



SATO Technologies Corp.

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

DAVIDSON

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sato Technologies Corp.

Opinion

We have audited the accompanying consolidated financial statements of Sato Technologies Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of (loss) income and comprehensive (loss) income, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statement present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at December 31, 2025, the Company had a accumulated deficit of \$14,674,429, and that its current liabilities exceeded its current assets by \$2,491,270, and that it had incurred a net loss of \$4,373,241 for the year then ended. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of the Company for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2025.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Revenue From Digital Assets Earned

As described in Note 3 to the consolidated financial statements, the Company recognized revenues from digital assets earned. As further described in Note 5 to the consolidated financial statements, the Company generated \$11,643,475 of revenue from digital assets earned during the year ended December 31, 2025.

We have determined that the completeness and occurrence of revenue from digital assets earned are a key audit matter. The principal considerations for our determination that revenue from digital assets earned is significant to our audit is because digital assets are an emerging industry with unique technological aspects that raise a number of auditing challenges. Given the nature of this source of revenue, significant audit efforts are required.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the design and implementation of internal controls regarding revenue recognition from digital assets earned;
- Utilizing specialists to assist in the assessment of internal controls specific to digital assets earned, verification of transactions to the blockchain, and completeness of reported balances;
- Verifying the occurrence and completeness of transactions and balances to the blockchain;
- Assessing the occurrence, accuracy and completeness of rewards earned from digital assets which have been earned under a Proof-of-Work model; and
- Assessing the adequacy of the Company's presentation and disclosures in the consolidated financial statements about revenue from digital assets earned.

Digital Assets and Restricted Digital Assets

As described in Note 3 to the consolidated financial statements, the Company holds digital assets, which are identifiable non-monetary assets without physical substance. As further described in Note 5 to the consolidated financial statements, the Company has digital assets and restricted digital assets with a carrying amount of \$829,827 at December 31, 2025.

We have determined that the completeness and occurrence of transactions involving digital assets during the year ended December 31, 2025; and the existence, and ownership of digital assets balances at December 31, 2025 are a key audit matter. The principal consideration for this determination is the degree to which reporting these transactions and balances depends on specialized controls and processes specific to the digital asset industry. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the estimates and judgments made by management in these areas.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the design and implementation of internal controls regarding custody, ownership, and access to digital assets;
- Utilizing specialists to assist in the assessment of internal controls specific to ownership and access to the digital assets, verification of transactions to the blockchain, and completeness of reported balances;
- Obtaining confirmation of year end balances with third party vendors;
- Verifying the proceeds received on any dispositions of digital assets; and
- Assessing the adequacy of the Company's presentation and disclosures in the consolidated financial statements about revenue from digital assets earned.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

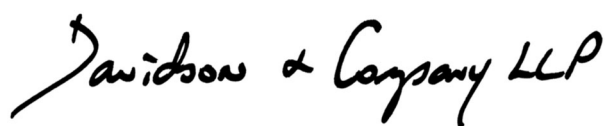
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Nathan.



Chartered Professional Accountants
Licensed Public Accountants

Vancouver, Canada

April 29, 2026

SATO Technologies Corp.
Consolidated Statements of Financial Position
As at December 31, 2025 and 2024
(In Canadian dollars)

As at,	Notes	December 31, 2025 \$	December 31, 2024 \$
Assets			
Current assets			
Cash		123,677	658,488
Restricted cash	(Note 10)	-	58,673
Trade and other receivables	(Note 4)	229,601	726,883
Digital assets	(Note 5)	37,435	3,094,216
Restricted digital assets	(Note 5)	792,392	-
Prepaid expenses		438,484	301,823
		1,621,589	4,840,083
Restricted cash	(Note 10)	-	31,639
Restricted digital assets	(Note 5)	-	1,462,648
Deposits	(Note 6)	432,486	432,486
Property and equipment	(Note 8)	6,493,784	9,228,790
Right-of-use assets	(Note 7)	1,789,653	2,013,361
Total assets		10,337,512	18,009,007
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	(Note 9)	789,603	916,072
Current portion of borrowings	(Note 10)	3,061,409	3,748,785
Current portion of lease liability	(Note 7)	261,847	283,874
		4,112,859	4,948,731
Non-current liabilities			
Borrowings	(Note 10)	-	2,595,100
Lease liability	(Note 7)	2,016,743	2,125,308
Total liabilities		6,129,602	9,669,139
Shareholders' Equity			
Share capital	(Note 11)	14,643,692	14,643,659
Contributed surplus		3,979,379	3,713,716
Digital currency revaluation reserve		259,268	283,681
Accumulated deficit		(14,674,429)	(10,301,188)
Total shareholders' equity		4,207,910	8,339,868
Total liabilities and shareholders' equity		10,337,512	18,009,007

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

Approved on behalf of the Board:

"Romain Nouzareth"
Chair of the Board and CEO

"Frank DiTomaso"
Director

SATO Technologies Corp.

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

For the years ended December 31, 2025 and 2024

(In Canadian dollars)

		Years ended December 31, 2025	December 31, 2024
	Notes	\$	\$
Revenue			
Digital assets earned	(Note 5)	11,643,475	16,053,612
Other		21,120	43,611
Total Revenue		11,664,595	16,097,223
Cost of Operations			
Site operating costs		9,182,633	9,942,714
Salary and benefits		191,864	154,452
Depreciation and amortization	(Notes 7 and 8)	2,101,005	2,953,057
		11,475,502	13,050,223
Gross (loss) profit		189,093	3,047,000
Gain on use of digital assets	(Note 5)	320,385	918,356
Unrealized gain on revaluation of digital assets	(Note 5)	-	1,613,542
		509,478	5,578,898
Expenses			
Share based payments	(Note 11)	265,677	176,997
General and administration	(Note 13)	2,505,298	3,156,166
Total expenses		2,770,975	3,333,163
Operating (loss) income		(2,261,497)	2,245,735
Other Items			
Foreign exchange loss		44,440	79,797
Impairment of property, plant and equipment	(Note 8)	877,853	16,102
Impairment of intangible assets		-	83,144
Interest income		-	(63,236)
Unrealized foreign exchange loss (gain)		568,992	24,074
Gain (loss) on debt modification	(Note 10)	(73,573)	-
Finance expense	(Note 10)	694,032	1,033,486
		2,111,744	1,173,367
Income before income taxes		(4,373,241)	1,072,368
Deferred income tax recovery		-	102,279
Net income (loss)		(4,373,241)	1,174,647
Other comprehensive (loss) income			
Items that will not be reclassified to net (loss) income			
Revaluation of digital asset, net of tax	(Note 5)	(24,413)	283,681
Total comprehensive (loss) income		(4,397,654)	1,458,328
Basic net (loss) income per share	(Note 12)	(0.06)	0.02
Diluted net (loss) income per share	(Note 12)	(0.06)	0.02

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

SATO Technologies Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2025 and 2024

(In Canadian dollars)

	Number of shares #	Share capital \$	Contributed surplus \$	Digital asset revaluation reserve \$	Accumulated deficit \$	Total \$
Balance, December 31, 2023	72,589,465	14,430,320	3,665,926	-	(11,475,835)	6,620,411
Net income for the year					1,174,647	1,174,647
Common shares deemed to be issued following the election to exercise compensation warrants	318,218	61,351	(58,169)	-	-	3,182
Common shares upon the exercise of stock options	370,000	151,988	(71,038)	-	-	80,950
Stock-based compensation expense	-	-	176,997	-	-	176,997
Revaluation of digital assets, net of tax	-	-	-	283,681	-	283,681
Balance, December 31, 2024	73,277,683	14,643,659	3,713,716	283,681	(10,301,188)	8,339,868
Net loss for the year	-	-	-	-	(4,373,241)	(4,373,241)
Common shares upon the exercise of stock options	97	33	(14)	-	-	19
Revaluation of digital assets, net of tax	-	-	-	(24,413)	-	(24,413)
Stock-based compensation expense	-	-	265,677	-	-	265,677
Balance, December 31, 2025	73,277,780	14,643,692	3,979,379	259,268	(14,674,429)	4,207,910

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

SATO Technologies Corp.

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(In Canadian dollars)

	December 31, 2025 \$	December 31, 2024 \$
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net (loss) income for the period	(4,373,241)	1,174,647
Items not affecting operating cash:		
Digital asset earned	(11,643,475)	(16,053,612)
Digital assets used to pay for services	12,224	170,472
Digital assets given as donations	9,844	10,000
Depreciation	2,101,005	2,953,057
Gain (loss) on debt modification	(73,573)	-
Loss (gain) on use of digital assets	(320,385)	(918,356)
Unrealized gain on revaluation of digital assets	-	(1,613,542)
Impairment of property, plant and equipment	877,853	16,102
Impairment of intangible assets	-	83,144
Share based payments	265,677	176,997
Foreign exchange loss (gain)	565,733	(327,762)
Deferred income tax recovery	-	(102,279)
Interest on lease liabilities	268,974	283,306
Net cash used in operating activities	(12,309,365)	(14,147,826)
Change in working capital		
Trades and other receivables	497,299	2,484,183
Deposits and prepaid expenses	(136,661)	(192,585)
Deferred revenue and customer deposits	-	(1,935,290)
Accounts payable and accrued liabilities	(113,498)	(165,531)
Total change in operating working capital	32,923	190,777
Cash used in operating activities	(12,062,225)	(13,957,049)
INVESTING ACTIVITIES		
Change in restricted cash	90,312	1,390,699
Disposal of digital assets	15,774,066	16,481,220
Purchase of digital assets	(149,794)	(2,356)
Purchase of property, plant and equipment	-	(805,117)
Cash (used in) provided by investment activities	15,714,584	17,064,446
FINANCING ACTIVITIES		
Repayment of long-term loan	(3,276,957)	(3,322,471)
Proceeds from line of credit	21,703	831,843
Repayment of line of credit	(584,615)	(316,359)
Repayment of lease liabilities	(399,566)	(385,905)
Exercise of compensation warrants	-	3,182
Exercise of stock options	-	80,950
Cash used in financing activities	(4,239,435)	(3,108,760)
Increase in cash	(587,076)	(1,363)
Effect of foreign exchange on cash	52,265	76,700
Cash, beginning of the period	658,488	583,151
Cash, end of the period	123,677	658,488
Interest paid	425,058	750,180
Non-cash Investing and Financing Activities		
Purchase of equipment with digital assets	20,144	-

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

SATO Technologies Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024
(In Canadian dollars)

1. INCORPORATION, BUSINESS ACTIVITIES AND GOING CONCERN

SATO Technologies Corp. (the "Company" or "SATO") was incorporated under the Ontario Business Corporations Act on May 7, 2008 as Capricorn Business Acquisitions Inc. ("Capricorn"). The Company's shares are listed for trading on the TSX Venture Exchange ("TSXV") on September 16, 2021. The Group's head office is located at 66 Wellington Street West, Suite 5300, Toronto, Ontario M5K 1E6 and its only place of business is located at 289 Dugas Joliette, Québec, Canada, J6E 4H1.

The subsidiary Canada Computational Unlimited Inc. was incorporated under the Business Corporations Act of Québec on November 16, 2017. The Company carried on the business of Canada Computational Unlimited Inc. as a Tier 2 technology issuer under the symbol "SATO". SATO Corp., the Company's US based subsidiary was incorporated under the Delaware General Corporation Law on October 11, 2022. During the year ended December 31, 2025, the subsidiary Qritical AI Inc. was incorporated under the Business Corporations Act of Québec on June 23, 2025.

The Company and its subsidiaries ("the Group") are in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the bitcoin blockchain. The Group receives digital assets in return for computing power and is primarily engaged in the cryptocurrency mining industry, a highly volatile market with significant inherent risk. A significant decline in the market prices of cryptocurrencies, an increase in the difficulty of cryptocurrency mining, changes in the regulatory environment and adverse changes in other inherent risks can significantly and negatively impact the Group's operations. In addition, adverse changes to the factors mentioned above may impact the carrying value of the Group's property and equipment resulting in impairment charges being recorded. All the assets of the Group are located in Joliette, Quebec, Canada and there is one operating segment being provider of compute power for Bitcoin Mining.

Going Concern

As at December 31, 2025, the Group had an accumulated deficit of \$14,674,429 and \$10,301,188 as at December 31, 2024. Net loss for year ended December 31, 2025 was \$4,373,241. The Group had a working capital deficiency of \$2,491,270 as at December 31, 2025 and a working capital deficiency of \$108,648 as at December 31, 2024. These conditions raise material uncertainties which may cast significant doubt as to whether the Group will be able to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Group's ability to continue as a going concern depends on its ability to generate sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period.

Management has implemented in the past a series of measures to address this concern and will continue to do so if required in order to improve the Group's financial position, including:

- Cost review initiatives: the Group has undertaken a comprehensive review of its cost structure and would implement possible measures to reduce its cost of operations and general and administration expenses.
- Equity financing: Management regularly monitors capital markets and considers opportunities presented to it for equity offerings, and believes, based on these offers and recent activity among other companies in the industry, that there are reasonable prospects for obtaining equity financing.

SATO Technologies Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024
(In Canadian dollars)

1. INCORPORATION, BUSINESS ACTIVITIES AND GOING CONCERN (continued)

During the year ended December 31, 2025, the Company reached an agreement with its primary lender to temporarily suspend principal and interest payments under its long-term loan facility for a grace period of three months beginning November 2025 (the "Forbearance Agreement"). The arrangement was made to provide the Company with financial flexibility while management undertakes a strategic restructuring plan intended to improve liquidity and long-term operating performance.

The agreement does not amend the total principal outstanding, interest rate, or maturity date of the facility. Management believes the grace period will provide sufficient time to complete the restructuring initiatives and improve the Company's ability to meet its obligations as they come due. Subsequent to the year end, the Company entered into a new forbearance agreement (see subsequent events).

The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with sale of assets, issue of debt, and/or private placements of common stock, and restructuring loans. There is a risk that these measures will not be available on a timely basis or on terms acceptable to the Company.

As a result, these consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Group be unable to continue a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board issued effective for the Group's reporting for the year ended December 31, 2025.

These financial statements of the Group were reviewed, approved and authorized for issue by the Board of Directors on April 27, 2026.

Basis of presentation

These consolidated financial statements have been prepared on an accrual basis and under the historical cost basis, except for some financial instruments and some digital assets that have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Canada Computational Unlimited Inc., Qritical AI Inc. and SATO Corp.

A subsidiary is an entity which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is acquired and de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. All intercompany transactions and balances are eliminated upon consolidation.

3. MATERIAL ACCOUNTING POLICIES

Functional currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Group because it represents its primary economic environment in which it operates.

SATO Technologies Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024
(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at exchange rates in effect at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates at the respective transaction dates. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in foreign exchange in profit and loss.

Revenue recognition

The Group records revenue from contracts with customers in accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The core principle of this standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1 - Identifying the contract with and its customer;
- Step 2 - Identifying the performance obligations in the contract;
- Step 3 - Determining the transaction price, which is the total consideration provided by the customer;
- Step 4 - Allocating the transaction price among the performance obligations in the contract based on their relative fair values; and
- Step 5 - Recognizing revenue when (or as) the Group satisfies a performance obligation.

Digital assets earned

The Group has entered into arrangements, as amended from time to time, with mining pools operators and has undertaken the performance obligation of performing hash computations (i.e., hashrate) to the mining pools in exchange for non-cash consideration in the form of digital assets. The provision of computing power to mining pools is an output of the Group's ordinary activities. The Group has the right to decide the point in time and duration for which it will provide hash computation services to the mining pools. As a result, the Company's enforceable right to compensation only begins when, and continues as long as, the Company provides computing power to the mining pool operator. The contracts are terminable at any time by either party without substantive compensation to the other party for such termination. Upon termination, the mining pool operator (i.e., the customer) is required to pay the Group any amount due related to previously satisfied performance obligations. Therefore, the Group has determined that the duration of the contract is less than 24 hours and that the contract continuously renews throughout the day. The Company has determined that this renewal right is not a material right as the terms, conditions, and compensation amounts are at then market rates. There is no significant financing component in these transactions.

In exchange for providing computing power, which represents the Group's only performance obligation, the Group is entitled to non-cash consideration in the form of digital assets, calculated under a payout methods, depending on the mining pool. The payout method used by the mining pools in which the Group participated are the Full Pay Per Share ("FPPS"). This payout methods contain three components, (1) a fractional share of the fixed cryptocurrency award from the mining pool operator (referred to as a "block reward"), (2) transaction fees generated from (paid by) blockchain users to execute transactions and distributed (paid out) to individual miners by the mining pool operator, and (3) mining pool operating fees retained by the mining pool operator for operating the mining pool. The Company's total compensation is the sum of the Company's share of (1) block rewards and (2) transaction fees, less (3) mining pool operating fees:

- (1) Block rewards earned by the Group are calculated by the mining pool operator based on the proportion of hashrate the Group contributed to the mining pool to the total network hashrate used in solving the current algorithm. The Group is entitled to its relative share of consideration even if a block is not successfully added to the blockchain by the mining pool.
- (2) Transaction fees refer to the total fees paid by users of the network to execute transactions. Under FPPS, the Company is entitled to a pro-rata share of the total network transaction fees. The transaction fees paid out by the mining pool operator to the Group is based on the proportion of hashrate the Group contributed to the mining pool to the total network hashrate. The Group is entitled to its relative share of consideration even if a block is not successfully added to the blockchain by the mining pool.

SATO Technologies Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024
(In Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

- (3) Mining pool operating fees are charged by the mining pool operator for operating the mining pool as set forth in a rate schedule to the mining pool contract. The mining pool operating fees reduce the total amount of compensation the Group receives and are only incurred to the extent that the Group has generated mining revenue pursuant to the mining pool operators' payout calculation.

Because the consideration to which the Group expects to be entitled for providing computing power is entirely variable (block rewards, transaction fees and pool operating fees), as well as being non-cash consideration, the Group assesses the estimated amount of the variable non-cash consideration to which it expects to be entitled for providing computing power at contract inception and subsequently, to determine when and to what extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty associated with the variable consideration is subsequently resolved. For each contract under the FPPS payout method, the Company recognizes the non-cash consideration on the same day that control of the contracted service transfers to the mining pool operator, which is the same day as the contract inception. The Group measures non-cash consideration at the cryptocurrency closing price of the day on the date of contract inception, as determined by the Company's principal market, which is Coinbase Prime.

Management considers the prices quoted on Coinbase Prime to be a Level 1 input under IFRS 13, Fair Value Measurement ("IFRS 13"). Any difference between the fair value of digital assets recorded upon receipt from selling hashrate activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of digital assets.

Digital assets

Digital assets consist of Bitcoin and other cryptocurrencies. Digital assets meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the revaluation method is used to measure the digital assets subsequently. Where digital assets are recognized as revenue, the fair value of the digital asset received is considered to be the cost of the digital assets. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Group revalues its digital assets at the end of each quarter. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income. Gains and losses on digital assets sold between revaluation dates are included in profit or loss.

Digital assets are measured at fair value using the quoted price on Coinbase Prime. The Group has determined Coinbase Prime as the most advantageous market due to its liquidity, market accessibility, and competitive transaction fees, as no principal market has been identified for the digital assets. The most advantageous market is defined as the market that maximizes the net proceeds from selling the asset, after considering transaction costs. Management considers this fair value measurement to be a Level 1 input under IFRS 13, as Coinbase Prime provides quoted prices directly observable in active markets for identical digital assets without adjustments.

Non-monetary transactions

Where the Group is settling with digital assets, a liability for the purchase of goods and services where the price was established in a quantity of digital assets, the difference between the liability's initial fair value of the quantity of digital assets settled and the fair value of the digital assets transferred is recognized as a gain or loss on settlement.

Restricted cash

Escrow deposits held for a long-term loan, intended for pending acquisitions and future expenditures, are classified as restricted cash. These funds are segregated on the financial position from other cash, reflecting their restricted nature due to specific release conditions outlined in the loan agreement.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment

Details as to the Group's policies for property and equipment are as follows:

Asset	Depreciation method	Depreciation % or period
Miners	Declining	33% - 55%
Computer equipment	Declining	55%
Industrial equipment	Straight-line	10 years
Small equipment	Declining	20%
Leasehold improvement	Straight-line	10 years

Property and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of any replaced parts is derecognized. All other repairs and maintenance are charged to profit or loss during the fiscal year in which they are incurred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Impairment of non-financial assets

The Group evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Leases and right-of-use assets

All leases are accounted for by recognizing a right-of-use asset and a lease liability.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the use of the discount rate determined by the incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at cost, which includes the initial amount of the lease liability, reduced for any lease incentives received, and increased for:

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3. MATERIAL ACCOUNTING POLICIES (continued)

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term or recorded in profit or loss if the right-of-use asset is reduced to zero.

Share-based compensation payments

Share-based compensation to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The Group has granted share-based compensation awards which vest in installments. Such arrangements are accounted for separately. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Compensation expense is recognized over the vesting period, with a corresponding increase in contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current year. No adjustment is made to any expense recognized in previous years if share options ultimately exercised are different to that estimated on vesting. Any consideration paid by plan participants on the exercise of share options is credited to share capital and the corresponding share-based compensation that was previously included in contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Financial instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The primary measurement categories for financial assets are measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Group determines the classification of its financial assets at initial recognition. The Group does not have any financial assets categorized as FVTOCI or FVTPL. Financial assets are classified as measured at amortized cost if both of the following criteria are met:

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3. MATERIAL ACCOUNTING POLICIES (continued)

- the object of the Group's business model for these financial assets is to collect their contractual cash flows; and
- the asset's contractual cash flows represent "solely payments of principal and interest".

After initial recognition, these are measured at amortized cost using the effective interest rate method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash, restricted cash and amount receivable are classified as financial assets and measured at amortized cost.

Revenues from these financial assets are recognized in financial revenues, if any.

Financial liabilities

Financial liabilities are initially and subsequently measured at amortized cost using the effective interest rate method.

The Group's accounts payable and accrued liabilities (excluding salaries and vacation payable), customer deposits, borrowings and line of credit are classified as measured at amortized cost.

Derecognition

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, canceled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Expected Credit Loss Impairment Model

The Group uses the single expected credit loss impairment model, which is based on changes in credit quality since initial application.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Fair Value

Financial instruments and non-financial assets recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Provisions

Provisions are recognized when the Group has a legal or constructive obligation, as a result of past events, for which it is possible that an outflow of economic benefits will result, and that outflow can be reliably measured. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting year. As at December 31, 2025 and 2024, there are no provisions recorded.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Share capital and equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. When warrants are issued in connection with shares, the Group uses the residual method for allocating fair value to the shares and then to warrants.

Contributed surplus includes the value of warrants and stock options. When warrants and stock options are exercised, the related compensation cost and value are transferred to share capital.

Deficit includes all current and prior year losses.

Basic and Diluted Income per Share

Basic income per share is calculated by dividing net income for the year attributable to equity owners of the Group by the weighted average number of common shares outstanding during the year (Note 12).

Diluted income per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included for options and similar instruments is computed assuming that if all dilutive securities had been exercised at the later of the beginning of the year and the date of issuance, the proceeds would be used to purchase common shares at the average market value during the year.

Income taxes

The Group applies the liability method of accounting for income taxes. Current tax expense is recognized based on the expected tax payable on the taxable income for the year, using the enacted tax rate at period end, adjusted for any amendments with regards to previous years.

Deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the underlying tax loss or deductible temporary differences can be utilized. Deferred tax liabilities are always recognized in full. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets and liabilities are recognized as a component of tax income or expense in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

The Group has earned bitcoin from the commercial activity of digital assets mining by using pools. The Group has followed the published Canada Revenue Agency ("CRA") view that Bitcoin is a commodity and inventory of the business, the value of which is included in the calculation of taxable income from the business. Digital assets are valued in accordance with Section 10 of the Income Tax Act. Revenue from bitcoin mining is included in taxable income when the bitcoin is earned from the pools. There is uncertainty regarding the taxation of cryptocurrency and the CRA may assess the Group differently from the position adopted. This could result in additional current taxes payable with equal offset to deferred tax expense.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the International Accounting Standards Board ("IASB"). None of these standards or amendments to existing standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements except for the following:

IFRS 18 *Presentation and Disclosure in the Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaced IAS 1 *Presentation of Financial Statements*. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and provides more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes;
- the classification of all income and expenses within the statement of profit or loss in one of five categories;
- a new requirement to disclose performance measures defined by management;
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

The publication of IFRS 18 results also in consequential amendments to other IFRS standards, including IAS 7 Statement of Cash Flows.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will apply retrospectively with specific transitional provisions.

The Group is currently working to identify all impacts that the amendments will have on the primary consolidated financial statements.

Critical accounting judgements, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS Accounting standards requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

The following are the judgments made by management in applying the accounting policies of the Group that have the most significant effect on these consolidated financial statements.

SATO Technologies Corp.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Income from digital assets earned

The Group recognizes income from the sale of compute power produced to provide transaction verification services within digital asset networks, commonly termed cryptocurrency mining. As consideration for these services, the Group earns digital assets from each specific network in which it participates. Income from the sale of compute power is measured based on the fair value of the digital assets received. The fair value is determined using the closing price of the digital assets on the date of receipt. The digital assets are recorded on the statement of financial position, as digital assets, at their fair value less costs to sell and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of digital assets for traditional (fiat) currencies are included in profit or loss.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital assets and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital assets mining for mining of digital assets. Management has examined various factors surrounding the substance of the Group's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital assets received.

Going concern

The assessment of the Group's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in Note 1.

Leases - Incremental borrowing rate

Judgment is applied when determining the incremental borrowing rate used to measure the lease liability of each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate the Group would pay to borrow at a similar term and with similar security.

Income, valued added, withholding and other taxes

The Group is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Group's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Group's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Group's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the consolidated financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the year in which such determination is made.

Critical accounting estimates and assumptions

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income, and expenses is provided below. Actual results may be substantially different.

Useful lives of property and equipment

Depreciation of data miners and equipment are an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs.

SATO Technologies Corp.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Digital asset valuation

Digital assets consist of cryptocurrency denominated assets (Note 5) and are included in current assets. Digital assets are carried at their fair value determined by the spot rate less costs to sell. The digital asset market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Group's earnings and financial position.

Stock compensation and warrant valuation

The Group uses the Black-Scholes method to determine the fair value of the stock compensation and warrants that are not publicly traded. The Black-Scholes method requires significant assumptions in determining the fair value such as volatility and a risk-free rate of return. A change in these inputs could lead to significant change in the fair value. The Group uses the publicly listed prices to determine the fair value of the stock compensation and warrants.

Impairment of non-financial assets

Impairment of miners was estimated based on the recoverable amount of mining equipment based on current market prices and hash rate power per miner type. Hash rate power refers to the computational power of the mining equipment, which directly affects the mining efficiency and potential revenue generation. As the market prices for mining equipment and hash rate power can vary significantly over time, these factors are considered in estimating the recoverable amount of the assets. The current market prices for mining equipment are obtained from various sources, including manufacturers, distributors, and marketplaces for used equipment. Management reviews and compares these prices regularly to ensure the accuracy and relevance of the data.

4. TRADE AND RECEIVABLES

	December 31, 2025	December 31, 2024
	\$	\$
Sales taxes receivable (i)	229,601	218,951
Amount receivable (ii)	-	507,932
Total trade and other receivables	229,601	726,883

- (i) During the year ended December 31, 2023, the Group assessed that certain sales tax receivables related to Goods and Services Tax (GST) and Québec Sales Tax (QST) may not have been recoverable.

This assessment followed a Confirmation of Audit received on December 14, 2022, from Revenu Québec, requesting documentation regarding the Group's treatment of commodity taxes. On October 18, 2023, the Group received a draft notice of assessment, which was based on Revenu Québec's interpretation of Article 188(2), introduced through Canada Revenue Agency's Notice 324 concerning numerical services. According to this guidance, crypto mining entities operating in Canada were not correctly claiming input tax credits (ITCs) and input tax refunds (ITRs).

The Company received the final determination from Revenu Québec in 2024. As at December 31, 2024, the Company has adjusted the carrying amount of the sales tax receivables and removed any balances determined to be uncollectible, along with the reversal of the provision previously recorded. All amounts have since been collected.

- (ii) As at December 31, 2024, the Group's client continued to owe the Group uncollected GST and QST related to services provided between December 1, 2019 and July 31, 2023. These amounts represent an excess over the customer deposit initially received, and the amount was received during the year ended December 31, 2025.

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5. DIGITAL ASSETS

The Group's holdings of digital assets consist of the following:

For the year ended December, 2025					
	\$	Number of Bitcoin (rounded)	\$	Number of Other Digital assets	Total \$
Balance, beginning of year	4,551,495	34	5,369	1	4,556,864
Digital assets earned	11,643,475	82	-	-	11,643,475
Digital assets purchased	146,751	1	3,043	1	149,794
Digital assets traded for cash	(15,769,939)	(110)	(4,127)	-	(15,774,066)
Digital assets paid for services	(12,224)	-	-	-	(12,224)
Digital assets used to purchase equipment	(20,144)	-	-	-	(20,144)
Digital assets given as a donation	(9,844)	-	-	-	(9,844)
Gain on use of digital assets	320,385	-	-	-	320,385
Unrealized loss on revaluation of digital assets	(22,932)	-	(1,481)	-	(24,413)
Balance, end of year	827,023	7	2,804	2	829,827

For the year ended December 31, 2024					
	\$	Number of Bitcoin (rounded)	\$	Number of Other Digital assets	Total \$
Balance, beginning of year	2,241,280	40	3,450	1	2,244,730
Digital assets earned	16,053,612	190	-	-	16,053,612
Digital assets purchased	-	-	2,356	0.50	2,356
Digital assets traded for cash	(16,481,220)	(194)	-	-	(16,481,220)
Digital assets used to pay for services	(170,348)	(2)	(124)	(0.03)	(170,472)
Digital assets given as a donation	(10,000)	(0.12)	-	-	(10,000)
Gain on use of digital assets	918,356	-	-	-	918,356
Unrealized gain on revaluation of digital assets	1,999,815	-	(313)	-	1,999,502
Balance, end of year	4,551,495	34	5,369	1	4,556,864

Digital assets held are re-evaluated each reporting period based on the fair market value for the price of Bitcoin and Other digital assets on the reporting period date. As of December 31, 2025, the price of Bitcoin was \$121,140 (\$US 88,263) (December 31, 2024 - \$132,968 (\$US 92,383)).

For the year ended December 31, 2025, the Company recognized an unrealized revaluation loss of \$24,413 on digital assets measured under the revaluation model. Of this amount, \$Nil was recognized in net loss, to the extent that it reverses revaluation gains previously recognized in comprehensive income, resulting in a net OCI loss of \$24,413.

For the year ended December 31, 2024, the Company recognized an unrealized revaluation gain of \$1,999,502 on digital assets measured under the revaluation model. Of this amount, \$1,613,542 was recognized in net income, to the extent that it reverses revaluation losses previously recognized in profit or loss. The remaining \$385,960 was recognized in other comprehensive income, net of income taxes of \$102,279, resulting in a net OCI gain of \$283,681.

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5. DIGITAL ASSETS (continued)

As at December 31, 2025, the Group had pledged 7 BTC (fair value: \$792,392) as collateral for a long-term loan and a revolving line of credit agreement, compared to 11 BTC (fair value: \$1,462,648) as at December 31, 2024. These digital assets are subject to contractual restrictions and cannot be transferred, sold, or otherwise used by the Group while the loan remains outstanding. Further details are provided in Note 10.

6. DEPOSITS

	December 31, 2025	December 31, 2024
	\$	\$
Deposits related to electricity supply under Electricity Supply Agreement (i)	417,486	417,486
Other deposits	15,000	15,000
Total non-current deposits	432,486	432,486

(i) Security deposit for current electricity usage.

7. LEASES

The Group leases its facility. The lease has an initial term of 5 years and a renewal option after that date. The lease does not specify any restrictions and the leased property cannot be used to secure loans. The right-of-use assets and lease liabilities recognized by the Group relates to facilities.

	December 31, 2025	December 31, 2024
<u>Right-of-use assets</u>	\$	\$
Balance as at January 1st	2,013,361	2,237,069
Depreciation	(223,708)	(223,708)
Balance	1,789,653	2,013,361

	December 31, 2025	December 31, 2024
<u>Lease liability</u>	\$	\$
Balance as at January 1st	2,409,182	2,511,781
Lease payments and interest	(130,592)	(102,599)
Balance	2,278,590	2,409,182
Current portion of lease liability	261,847	283,874
Non-current portion of lease liability	2,016,743	2,125,308

	December 31, 2025	December 31, 2024
Contractual undiscounted payments under lease liabilities are as follows:		\$
Within one year	413,710	399,566
1 to 2 years	428,356	413,710
2 to 5 years	1,378,216	1,331,095
After 5 years	1,222,653	1,698,129
Total	3,442,935	3,842,500

	December 31, 2025	December 31, 2024
Other amounts recognized in profit or loss	\$	\$
Interest expense on lease liabilities	268,974	283,306

	December 31, 2025	December 31, 2024
Cash flow amounts	\$	\$
Total cash outflow for lease	399,566	385,905

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8. PROPERTY AND EQUIPMENT

	Miners	Computer Equipment	Industrial Equipment	Leasehold Improvement	Small Equipment	In Construction - Industrial Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance - December 31, 2023	8,749,011	252,109	6,351,223	715,014	43,694	433,470	16,544,521
Additions	641,751	8,975	154,391	-	-	-	805,117
Write-off (i)	(1,509,015)	-	(378,455)	-	-	-	(1,887,470)
Balance - December 31, 2024	7,881,747	261,084	6,127,159	715,014	43,694	433,470	15,462,168
Transfer (ii)	-	-	433,470	-	-	(433,470)	-
Additions	20,144	-	-	-	-	-	20,144
Balance - December 31, 2025	7,901,891	261,084	6,560,629	715,014	43,694	-	15,482,312
Accumulated depreciation							
Balance - December 31, 2023	3,533,478	243,402	1,204,483	170,598	24,884	-	5,176,845
Depreciation	1,874,185	4,789	638,929	71,501	3,762	-	2,593,166
Write-off (i)	(1,238,150)	-	(298,483)	-	-	-	(1,536,633)
Balance - December 31, 2024	4,169,513	248,191	1,544,929	242,099	28,646	-	6,233,378
Depreciation	1,182,980	7,091	612,716	71,501	3,009	-	1,877,297
Impairment (iii)	877,853	-	-	-	-	-	877,853
Balance - December 31, 2025	6,230,346	255,282	2,157,645	313,600	31,655	-	8,988,528
Net carrying value	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2024	3,712,234	12,893	4,582,230	472,915	15,048	433,470	9,228,790
As at December 31, 2025	1,671,545	5,802	4,402,984	401,414	12,039	-	6,493,784

- (i) During 2024, various equipment was damaged by a fire in the Company's Centre One facility. The Company, in conjunction with its insurance provider, assessed the extent of the cost and the potential for recovery, and determined that equipment with a net book value of \$350,836 was impaired. During the year ended December 31, 2024, the Company received insurance proceeds for the damaged equipment of \$334,735. As at December 31, 2024, the Company had recorded a write-off of \$16,102 for the damaged equipment.
- (ii) During the year, the Company reclassified \$433,470 of assets from construction in progress to equipment to reflect their current status as available for use. These assets relate to switchgear that had previously been presented within Construction - Industrial Equipment. As at year end, these assets are not currently in active use and therefore not depreciated.
- (iii) During the year ended December 31, 2025, the Company recognized an impairment loss of \$877,853 related to its cryptocurrency mining equipment. The impairment was identified due to indicators of impairment, including declines in cryptocurrency prices and increases in network difficulty, which negatively impacted the estimated recoverable amount of the assets. The recoverable amount of the mining equipment was determined based on fair value less costs of disposal using observable market data for similar mining equipment, adjusted for condition, age, and estimated selling cost. As a result, the carrying value of the mining equipment was written down to its estimated recoverable amount.

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2025	December 31, 2024
	\$	\$
Accounts payable	130,890	132,148
Accrued liabilities	449,328	454,643
Amounts due to related parties (Note 14)	170,928	292,477
Salaries and vacation payable	38,457	36,804
Total	789,603	916,072

10. BORROWINGS

	December 31, 2025	December 31, 2024
	\$	\$
Long term loan, 9.5% payable in monthly instalments of CHF\$217,504 (\$342,743) maturing in July 2026 (i)	3,041,001	5,770,276
Credit line (ii)	20,408	573,609
Total debt	3,061,409	6,343,885
Current portion of long term debt	3,061,409	3,748,785
Long term portion of long term debt	-	2,595,100

- (i) On July 18, 2022, the Group signed a loan agreement to finance the purchase of mining equipment. An initial tranche of CHF3,000,000 (CAD\$3,873,610) net of financing costs of \$98,600 was allocated. The capital is repayable over a 3-year term and bears interest at 8%.

On July 21, 2023, the Group refinanced the loan, stated above, to finance the purchase of additional mining equipment. From the initial tranche of CHF3,000,000, an additional increment of CHF3,790,000 was added for a total principal of CHF6,639,781 (CAD\$10,103,755) net of financing costs of \$195,449. The capital is repayable over a 3-year term and bears interest at 9.5%. As of December 31, 2025, the net book value of miners collateralized under the loan is \$3,712,234.

In November 2025, the Company entered the Forbearance Agreement with its lender in respect of its long-term loan facility. Under the terms of the agreement, the lender agreed to temporarily suspend required principal and interest payments for a three-month grace period commencing November 2025.

The Company assessed the amendment to the loan terms in accordance with IFRS 9 and determined that the modification did not result in a substantial modification or extinguishment of the financial liability. Accordingly, the Company accounted for the amendment as a modification of the existing liability.

As a result of the modification, the Company recognized a gain on modification of \$73,573, representing the difference between the present value of the modified cash flows discounted at the original effective interest rate and the carrying amount of the liability immediately prior to the modification.

The long-term loan is secured by a collateral representing a minimum of 20% of the outstanding principal, \$612,282 (\$1,154,056 at December 31, 2024). The collateral for the long-term loan and line of credit described below was 7 BTC at a fair value of \$792,392 (11BTC at a fair value of \$1,462,648 at December 31, 2024) and \$Nil (\$90,312 at December 31, 2024) in restricted cash. Changes in the loan are as follows:

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10. BORROWINGS (continued)

	2025	2024
	\$	\$
Balance at January 1 st	5,770,276	9,124,713
<i>Cash-flows:</i>		
Proceeds	-	-
Repayment	(3,276,957)	(3,322,471)
<i>Non-cash</i>		
Interest	425,058	730,726
Unrealized foreign exchange loss (gain)	196,197	(762,692)
Gain (loss) on debt modification	(73,573)	-
Balance, December 31st	3,041,001	5,770,276

- (ii) The Group has a \$1,600,915 (US\$1,150,000) revolving line of credit agreement, to support its continuing working capital needs. At December 31, 2025, the Group had pledged 7 BTC at a fair value of \$792,392 (11 BTC at a fair value of \$1,462,648 at December 31, 2024) to secure the revolving line of credit agreement and long-term loan described above. These digital assets are subject to contractual restrictions and cannot be transferred, sold, or otherwise used by the Group while the loan remains outstanding. Borrowings under the credit agreement bear interest at a fixed rate of 9.0%. As at December 31, 2025, the Company has an outstanding balance of \$20,408 (December 31, 2024 - \$573,609).

Changes in the credit line are as follows:

	2025	2024
	\$	\$
Balance at January 1st	573,609	-
<i>Cash-flows:</i>		
Proceeds	21,703	831,843
Repayment	(584,615)	(316,359)
Interest and bank fees	12,970	28,573
<i>Non-cash</i>		
Unrealized foreign exchange loss	(3,259)	29,552
Balance, December 31st	20,408	573,609

- (iii) A summary of finance expense is as follows:

	December 31, 2025	December 31, 2024
Finance expense	\$	\$
Interest expense on long term loan	419,127	729,436
Interest on line of credit	5,932	20,744
Interest on lease liability	268,973	283,306
	694,032	1,033,486

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11. EQUITY

Share Capital

Authorized

An unlimited number of common shares, voting, participating and without par value.

Issued

	Number of common shares	Amount\$
Balance, December 31, 2023	72,589,465	14,430,320
Common shares issued following the exercise of compensation warrants (i)	318,218	61,351
Common shares issued upon the exercise of stock options (ii)	370,000	151,988
Balance, December 31, 2024	73,277,683	14,643,659
Common shares issued upon the exercise of stock options (iii)	97	33
Balance, December 31, 2025	73,277,780	14,643,692

- (i) 318,218 common shares were issued on the exercise of 318,218 warrants for cash proceeds of \$3,182. The warrants had a recorded value of \$58,169, which was re-allocated to share capital on the exercise.
- (ii) 370,000 common shares were issued on the exercise of 370,000 stock options for cash proceeds of \$80,950. The options had a recorded value of \$71,038, which was re-allocated to share capital on the exercise.
- (iii) 97 common shares were issued on the exercise of 97 stock options for cash proceeds of \$19. The options had a recorded value of \$14, which was re-allocated to share capital on the exercise.

Compensation Warrants

The warrant activity is as follows:

	Number of compensation warrants	Weighted average exercise price \$
Balance, December 31, 2022 and 2023	942,170	0.29
Exercised	(318,218)	(0.01)
Balance, December 31, 2024	623,952	0.38
Expired	(623,952)	(0.38)
Balance, December 31, 2025	-	-

Warrants

The warrant activity is as follows:

	Number of Warrants	Weighted average exercise price \$
Balance, December 31, 2023 and 2024	1,754,901	0.60
Expired	(1,234,901)	(0.75)
Balance, December 31, 2025 (i)	520,000	0.25

- (i) The outstanding balance of 520,000 warrants have an expiry date of May 31, 2028.

Stock Options

On June 28, 2019, the Group adopted an incentive stock option plan which provides that the Board of Directors of the Group may grant to certain employees. The option price shall be determined by the Board of Directors and shall not be less than the fair market value of the share.

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11. EQUITY (continued)

The Group maintains a stock option plan (the “Plan”) whereby certain officers, directors and consultants may be granted stock options for common shares of the Group. Options are granted at the fair market value of the shares on the day granted, and vest over various terms. Stock-based compensation is recognized over the vesting period. The Board may from time to time, in its discretion, grant to officers, directors and consultants of the Group, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five years from the date of grant. The plan also contains certain specifications when a trigger event occurs that would accelerate vesting.

On May 25, 2025, shareholders approved a new omnibus equity incentive plan (the “OEI Plan”), which replaced the 2019 Plan. No further grants will be made under the 2019 Plan; however, any outstanding awards granted under the 2019 Plan will continue in accordance with their original terms.

Under the OEI Plan, the Corporation may grant stock options, restricted share units (“RSUs”), performance share units (“PSUs”), and deferred share units (“DSUs”) to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance under the OEI Plan is equal to 10% of the Corporation's issued and outstanding common shares at any point in time. As such, the OEI Plan is considered a “rolling” plan, whereby the number of shares available for issuance automatically increases or decreases in accordance with changes in the number of issued and outstanding common shares.

Stock options granted under the OEI Plan are issued at an exercise price not less than the discounted fair market value of the common shares on the date of grant and vest over terms determined by the Board of Directors. RSUs, PSUs and DSUs are granted in accordance with the terms of the OEI Plan and are settled in common shares or cash, as applicable. Share-based compensation is recognized over the applicable vesting period based on the fair value of the awards at the grant date.

On March 3, 2025, the Company granted stock options to purchase an aggregate of 1,991,424 common shares to directors, officers, consultants and employees. The Options are exercisable into common shares of the Company at a price of \$0.185 per share for a period of 5 years from date of grant. A total of 1,085,000 options will vest on April 21, 2025, and 906,424 options will vest on March 3, 2026. The fair value of the options were \$285,576. The fair value was calculated using Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of the grant:	\$0.185
Expected life:	5 years
Risk-free interest rate:	2.52%
Expected volatility ⁽¹⁾ :	105%
Dividend:	Nil
Exercise price at the date of grant:	\$0.185

		Weighted average exercise price
	Number of Options	\$
Balance, December 31, 2023	6,434,124	0.56
Granted	30,000	0.46
Cancelled	(1,532,428)	(0.63)
Exercised	(370,000)	(0.22)
Balance, December 31, 2024	4,561,696	0.57
Granted	1,991,424	0.185
Exercised	(100)	0.185
Balance, December 31, 2025	6,553,020	0.45

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11. EQUITY (continued)

During the year ended December 31, 2025, the average share price at the time the options were exercised was \$0.185 (December 31, 2024 - \$0.32). As at December 31, 2025 stock options are as follows:

Balance outstanding at December 31, 2025	Balance exercisable at December 31, 2025	Weighted average life	Expiry date	Exercise price \$
282,354	282,354	0.0.98	12/23/2026	0.850
3,333,979	3,333,979	1.21	3/18/2027	0.640
385,000	385,000	2.18	3/5/2028	0.250
30,000	30,000	2.74	9/27/2028	0.380
424,290	424,290	3.66	8/27/2029	0.190
1,991,324	1,085,000	4.25	3/30/2030	0.185
106,073	106,073	5.39	5/20/2031	0.380
6,553,020	5,646,696	2.41		

During the years ended December 31, 2025 and 2024, the Group recorded a share-based compensation expense of respectively \$265,677 and \$176,997.

12. (LOSS) INCOME PER SHARE

	December 31, 2025	December 31, 2024
	\$	\$
Net (loss) income for the period	(4,373,241)	1,174,647
Net (loss) income per share - basic	(0.06)	0.02
Net (loss) income per share - diluted	(0.06)	0.02
Weighted average number of shares outstanding - basic	73,277,707	73,054,339
Weighted average number of shares outstanding - diluted	73,277,707	73,491,426

- For the year ended December 31, 2025, the Company reported a net loss; accordingly, all outstanding stock options, warrants, and other potential common shares were considered anti-dilutive and have been excluded from the calculation of diluted loss per share. As a result, basic and diluted loss per share are the same. For the year ended December 31, 2024, in calculating the diluted income per share, all outstanding stock options, warrants, and other potential common shares have been included. Details of stock options and warrants issued that could potentially dilute earnings per share in the future are given in Note 11.

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13. GENERAL AND ADMINISTRATION

	December 31, 2025	December 31, 2024
	\$	\$
Salaries, benefits and remuneration	1,331,114	1,262,213
Advertising, promotion, and investor relations	118,658	377,277
Directors' and officers' insurance	95,000	128,962
Professional fees	588,974	787,813
Legal fees	183,282	187,662
Regulatory cost	90,967	129,326
Software	127,957	149,490
Custodian fees	17,085	39,052
Other expenses	45,980	94,371
Other expense recovery	(93,719)	-
	2,505,298	3,156,166

14. RELATED PARTY TRANSACTIONS

The Group entered into consulting agreements with certain non-independent directors and officers. The total compensation that was given to the directors and officers is detailed as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Salaries, benefits and remuneration (Note 13)	763,979	908,466
Stock based compensation (Note 11)	139,725	111,612
Total	903,704	1,020,078

As at December 31, 2025, a balance of \$170,928 (\$292,477 as at December 31, 2024) was due to related parties and included in accounts payable and accrued liabilities. During the year ended December 31, 2025, the Company granted 1,071,424 options to directors and officers and are subject to a four month hold period in accordance with TSXV policies.

15. INCOME TAXES

The income tax expense attributable to earnings differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.5% (26.5% as at December 31, 2024) to loss before income taxes as a result of the follows:

	December 31, 2025	December 31, 2024
	\$	\$
(Loss) income before income taxes	(4,373,241)	1,072,368
Expected income tax (recovery)	(1,158,909)	284,178
<u>Increase (decrease) in income taxes resulting from:</u>		
Temporary difference unrecognized (recognized)		
Non-deductible expenses	(6,363)	(7,105)
Stock based compensation	70,404	46,904
Impact of foreign exchange, foreign tax rates, and changes to tax rates	45,270	-
Change in unrecognized deferred tax asset	1,124,976	(376,921)
True up and Other	(75,378)	(49,335)
	-	(102,279)

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15. INCOME TAXES (continued)

Movement of deferred income tax in 2025

	January 1, 2025	Profit and loss	Other comprehensive income	December 31, 2025
	\$	\$	\$	\$
Property and equipment and intangibles	(1,288,230)	649,631	-	(638,599)
Right-of-use assets	(533,541)	59,283	-	(474,258)
				-
Digital currencies	(270,466)	294,879	(24,413)	-
Lease liability	638,433	(164,175)	-	474,258
Non capital losses	1,453,804	(815,205)	-	638,599
Total	-	24,413	(24,413)	-

Movement of deferred income tax in 2024

	January 1, 2024	Profit and loss	Other comprehensive income	December 31, 2024
	\$	\$	\$	\$
Property and equipment and intangibles	(1,532,817)	244,587	-	(1,288,230)
Right-of-use assets	(592,823)	59,282	-	(533,541)
Digital currencies	(37,367)	(130,820)	(102,279)	(270,466)
Lease liability	592,823	45,610	-	638,433
Non capital losses	1,570,184	(116,380)	-	1,453,804
Total	-	102,279	(102,279)	-

Temporary differences	2025	Expiry date range	2024	Expiry date range
Property, plant and equipment and intangible assets	126,377	No expiry date	69,976	No expiry date
Right-of-use assets	-	No expiry date	-	No expiry date
Digital currencies	76,601	No expiry date	127,511	No expiry date
Lease liabilities	488,937	No expiry date	-	No expiry date
Share issuance costs and financing fees	94,528	2046 to 2047	-	-
Non-capital losses	8,427,608	See below	3,821,081	2029 to 2044
Allowable capital losses	885,937	No expiry date	442,968	No expiry date
Jurisdiction	2025	Expiry date range	2024	Expiry date range
Canada	7,604,524	2029 to 2045	3,821,081	2029 to 2044
United States	823,084	No expiry date	-	-

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16. CAPITAL MANAGEMENT

The Group manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Group consists of equity comprised of issued share capital, reserves and borrowings of \$3,061.409. The Group manages its capital structure and makes adjustments to it in light of economic conditions. The Group, upon approval from its Board of directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Group is not subject to externally imposed capital requirements and the Group's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2024.

17. FINANCIAL INSTRUMENTS

The Group's risk exposures and the impact on the Group's financial instruments are summarized below.

Fair value

The fair value of the Group's financial instruments, including cash, restricted cash, amount receivable, accounts payable and accrued liabilities and borrowings, approximates their carrying value due to their short-term nature.

Digital assets are measured at fair value using the quoted price on Coinbase Prime (Level 1).

Credit Risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash, restricted cash and amounts receivable. The Group limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company believes the concentration of credit risk in its amounts receivables is substantially mitigated by its ongoing credit evaluation process. The Company does not generally require collateral from customers. The Company evaluates the need for an allowance for doubtful accounts based upon factors affecting the credit risk of specific customers, historical trends and other information.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk is limited and relates to its ability to earn interest income on cash balances. Changes in short term interest rates will not have a significant effect on the fair value of the Group's cash account.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group currently settles its financial obligations out of cash and digital assets.

The Group has a planning and budgeting process to help determine the funds required to support the Group's normal spending requirements on an ongoing basis and its expansionary plans.

As at December 31, 2025, the contractual maturities of financial liabilities, and other amounts payable including estimated interest payments are as follows:

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17. FINANCIAL INSTRUMENTS (continued)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	751,146	751,146	751,146	-	-	-
Line of credit	20,408	20,408	20,408	-	-	-
Line of credit - interest	-	-	-	-	-	-
Borrowings	3,041,001	3,041,001	3,041,001	-	-	-
Borrowings - interest	-	180,917	180,917	-	-	-
	3,812,555	3,993,472	3,993,472	-	-	-

As at December 31, 2024, the contractual maturities of financial liabilities, and other amounts payable including estimated interest payments are as follows:

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	879,268	879,268	879,268	-	-	-
Line of credit	573,609	573,609	-	573,609	-	-
Line of credit - interest	-	5,799	5,799	-	-	-
Borrowings	5,770,276	5,770,276	3,748,785	2,021,491	-	-
Borrowings - interest	-	453,169	395,499	57,670	-	-
	7,223,153	7,682,121	5,029,351	2,652,770	-	-

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Group. The Group's functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. Management currently does not hedge its foreign exchange risk.

The table below indicates the foreign currencies to which the Group has significant exposure in Canadian dollar terms:

	December 31, 2025	December 31, 2024
	\$	\$
Cash - \$US	3,308	33
Cash - \$CHF	(2,760)	(5,331)
Restricted cash - \$CHF	-	56,832
Digital assets - \$US	829,827	4,556,864
Accounts payable and accrued liabilities - \$US	36,142	28,616
Borrowings - \$CHF	3,041,001	5,770,276
Line of credit - \$US	20,408	573,609

Based on the net U.S. dollar exposure as at December 31, 2025 a 10% increase in the Canadian/U.S. dollar exchange rate would have had an unfavorable impact of \$77,658 on net income (\$395,467 for the year ended December 31, 2024). A 10% decrease in the Canadian/U.S. dollar exchange rate would have had an impact of a similar magnitude but in opposite directions on net income.

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17. FINANCIAL INSTRUMENTS (continued)

Based on the net CHF exposure as at December 31, 2025, a 10% increase in the Canadian/CHF exchange rate would have had a favorable impact of \$303,824 on net income (\$571,878 for the year ended December 31, 2024). A 10% decrease in the Canadian/CHF exchange rate would have had an impact of a similar magnitude but in opposite directions on net income.

Digital assets and risk management

Digital assets are measured using Level 1 Fair values, determined by taking the rate from Coinbase Prime.

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Group is directly related to the current and future market price of digital assets; in addition, the Group may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Group's future operations. The Group has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Group's digital assets currently solely consist of Bitcoin and Ether.

At December 31, 2025, if the market price of the Group's holdings of digital assets increased or decreased by 10% with all other variables held constant, the corresponding asset value increase or decrease respectively would amount to \$82,983 (\$455,602 at December 31, 2024).

18. SUBSEQUENT EVENTS

Subsequent to the year end, on March 26, 2026, the Company entered into a new forbearance agreement the ("New Forbearance Agreement") with Sygnum Bank AG (the "Lender") in respect of its outstanding loan facility (note 10).

Under the terms of the New Forbearance Agreement, the Lender has agreed to temporarily forbear from enforcing payment of principal and interest obligations for the period from November 1, 2025 to September 30, 2026 (the "Grace Period"), subject to the Company meeting certain conditions.

The forbearance is conditional upon, among other things:

- (i) the transfer of all Bitcoin holdings to accounts controlled by the Lender as collateral;
- (ii) directing all future mining proceeds to accounts with the Lender;
- (iii) obtaining lender approval for cryptocurrency transfers and withdrawals; and
- (iv) compliance with ongoing reporting and operational covenants.

The Company is also required to reduce the outstanding debt by US\$500,000 by June 30, 2026 and a further US\$500,000 by September 30, 2026. Failure to meet these requirements or other conditions may result in termination of the forbearance arrangement and the loan becoming immediately due and payable.

The agreement permits the Company to sell certain mining equipment, subject to lender approval, with proceeds applied toward debt reduction requirements.

Interest will continue to accrue during the Grace Period in accordance with the original loan agreement and will become payable upon termination of the forbearance period or upon the occurrence of an event of default.

Subsequent to the year end, the Company completed a non-brokered private placement offering (the "Offering"), which closed in multiple tranches, for aggregate gross proceeds of \$1,375,174.

The Offering included both (i) an equity unit issuance (the "Units") for gross proceeds of approximately \$1,035,174 and (ii) a convertible debenture unit issuance (the "Debenture Units") for gross proceeds of approximately \$340,000.

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18. SUBSEQUENT EVENTS (continued)

Each Unit is comprised of one common share of the Company (a “Common Share”) and one common share purchase warrant (a “Warrant”). Each Warrant entitles the holder to acquire one additional Common Share at an exercise price of \$0.085 per share for a period of one year from the date of issuance and \$0.10 per share thereafter, expiring in March 2031.

Each Debenture Unit consists of a \$1,000 principal amount unsecured convertible debenture (the “Debentures”) and detachable warrants. The Debentures bear interest at 15% per annum, payable quarterly in cash or, at the option of the holder and subject to regulatory approval, in common shares. The Debentures mature in March 2029 and are convertible into Common Shares at \$0.085 per share during the first year and \$0.10 per share thereafter. In connection with the Offering, the Company issued finder’s warrants equal to 6% of certain Units sold. The finder’s warrants are exercisable at \$0.10 per share and expire in March 2031. No cash finder’s fees were paid.

The Company entered into a debt settlement agreement with an arm’s length creditor to settle outstanding consulting fees payable of USD\$25,000 (C\$34,105) owing as at February 28, 2026. The indebtedness was settled through the issuance of 534,980 units of the Company at a deemed price of \$0.06375 per unit, consistent with the pricing and terms of the Company’s unit financing.