operating history and has not generated revenues from our planned principal operations.

The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide. These conditions include short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets and the general condition of the U.S. and world economy. A host of factors beyond the Company's control could cause fluctuations in these conditions, including the political environment and acts or threats of war or terrorism. Adverse developments in these general business and economic conditions, including through recession, downturn or otherwise, could have a material adverse effect on the Company's consolidated financial condition and the results of its operations.

The Company currently has no sales and limited marketing and/or distribution capabilities. The Company has limited experience in developing, training or managing a sales force and will incur substantial additional expenses if we decide to market any of our current and future products. Developing a marketing and sales force is also time consuming and could delay launch of our future products. In addition, the Company will compete with many companies that currently have extensive and well-funded marketing and sales operations. Our marketing and sales efforts may be unable to compete successfully against these companies. In addition, the Company has limited capital to devote sales and marketing.

The Company's industry is characterized by rapid changes in technology and customer demands. As a result, the Company's products may quickly become obsolete and unmarketable. The Company's future success will depend on its ability to adapt to technological advances, anticipate customer demands, develop new products and enhance our current products on a timely and cost-effective basis. Further, the Company's products must remain competitive with those of other companies with substantially greater resources. The Company may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products.

Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these consolidated financial statements have been included. Such adjustments consist of normal recurring adjustments. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2024. The results of operations for the three months ended March 31, 2025 is not indicative of the results that may be expected for the full year.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, Spectral Holdings, Inc., its wholly-owned subsidiary from the date of acquisition (August 29, 2024), and its 60% owned subsidiaries, Noot Holdings, Inc. from its date of incorporation of February 28, 2013, and Monitr Holdings, Inc. from its date of incorporation of December 1, 2013. All material intercompany accounts and transactions have been eliminated in consolidation. See Note 1 and Note 3 for discussion of the acquisition and then rescindment of the NNN acquisition.

Basis of Presentation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America and are presented in US dollars.

Fair Value of Financial Instruments

Fair value is defined 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 as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. As of March 31, 2025 and December 31, 2024, the Company does not have any assets or liabilities which would be considered Level 2 or 3.

The Company's financial instruments consist of cash and cash equivalents, investments in technologies and related party advances. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

The Company measures certain assets at fair value on a nonrecurring basis. These assets include cost method investments when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in an acquisition or in a nonmonetary exchange, and property and equipment and intangible assets that are written down to fair value when they are held for sale or determined to be impaired. Excluding these items, the Company did not have any significant assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

Stock-Based Compensation

The Company accounts for employee stock-based compensation in accordance with the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, *Compensation – Stock Compensation* which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

The Company follows ASC Topic 505-50, *Equity: Equity-Based Payments to Non-Employees* for stock options and warrants issued to consultants and other non-employees. In accordance with ASC Topic 505-50, these stock options and warrants issued as compensation for services provided to the Company are accounted for based upon the fair value of the services provided or the estimated fair market value of the option or warrant, whichever can be more clearly determined. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital over the period during which services are rendered. The Company accounts for forfeitures as they occur. Accordingly, compensation expense is recognized only for awards that ultimately vest. Forfeitures are recognized in the period in which they occur, and no estimations or adjustments are made for anticipated forfeitures.

Because the Company's stock-based compensation options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the estimate, amounts estimated using the Black-Scholes option pricing model may differ materially from the actual fair value of the Company's stock-based compensation options.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

Segments

The Company has evaluated the criteria for segment reporting under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 280, *Segment Reporting*, and has determined that it operates as a single operating and reportable segment. This conclusion is based on the following factors:

- The chief operating decision maker (“CODM”) reviews financial information on a consolidated basis for purposes of evaluating performance and allocating resources.
- The Company’s operations exhibit similar economic characteristics and are managed and reported as a single business unit.
- The Company’s products and services are offered in a consistent manner across its markets, with no discrete business lines requiring separate reporting.

As a result, no additional segment disclosures are required.

Revenue Recognition

The Company revenues in accordance with Accounting Standards Codification (“ASC”) 606, “Revenue from contracts with customers”. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The Company is not currently deriving revenue from its QAAS, Monitr, Noot or data center offerings but anticipates that this will change within the next 90-120 days. No revenues were generated during the three months ended March 31, 2025 and 2024.

Basic Income (Loss) Per Share

Basic loss per share is calculated by dividing the Company’s net income (loss) applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company’s net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. During the three months ended March 31, 2025, the Company had options to purchase 6,810,000 shares of common stock for which the effects were anti-dilutive. During the three months ended March 31, 2024, the Company did not have any dilutive shares.

Non-Controlling Interests

Non-controlling interest disclosed within the consolidated statement of operations represents the minority ownership 40% share of net income (losses) of Noot Holdings, Inc. and Monitr Holdings, Inc. incurred during the three months ended March 31, 2025. The following table sets forth the changes in non-controlling interest for the three months ended March 31, 2025:

	Non-Controlling Interests
Balance at December 31, 2024	\$ (221,886)
Net loss attributable to non-controlling interest	-
Balance at March 31, 2025	\$ (221,886)
Balance at December 31, 2023	\$ (221,886)
Net loss attributable to non-controlling interest	-
Balance at March 31, 2024	\$ (221,886)

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

Foreign Currency

The Company's functional currency is the United States Dollar. Transaction gains or losses related to balances denominated in a currency other than the functional currency are recognized in the consolidated statements of operations. As a result of these foreign currency transactions in which require payment in a currency other than the United States Dollar, the Company has recorded foreign currency (income) losses within the accompanying condensed consolidated statement of operations.

Business Combination

ASC 805, Business Combinations ("ASC 805"), applies the acquisition method of accounting for business combinations to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. ASC 805 establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Accounting for acquisitions requires the Company to recognize, separately from goodwill, the assets acquired, and the liabilities assumed at their acquisition-date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition-date fair values of the assets acquired and the liabilities assumed. While the Company provided its best estimates and assumptions when accurately valuing assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU No. 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)." This standard requires disclosure of specific information about costs and expenses and becomes effective January 1, 2027. We are currently evaluating the impact of this standard on our consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-04, "Debt - Debt with Conversions and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments" ("ASU 2024-04"). ASU 2024-04 clarifies the requirements for determining whether certain settlements of convertible debt instruments, including convertible debt instruments with cash conversion features or convertible debt instruments that are not currently convertible, should be accounted for as an induced conversion. The requirements of ASU 2024-04 are effective for the Company for fiscal years beginning after December 15, 2025, and interim periods within those periods. We are currently evaluating the impact of this standard on our consolidated financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to the Company or (iv) are not expected to have a significant impact on the Company's financial statement.

NOTE 3 – RELATED PARTY TRANSACTIONS

Jenifer Osterwalder, the Company's Chief Executive Officer, charges the Company \$12,000 per month beginning January 1, 2021 for services rendered. Total amounts expended in the Company's condensed consolidated financial statements in connection with the CEO's services was \$36,000 and \$36,000 for the three months ended March 31, 2025 and 2024, respectively. As of March 31, 2025 and December 31, 2024, amounts due to the CEO related to accrued salaries were \$468,000 and \$432,000 respectively.

We received on February 7, 2025 \$30,000 and on February 10, 2025 \$30,000 for a total of \$60,000 as a loan bearing 10% per annum interest repayable on demand from B Holdings OU which is associated with the beneficiary owner of DecusPro, Boriss Aleksandrov, a shareholder of the Company.

From time to time due to the limited cash flow available, the Company's CEO pays certain operating expenditures on behalf of the Company. These advances bear no interest and are due on demand. As of March 31, 2025 and December 31, 2024, the Company's CEO was due \$0 and \$6,150 in connection with these advances, respectively.

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

During the three months ended March 31, 2025 and 2024, the Company received \$75,000 in total demand advances from the Chairman of the Board of Directors, Sean Michael Brehm. These advances are documented under a promissory note dated November 14, 2024 ("Note"). The Note provides for up to \$2,500,000 in advances under the Note by Mr. Brehm to Spectral. The Note must be repaid by the Company, including accrued interest at 4% APR at the end of five years. As of March 31, 2025 and December 31, 2024, amounts due under the note totaled \$625,700 and \$550,700, respectively. Accrued interest on the note was insignificant to the financial statements as of March 31, 2025. The Note balance may be applied to the exercise of Mr. Brehm's options to acquire common stock in the Company at any time while the Note is outstanding. Subsequently, the Company entered into a settlement agreement with Sean Brehm and affiliated entities to rescind all prior agreements and no longer owes Mr. Brehm compensation for the demand advances (see Note 6).

Sean Michael Brehm, the Company's Chairman and a member of the board of directors, is also the sole shareholder of NNN, which the Company has acquired in exchange for 1,000,000 shares of newly designated Series Quantum Preferred Stock effective August 29, 2024; see Note 4. In connection with the acquisition, Sean Michael Brehm also purchased 5,050,000 of the Company's common shares at \$0.20 per share for a total purchase price of \$1,010,000. Due to the related party and common control nature of this transaction, the acquisition was accounted for at the carrying value of the acquired net assets of NNN. Assets acquired consisted of approximately \$4,955 in cash. The pre-acquisition financial results of NNN were not significant. Due to the cancellation, the initial transaction recorded at par value.

Prior to the close of the acquisition, the Company paid approximately \$145,000 to NNN for development services. Subsequently, on November 13, 2024, the transaction was rescinded. The 1,000,000 Series Quantum Preferred Shares that were issued have been assigned to a new Delaware corporation, controlled by Sean Michael Brehm, which was assigned the intellectual property previously owned by NNN. The new entity was recently established and had no operations. See Note 6 for subsequent event regarding the return of the 1,000,000 Series Quantum Preferred Shares.

NOTE 4 – STOCKHOLDERS' DEFICIT

Preferred Stock

On August 30, 2024, the Company filed a Certificate of Designation for the newly designated Series Quantum Preferred Stock. The number of Series Quantum Preferred Stock designated is 2,000,000. The Series Quantum Preferred Stock contain a liquidation preference over common shareholders equal to 40 times the amount per share to be distributed to the common shareholders. The Series Quantum Preferred Stock is convertible at the option of the Company or the holder into 40 shares of the Company's common stock, contingent upon the Company having enough authorized shares to effectuate the conversion. In addition, the conversion right shall not become exercisable by the holder until 12 months have elapsed from the date of issuance of the Series Quantum Preferred Stock. The holders of the Series Quantum Preferred Stock have the right to vote on an as-converted-to-common basis, such that one share of Series Quantum Preferred Stock has 40 votes.

On August 29, 2024, the Company issued 1,000,000 shares of Series Quantum Preferred Stock to Sean Michael Brehm in connection with the acquisition of NNN. See Note 3. See Note 6 for subsequent event regarding the return of the 1,000,000 Series Quantum Preferred Shares. Due to the cancellation, the initial transaction recorded at par value.

Employee Options

The Company accounts for employee stock-based compensation in accordance with the guidance of FASB ASC Topic 718, *Compensation – Stock Compensation* which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

The Company has adopted a stock option and award plan to attract, retain and motivate its directors, officers, employees, consultants and advisors. Options provide the opportunity to acquire a proprietary interest in the Company and to benefit from its growth. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The Plan provides for the issuance of up to 15,000,000 common shares for employees, consultants, directors, and advisors.

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

During the three months ended March 31, 2025 and 2024, \$415,819 and \$0 was expensed to selling, general and administrative, respectively. As of March 31, 2025, total unrecognized compensation expense from stock options was approximately \$1.9 million and is expected to be expensed over 3.1 years. Subsequent to March 31, 2025, five members of the Board of Directors resigned which resulted in the forfeiture of 3,635,000 options and approximately \$1 million in total unrecognized compensation expense.

The following is a summary of stock option activity for the three months ended March 31, 2025:

	Stock Options	Weighted Average Exercise Price	Weighted Average Life Remaining
Outstanding, December 31, 2024	6,810,000	\$ 0.43	9.45
Issued	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding, March 31, 2025	6,810,000	\$ 0.43	9.21
Vested, March 31, 2025	2,542,000	\$ 0.43	9.21

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Company leases virtual office space on a month-to-month basis in Seattle, Washington and office space in Lugano, Switzerland on a six-month basis.

Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. The Company is not aware of any such legal proceedings that will have, individually or in the aggregate, a material adverse effect on its business, financial condition or operating results. There was a claim made by a third party entity regarding Mr. Brehm and Node Nexus Network. The Company believes there is no basis for this claim and that the Company has no legal exposure on this claim and has been provided with an indemnity by Mr. Brehm for the same.

The Company previously owed Rubenstein Public Relations \$30,000. There was a dispute regarding the proper amount of the invoice and the parties agreed to settle the amount due for \$24,000 and signed a settlement agreement to that effect. The amount was paid in full in June 2025.

Asset Acquisitions

On September 10, 2024, the Company entered into an Acquisition Agreement to exchange shares with Quantomo OU., an Estonian corporation ("Quantomo"), whereby the Company agreed to acquire from Quantomo 100% of the Quantomo's outstanding shares in exchange for 2,000,000 shares of the Company's common stock and a one-time cash payment of \$135,000 or (120,000 Euros) which was paid and expensed in 2024. The closing of the transaction was expected to occur by December 10, 2024, subject to the satisfaction of the certain closing conditions as defined within the agreement. Subsequent, the agreement was rescinded without an accounting impact on any period.

On September 10, 2024, the Company entered into an Acquisition Agreement to exchange shares with Crowdpoint Technologies, Inc., a Texas corporation ("Crowdpoint"), a company controlled by Sean Michael Brehm, and its wholly owned subsidiary, Crwdunit Inc., a Delaware corporation ("Target"), whereby the Company agreed to acquire from Crowdpoint 100% of the Target's outstanding shares in exchange for 3,750,000 shares of the Company's common stock. The closing of the transaction was expected to occur by December 10, 2024, subject to the satisfaction of certain closing conditions as defined within the agreement. Subsequent, the agreement was rescinded without an accounting impact on the any period.

SPECTRAL CAPITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025
(UNAUDITED)

Spectral entered into an Agreement between the Company and Verdant Quantum OU and Moshik Cohen dated December 15, 2024 whereby Spectral acquired certain plasmonic technology for the development of room temperature semiconductors. Subsequent, the agreement was rescinded without an accounting impact on the any period.

Subsequently, the Company entered into a settlement agreement with Sean Brehm and affiliated entities to rescind all prior agreements and no longer owes Mr. Brehm compensation for the demand advances.

NOTE 6 – SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to March 31, 2025 to the date these condensed consolidated financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these consolidated financial statements, other than disclosed below.

From the end of March 31, 2025 through July 7, 2025, Spectral Capital Corporation (“Spectral” or the “Company”) completed several significant corporate actions. These events are summarized below:

Investment in White Label Loyalty (May 2025): In May 2025, the Company entered into a definitive agreement to invest \$15,000,000 in White Label Loyalty, a UK-based SaaS provider of enterprise-grade loyalty and customer engagement platforms. The investment was structured as a primary equity infusion to support White Label Loyalty’s product development and international expansion. The transaction exemplifies Spectral’s strategy of acquiring or investing in scalable software businesses that can be enhanced through integration with the Company’s proprietary intellectual property and platform technologies. This investment was financed in part through the Company’s existing equity resources.

Restated Share Transfer Agreement (May 30, 2025): On May 30, 2025, the Company executed a Restated Share Transfer Agreement with Intrepid View Partners, LP, under which Spectral acquired 169,889 common shares of a global autonomous vehicle company for an aggregate purchase price of \$16,988,900, paid via the issuance of 1,698,890 restricted shares of Spectral’s common stock.

Rescission of Transactions with Sean Brehm and Affiliates: The Company entered into a settlement agreement with Sean Brehm and affiliated entities to rescind all prior acquisitions and planned collaborations involving Node Nexus Network, Vagon Cloud, Quantomo, and Crwdunit. Under the agreement, Spectral retains ownership of 104 patent filings developed during the course of the collaboration. Brehm and his affiliates will pursue independent commercial development of the foregoing technologies in a separate private vehicle. All shares previously issued to Brehm and his affiliates have been returned and cancelled except for the private placement shares of 5,050,000 purchased by Brehm which were fully paid for. As of December 31, 2024, these entities did not have any assets or liability as to be reflected as discontinued operations. Additionally, the Company intends to continue the development of its intellectual property and software development on its own and does not require any resources, assets or inputs from any of the above entities or individuals to continue the development of its technologies.

Board of Directors Changes: Effective May 30, 2025, five members of the Board of Directors—Sean Brehm, Sam Lee, Aby Alexander, Chad Lemming, and Paul Breitenbach—resigned. On the same date, the Board appointed Michael Turner and Jeffrey Chong as new directors. These changes are part of the Company’s broader governance overhaul in preparation for a potential Nasdaq uplisting.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of our operations should be read in conjunction with our financial statements and related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements. The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and related notes included in this report and those in our Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission on June 24, 2025 and all subsequent filings.

OVERVIEW

Spectral Capital Corporation is a publicly traded deep quantum technology platform company that has transformed from a technology incubator into an operator of integrated quantum computing solutions. Based in Seattle, Washington, Spectral now specializes in "Quantum as a Service" (QaaS) – delivering quantum computing power and next-generation cloud services through a decentralized, quantum-ready infrastructure. This strategic evolution, initiated in 2024, positions Spectral at the forefront of the emerging quantum era by bridging the gap between classical computing and quantum innovation. Spectral's mission is to develop and operate a fully integrated platform combining distributed cloud architecture, quantum algorithms, and advanced hardware to make quantum computing practical, scalable, and energy-efficient for real-world applications. Our business relies on four pillars for growth (1) the continued development of a patent and trade secret portfolio at the leading edge of integration between artificial intelligence (AI) and hybrid classical computing, together called our intellectual property (IP) (2) the monetization of our IP through licensing deals that provide us cash revenue as well as shares of stock in licensee companies; (3) the development of high value software products based on our IP that are easy and cost-effective for us to develop and that can provide dramatic increases in risk-adjusted return; (4) acquisition of small technology companies and radical increases in their top line and bottom line revenue through the integration of our IP in their legacy operations.

Key Developments in Q1 2025

Over the past quarter, Spectral has continued to execute on a series of strategic initiatives and acquisitions to build out its quantum technology platform and expand its market presence:

Patent Portfolio Expansion:

In the quarter ending March 31, 2025 Spectral Capital continued to develop patent applications across a broad range of advanced technologies including artificial intelligence, quantum computing, and autonomous systems. This aggressive expansion of our IP portfolio reflects our commitment to building long-term value through innovation. These patents form the foundation of our technology commercialization strategy and support potential licensing, joint ventures, and future revenue streams. The filings span both U.S. and international jurisdictions and are aligned with high-growth sectors where Spectral is actively engaged in product development and strategic discussions with leading OEMs and institutional partners. Spectral anticipates filing a total of more than 500 patents in the near term.

Scientific Research and Pipeline Development:

In parallel with our patent filings, Spectral engaged in foundational scientific work that has resulted in a robust pipeline of more than 400 additional patentable innovations. These inventions are currently undergoing internal validation and drafting, with phased filings scheduled to continue through 2025 and 2026. This pipeline reflects breakthroughs in system architectures, signal processing, applied machine learning, and patents related to photonic-qubit integration. The rigor of this foundational work positions Spectral as a technology leader and creates optionality across potential licensing, potential spinouts, and potential joint R&D ventures with academic, corporate, and government stakeholders in North America, Europe, and Asia.

Strategic Consultant Engagements:

During the period ending March 31, 2025, Spectral continued to engage with senior scientific and commercial consultants with proven track records in intellectual property development, deep tech commercialization, and regulatory strategy. These engagements significantly accelerated our internal R&D velocity and improved the defensibility of our patent claims. The consultants include former senior engineers, IP counsel, and regulatory experts

from leading firms in AI, quantum computing, semiconductors, and cybersecurity. Their contributions have strengthened our patent applications, streamlined our innovation capture process, and provided critical insights into global IP protection frameworks and commercialization pathways in both regulated and rapidly evolving markets.

Rescission of Brehm Transactions and Preservation of Core IP

In Q2 2025, Spectral Capital successfully rescinded a series of transactions involving former Chairman Sean Michael Brehm and related entities. These transactions were found to be a suboptimal use of shareholder value. The rescission preserved our core independently developed intellectual property, clarified ownership of more than 100 provisional patents, and returned over \$100 million in share-based consideration to Spectral's shareholders. This decisive action restored investor confidence, strengthened corporate governance, and allowed Spectral to refocus resources on advancing its proprietary technology portfolio and strategic partnerships.

Platform and Operations

Spectral's current operations center on developing and integrating its quantum-enabled cloud platform, which is comprised of several interrelated components and offerings:

Intellectual Property Development:

At the foundation of Spectral's business model is the creation of a differentiated portfolio of intellectual property, including patents and trade secrets that combine artificial intelligence with hybrid classical computing architectures. This work positions Spectral at the convergence of software, hardware, and algorithmic innovation. In 2024, we filed 104 provisional patent applications and laid the groundwork for hundreds more. Our IP strategy emphasizes defensible claims, cross-sector applications, and forward-looking innovation to support licensing, product development, and joint ventures. This deep IP base enables us to build and control key technologies underlying the next generation of high-performance computation.

IP Monetization and Licensing Strategy:

Spectral is committed to monetizing its intellectual property through carefully structured licensing agreements. These deals provide immediate and long-term financial returns by securing both cash payments and equity stakes in licensee companies. Our licensing model targets firms across artificial intelligence, autonomous systems, and quantum-enabled technologies, allowing us to generate diversified revenue while maintaining strategic influence. Equity participation ensures alignment with long-term upside potential. We continue to negotiate multiple new agreements, and our pipeline includes prospective licensees ranging from venture-backed startups to publicly traded enterprises, all seeking to integrate advanced AI and hybrid compute capabilities into their offerings.

Software Product Development:

Spectral develops proprietary software products that are based on its patented technologies and trade secrets. These tools are designed to be lightweight, scalable, and cost-efficient to build, with a focus on producing high-value applications that improve decision-making, risk management, and operational intelligence. Many of these software tools can be deployed quickly and generate measurable improvements in risk-adjusted return for users. Because of our deep internal IP base, Spectral can create these products with minimal reliance on external engineering resources. These products also serve as proof points for the broader commercial applicability of our core inventions.

Value-Driven Acquisition Strategy:

Spectral targets the acquisition of small technology companies with promising assets but underutilized IP or limited access to scalable AI tools. Upon acquisition, we deploy our intellectual property into the operations of these companies to unlock top-line growth and dramatically enhance profitability. This model allows Spectral to create rapid enterprise value by combining our proprietary capabilities with the domain expertise and distribution networks of the acquired entity. Post-acquisition integration is led by our internal technical and product development teams, who work to transform these businesses into high-margin, defensible operations with the potential for follow-on capital events or exit opportunities.

Integrated Growth Platform:

The synergy of Spectral's IP creation, licensing, product development, and acquisition strategies forms an integrated platform designed for scalable and capital-efficient growth. Each pillar reinforces the others: IP development feeds licensing and product initiatives; software products demonstrate market validation; and acquired businesses amplify value creation through applied innovation. This cross-functional approach allows Spectral to remain agile and opportunistic while building long-term enterprise value. Our operating structure is designed to leverage internal innovation, minimize overhead, and rapidly adapt to shifts in technology and market dynamics. As a result, we are positioned for sustainable, innovation-driven growth in complex global markets.

Market Position and Strategy

Spectral Capital is building a differentiated position at the convergence of artificial intelligence, hybrid classical computing, and next-generation infrastructure. Unlike firms that narrowly focus on single-point technologies such as quantum processors or large-scale cloud deployments, Spectral is developing a vertically integrated platform rooted in proprietary intellectual property. Our strategy blends deep scientific research, high-value software development, and strategic acquisitions to unlock scalable value across industries. By leading the integration of AI-driven algorithms with hybrid computing frameworks, Spectral aims to redefine how enterprises and governments access advanced computational power without requiring internal expertise in quantum or specialized AI architecture.

Spectral's business model is anchored in four mutually reinforcing pillars: the continued development of our patent and trade secret portfolio, the monetization of that IP through licensing, the creation of software products that are simple to deploy but deliver substantial ROI, and the acquisition of small technology companies that can be transformed by embedding Spectral's IP into their operations. This ecosystem-driven approach allows us to rapidly expand our influence while remaining capital-efficient. In 2024, we filed 104 patents and laid the scientific groundwork for an additional 400 inventions in process—positioning Spectral among the most prolific early-stage IP developers in emerging computation technologies.

The Company operates in a dynamic market shaped by growing demand for secure, intelligent, and energy-efficient computing solutions. Our focus on domains such as cybersecurity, data analytics, logistics optimization, and simulation—especially those requiring high-dimensional computation—enables us to serve pressing real-world needs. Spectral's strategy to embed quantum-inspired and AI-accelerated capabilities into familiar cloud and software delivery models lowers the adoption barrier for customers while preserving long-term defensibility. Our commitment to decentralized infrastructure and green compute practices further aligns our offerings with the market's increasing prioritization of sustainability, privacy, and technological sovereignty.

To support this strategy, Spectral actively engages in partnerships with research institutions, infrastructure developers, and commercial collaborators. These alliances accelerate our go-to-market efforts, enrich our technical roadmap, and support co-development of industry-specific applications. Additionally, we have brought on a team of senior consultants to guide IP development and commercialization. These efforts are complemented by targeted acquisitions, which not only expand our operating footprint but also provide high-leverage opportunities to deploy our core technologies. Our integrated platform strategy—grounded in innovation, monetization, and transformation—positions Spectral to become a leading force in the evolution of enterprise-grade computational intelligence.

Outlook

Spectral Capital completes the period ending March 31, 2025 with a focused strategy to commercialize its growing intellectual property portfolio, scale operational capabilities, and maximize the value of its four-pillar platform. In the near term, the Company is prioritizing integration of technologies acquired in 2024, and accelerating the deployment of software products and licensing arrangements derived from our 104 filed patents and over 400 additional inventions in development. These efforts will support near-term monetization and proof of concept for our broader technology base. Initial pilots of Spectral's AI- and quantum-enhanced software solutions are expected to generate early customer validation, enabling conversion of IP into recurring revenue.

Spectral's outlook is rooted in the accelerating demand for advanced computing capabilities across cybersecurity, data intelligence, and predictive modeling. By delivering a unified platform built on high-value intellectual property, Spectral aims to offer practical, scalable, and secure tools that meet enterprise and government needs. Our hybrid architecture and IP licensing model are designed to minimize deployment friction and offer rapid ROI, allowing customers to access cutting-edge capabilities without internal quantum expertise or capital expenditures.

Management

believes this approach positions Spectral as a potential market-maker in the emerging category of AI- and quantum-enabled enterprise infrastructure.

Looking forward, Spectral remains committed to its vision of leading the next generation of intelligent computing. However, the Company also recognizes the substantial capital and technical execution required to fulfill this vision. As such, Spectral is actively evaluating a range of strategic alternatives—including potential joint ventures, IP licensing arrangements, acquisitions and platform partnerships—to optimize shareholder value while ensuring technical continuity and go-to-market execution. Management remains focused on balancing bold innovation with disciplined financial stewardship as the Company transitions from an R&D-centric organization to an integrated platform business with commercial momentum.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2025 and 2024

Operating Expenses

Operating expenses increased \$595,164 from \$64,864 for the three months ended March 31, 2024 to \$660,028 for the three months ended March 31, 2025. During the current period, the increase was primarily due to stock-based compensation of \$415,819 as well as increased administrative expenses.

Liquidity and Capital Resources

As of March 31, 2025, we had \$21,631 cash on hand. We intend to fund operations through the use of cash on hand, cash flows from operations and through debt and equity financings until sufficient cash flows from operations can be achieved. We believe there is sufficient cash available from such equity financings to meet the companies capital needs as they arise.

Net cash used in operating, activities increased \$192,664 from \$28,180 in cash used during the three months ended March 31, 2024 to \$220,844 in cash used in the three months ended March 31, 2025. This increase was due to an increase in the loss during the current year due to the Company expending a significant amount of capital to improve the corporate structure of the Company and to pursue and exploit new technologies.

Net cash provided by financing activities increased by \$106,000 from \$29,000 for the three months ended March 31, 2024 to \$135,000 for the three months ended March 31, 2025. Net cash provided by financing activities during the three months ended March 31, 2025 related to proceeds from short term advances.

We believe that our current financial resources are not sufficient to meet our working capital requirements over the next year. Additional funding will be necessary in order to expand portfolio operations and to reach our goals. Currently, the Company does not have any commitments or assurances for additional capital nor can the Company provide assurance that such financing will be available to it on favourable terms, or at all. If, after utilizing the existing sources of capital available to the Company, further capital needs are identified and the Company is not successful in obtaining the financing, it may be forced to curtail its existing or planned future operations. In addition, if necessary, we will decrease expenses and redirect our efforts towards a sale of one of more of our assets should funding become inadequate.

We believe that our short-term prospects are promising. The Company has spent more than a decade actively researching, identifying and testing the types of disruptive technologies that could be enhanced by common management and technological resources and it feels that it has found such technologies in the Quantum Computing field as well as in the applications of Quantum Computing to both the Noot and Monitor portfolio company solutions. We also believe that we will experience significant operational and financial growth as a result of entering the QAAS field, as a result of the enhancements this technology will provide to our two portfolio companies as well as to our emerging technology portfolio and our growing patent portfolio.

Off Balance Sheet Arrangements

We have no significant 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 stockholders.

Item 1.01. Entry into a Material Definitive Agreement.

Investment in White Label Loyalty (May 2025): In May 2025, the Company entered into a definitive agreement to invest \$15,000,000 in White Label Loyalty, a UK-based SaaS provider of enterprise-grade loyalty and customer engagement platforms. The investment was structured as a primary equity infusion to support White Label Loyalty's product development and international expansion. The transaction exemplifies Spectral's strategy of acquiring or investing in scalable software businesses that can be enhanced through integration with the Company's proprietary intellectual property and platform technologies. This investment was financed in part through the Company's existing equity resources.

Restated Share Transfer Agreement (May 30, 2025): On May 30, 2025, the Company executed a Restated Share Transfer Agreement with Intrepid View Partners, LP, under which Spectral acquired 169,889 common shares of a global autonomous vehicle company for an aggregate purchase price of \$16,988,900, paid via the issuance of 1,698,890 restricted shares of Spectral's common stock.

Rescission of Transactions with Sean Brehm and Affiliates: The Company entered into a settlement agreement with Sean Brehm and affiliated entities to rescind all prior acquisitions and planned collaborations involving Node Nexus Network, Vagon Cloud, Quantomo, and Crwdunit. Under the agreement, Spectral retains ownership of 104 patent filings developed during the course of the collaboration. Brehm and his affiliates will pursue independent commercial development of the foregoing technologies in a separate private vehicle. All shares previously issued to Brehm and his affiliates have been returned and cancelled except for the private placement shares of 5,050,000 purchased by Brehm which were fully paid for. As of December 31, 2024, these entities did not have any assets or liability as to be reflected as discontinued operations. Additionally, the Company intends to continue the development of its intellectual property and software development on its own and does not require any resources, assets or inputs from any of the above entities or individuals to continue the development of its technologies.

Item 2.01. Completion of Acquisition or Disposition of Assets.

The information contained in 1.01 above is incorporated into this Item 2.01.

Item 3.02. Unregistered Sales of Equity Securities.

During the year ended December 31, 2024, the Company sold 5,050,000 shares of common stock to 1 shareholder who is also the company's Chairman of the Board, Sean Michael Brehm, resulting in proceeds of \$1,010,000. None of the following transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe that this offering was exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act (and Regulation D promulgated thereunder). The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. The sales of these securities were made without any general solicitation or advertising.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 or Rule 15d-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our principal executive officer and principal accounting officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing evaluation, we have concluded that our disclosure controls and procedures were not effective as of March 31, 2025 and that they do not allow for information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission (“SEC”) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the us in the reports that we file or submit under the Exchange Act is accumulated and communicated to the Company’s management, including its Chief Executive and Principal Accounting & Financial Officers as appropriate to allow timely decisions regarding required disclosure.

The material weaknesses were first identified in our annual report on Form 10-K for the year ended December 31, 2012 in which related to a lack of an accounting staff resulting in a lack of segregation of duties necessary for an effective system of internal control. The weakness in segregation of duties will continue to exist until such time as management can retain internal staff to properly segregate duties.

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are not party to any material legal matters. In the future, we may become party to other legal matters and claims arising in the ordinary course of business. We cannot predict the outcome of any such legal matters or claims, and despite the potential outcomes, the existence thereof may have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. There was a claim made by a third party entity regarding Mr. Brehm and Node Nexus Network. The Company believes there is no basis for this claim and that the Company has no legal exposure on this claim and has been provided with an indemnity by Mr. Brehm for the same.

Item 2. Unregistered Sales of Securities and Use of Proceeds

Sean Michael Brehm, the Company's Chairman and a member of the board of directors, is also the sole shareholder of Node Nexus Network and Vagon Cloud, which the Company has acquired in exchange for 1,000,000 shares of newly designated Series Quantum Preferred Stock effective August 29, 2024 which convert to the Company's common shares in a 40 to 1 ratio. In connection with the acquisition, Sean Michael Brehm also purchased 5,050,000 of the Company's common shares at \$0.20 per share for a total purchase price of \$1,010,000. This sale was originally consummated on August 29, 2024 and amended on November 13, 2024 to include Vagon Cloud, Inc.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information

None.

Item 6. Exhibits

**List of
Exhibits**

3(i)(1)	<u>Articles of Incorporation of Spectral Capital Corporation, dated September 13, 2000, incorporated by reference to Exhibit 3(a) on Form 10-SB filed May 1, 2003.</u>
3(i)(2)	<u>Certificate of Amendment to Articles of Incorporation of Spectral Capital Corporation, dated June 17, 2007, incorporated by reference to Exhibit 2.1 on Form 8-K filed July 7, 2004.</u>
3(ii)	<u>By-laws of Spectral Capital Corporation, dated September 14, 2000, incorporated by reference to Exhibit 3(b) on Form 10-SB filed May 1, 2003.</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial and Principal Accounting Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	<u>Certification of the Company's Chief Financial and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: July 7, 2025

Spectral Capital Corporation

/s/ Jenifer Osterwalder

Jenifer Osterwalder

President and Chief Executive Officer

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jenifer Osterwalder certify that:

1. I have reviewed this 10-Q for the quarter ended March 31, 2025, of Spectral Capital Corporation;
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 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; and
5. The registrant's other certifying officer and I have disclosed, based on our 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: July 7, 2025

/s/ Jenifer Osterwalder

Jenifer Osterwalder
President and Chief Executive Officer

**CERTIFICATE OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Stephen Spalding, certify that:

1. I have reviewed this 10-Q for the quarter ended March 31, 2025, of Spectral Capital Corporation
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 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; and
5. The registrant's other certifying officer and I have disclosed, based on our 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: July 7, 2025

/s/ Jenifer Osterwalder

Jenifer Osterwalder
President and Chief Executive Officer

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

In connection with the Quarterly Report of Spectral Capital Corporation (the "Company") on Form 10-Q for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jenifer Osterwalder, in my capacity as President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 7, 2025

/s/ Jenifer Osterwalder

Jenifer Osterwalder
President and Chief Executive Officer

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

In connection with the Quarterly Report of Spectral Capital Corporation (the "Company") on Form 10-Q for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Spalding, in my capacity as Chief Financial Officer and Accounting Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 7, 2025

/s/ Jenifer Osterwalder

Jenifer Osterwalder
President and Chief Executive Officer