



Management's Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

Dated August 26, 2026



Management Discussion and Analysis

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Introduction

The following analysis discusses the financial condition, results of operations and cash flows of SATO Technologies Corp. (together with its subsidiaries, “SATO” or the “Company”) for the three and six months ended June 30, 2026 and 2025. The discussion should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2026, the audited consolidated financial statements for the year ended December 31, 2025, and related notes thereto. The Company’s financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”). All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR+) and are available online at www.sedarplus.ca.

Forward-Looking Statements

Certain statements in this MD&A are forward-looking statements or contain forward-looking information, which may include, but are not limited to, statements with respect to the future financial or operating performance of SATO and its projects, business strategy, corporate plans, objectives and goals, as well as the market conditions applicable to SATO. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements include, among others: expectations regarding foreign exchange rates; statements relating to the business and future activities of and developments related to SATO; statements relating to the finances of SATO not based on the audited financial statements of SATO; the expected success of business activities; expectations for other economic, business, regulatory and/or competitive factors related to SATO in general, including the price of digital assets; the business objectives and milestones of SATO; the amount and principal uses of available funds, including the funds to be used for anticipated investments; and other events or conditions that may occur in the future.

Forward-looking information and statements are based on current expectations, beliefs, assumptions, estimates and forecasts about the Company’s business and the industry and markets in which it operates, as of the date of this MD&A. Although the assumptions made by the Company in providing forward looking information or making forward looking statements are considered reasonable by management at the time, there can be no assurance that such assumptions will prove to be accurate.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of SATO to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “*Risk Factors*” in the Company’s most recent Annual Information Form (the “AIF”), including risks relating to the cryptocurrency mining industry, risks related to SATO’s operations; risks related to the price of Bitcoin and other cryptocurrencies; risks related to governmental regulation and enforcement; volatility of the common shares of the Company (the “Common Shares”); cybersecurity risks; risks related to electrical power and internet; and tax risks. Although SATO has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein and in the AIF are made as of the date of the respective document in which they are contained and, other than as required by law, SATO disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.



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Glossary

“\$” means Canadian dollars, unless indicated otherwise; Canadian dollars are also indicated as “C\$” or “CAD”.
“AI” AI or Artificial Intelligence refers to machines performing tasks that typically require human intelligence, such as learning and decision-making.
“ASIC” means an application-specific integrated circuit customized for Mining.
“Bitcoin” is the name of a protocol that allows people to transfer value in a decentralized way, without the need for intermediaries and without the need to trust any counterparty. “Bitcoin” also refers to the name of a distributed ledger called “Blockchain” that stores any valid transaction in the network. Finally, “Bitcoin” is the name of the native currency of the protocol, “₿” is its symbol and “BTC” its currency code.
“Blockchain” is a growing list of records, called Blocks, that are linked together using cryptography.
“Block Reward” means the award of a cryptocurrency to a miner that successfully adds a Block to the Blockchain. Following the Halving that occurred on April 19th, 2024, the current Block Reward is 3.125 BTC per block.
“Difficulty” is a measure of how difficult it is to mine a Block in terms of computing power and energy spent: to be able to add Blocks to the Blockchain, Miners have to solve a problem and the difficulty of this problem is adjusted approximately every two weeks by the protocol to compensate the entry or exit of Miners and the improvement of mining computers.
“Ether”, “ETH” or “Ethereum” are used interchangeably and refer to the native token of the Ethereum Network, a global, open-source platform for decentralized applications.
“GPU” A GPU (Graphics Processing Unit) is a specialized processor designed to accelerate graphics rendering and perform complex mathematical calculations in parallel. Originally built for visual tasks like gaming and 3D rendering, GPUs are now widely used for AI, HPC, and scientific computing due to their ability to handle many operations simultaneously.
“Halving” is the name given to a predetermined event whereby the Block Reward for Bitcoin mining is cut in half, which takes place every four years. The halving policy was written into Bitcoin's mining algorithm to counteract inflation by maintaining scarcity.
“Hashrate” means the number of Hash operations per unit of time, commonly expressed in petahash per second (PHs) or exahash per second (EHs), and Hash means a fixed length number which is the output used to build mathematical lockers to lock Bitcoins and to design the problems that Miners need to solve to be able to add a Block to the Blockchain.

“Hosting” means the commercial activity whereby a host company (such as a Data Centre) rents space, for a fee that is often based on a price per kWh, to host ASIC or Cryptocurrency Miners to other companies.
“HPC” HPC (High-Performance Computing) provides the computational power required to efficiently train and run large-scale AI models. It can also be used for a wide range of compute-intensive tasks, including digital asset mining, zero-knowledge proof systems, and, in some cases, quantum computing simulations.
“Hydro-Québec” is a public utility that manages the generation, transmission and distribution of electricity in the Province of Québec, Canada, as well as the export of power to portions of the Northeast United States.
“Hydro-Joliette” is the municipal electricity company of the City of Joliette, which manages power from Hydro- Québec and redistributes it to its customers in Joliette, Québec.
“Mining” refers to the provision of computing capacity (or hashing power) to secure a distributed ledger by creating and broadcasting consensus-valid blocks in the network. In return for each generated block, miners receive rewards and fees denominated in the native token of the network (such as Bitcoin). The collective effort of miners validates transactions within the network.
“Mining Equipment” means a single computer system that performs the necessary computations for the purpose of validating transactions on the Bitcoin Blockchain. Also called data miner or miner.
“Mining Pool Operator” means a group of Bitcoin Miners who regroup their hashrate in order to increase the odds of getting Block rewards on the Bitcoin Blockchain.
“Network difficulty” is a measure of how difficult it is to find a hash below a given target.
“Network Hashrate” is the total of all hashrate devoted to Bitcoin mining by all Mining Pools and independent Miners.
“Sats”, short for satoshis, represent the smallest subdivision of Bitcoin, with one Bitcoin being divisible into 100 million sats, used primarily for microtransactions and as a measure of value within the Bitcoin network.
“Wallet” refers to a software or hardware that helps the user to store and manage digital assets.
“Watt”, “kW” (or “kilowatt”), and “MW” (or “Megawatt”) are units of power; each refers to electricity and measures the amount of energy in a given time. For instance, 1 watt corresponds to 1 joule of energy during 1 second; the more watts a machine needs to work, the more energy it will consume but the more power it will be able to deliver.



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Highlights for the six months ended June 30, 2026 and to the date of this MD&A

Settlement of senior secured loan

Subsequent to June 30, 2026, on August 24, 2026, the Company completed the settlement of its loan facilities (the "Settlement and Release Agreement"), which had a carrying amount of \$3,012,832 as at June 30, 2026. Pursuant to the Settlement and Release Agreement, the lender retained approximately 6.69 Bitcoin held in accounts with the lender, and the Company made a cash payment of CHF150,000 (approximately CAD\$258,000). Following completion of these obligations, the Company and its subsidiary were fully released from their obligations in connection with the loan facilities.

The settlement represents a significant improvement to the Company's capital structure. Completion of the settlement eliminated all of the Company's senior secured indebtedness and the associated future principal and interest payment requirements. Management believes that the settlement represents a significant improvement to the Company's capital structure and financial flexibility and will allow a greater portion of available resources to be directed toward operations and strategic initiatives, including the planned conversion of the Joliette facility to support AI and HPC workloads and the proposed AI data-centre campus at Gelephu, Bhutan, which is intended to serve demand for AI compute capacity in India.

LOI with Gelephu Mindfulness City Authority (the "GMCA")

On July 6, 2026, the Company announced that it had entered into a non-binding letter of intent with the Gelephu Mindfulness City Authority, effective June 20, 2026, to establish a framework for the potential development of a renewable-energy-powered, phased AI data-centre campus in Bhutan intended to serve demand for AI compute capacity in India and the broader region. The LOI contemplates an initial development phase of 5 MW and the reservation of up to 100 MW of firm power, with a potential expansion pathway to 500 MW.

The parties intend to negotiate definitive agreements addressing power supply, site development, project structure, early works, financing and commercial arrangements. The project remains at an early stage and is subject to, among other things, completion of due diligence, negotiation and execution of definitive agreements, regulatory approvals, financing and customer commitments. There can be no assurance that definitive agreements will be entered into or that the project will proceed on the terms currently contemplated or at all.

Financing Highlights

The Company completed several financing and strategic initiatives to support its operations and transition toward AI and high-performance computing infrastructure:

Completion of \$1.375 million Private Placement. The offering included 16,238,025 units issued for gross proceeds of \$1,035,174 and convertible debenture units issued for gross proceeds of \$340,000. The convertible debentures bear interest at 15% per annum, mature in March 2029 and were issued with detachable warrants. The offering included participation by certain directors, officers and other insiders of the Company.

Subsequent to June 30, 2026, the Company announced a non-brokered private placement of up to 15,000,000 units at \$0.10 per unit for gross proceeds of up to \$1,500,000. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable at \$0.20 per share for two years, subject to acceleration. A portion of the proceeds is intended to fund the CHF150,000 (approximately CAD\$258,000) payment under the Sygnum settlement, with the balance intended for infrastructure and related assets, strategic initiatives, existing obligations and general working capital. The offering remains subject to regulatory approval and may close in one or more tranches.

Debt Settlements - During the six months ended June 30, 2026, the Company settled US\$25,000 (C\$34,105) of consulting fees through the issuance of 534,980 units. Subsequent to June 30, 2026, the Company entered into a separate agreement to settle C\$25,000 of consulting fees through the issuance of 250,000 units at a deemed price of \$0.10 per unit. The subsequent settlement remains subject to TSXV approval.



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Financial Highlights for the three and six months ended June 30, 2026 and 2025

- Total revenue was \$1,135,976 for the three months ended June 30, 2026, a decrease of 62% compared to \$3,019,539 for the corresponding period in 2025. For the six months ended June 30, 2026, total revenue was \$2,487,521, a decrease of 58% compared to \$5,979,413 for the corresponding period in 2025.
- Gross loss was \$490,713 for the three months ended June 30, 2026, compared to a gross loss of \$110,379 for the corresponding period in 2025. For the six months ended June 30, 2026, gross loss was \$1,056,159, compared to gross profit of \$188,018 for the corresponding period in 2025.
- Net loss was \$922,517 for the three months ended June 30, 2026, compared to \$766,454 for the corresponding period in 2025. For the six months ended June 30, 2026, net loss was \$2,189,828, compared to \$1,651,896 for the corresponding period in 2025.
- The Company earned approximately 11 BTC during the three months ended June 30, 2026, compared to approximately 22 BTC during the corresponding period in 2025. During the six months ended June 30, 2026, the Company earned approximately 24 BTC, compared to approximately 44 BTC during the corresponding period in 2025.
- EBITDA¹ was \$(400,312) for the three months ended June 30, 2026, compared to \$(33,446) for the corresponding period in 2025. For the six months ended June 30, 2026, EBITDA was \$(1,155,674), compared to \$(167,680) for the corresponding period in 2025.
- Adjusted EBITDA¹ was \$(597,157) for the three months ended June 30, 2026, compared to \$(108,804) for the corresponding period in 2025. For the six months ended June 30, 2026, Adjusted EBITDA was \$(1,175,458), compared to \$55,499 for the corresponding period in 2025.
- Digital assets, including restricted digital assets,² were \$608,633 as at June 30, 2026, compared to \$829,827 as at December 31, 2025.

¹ EBITDA and Adjusted EBITDA are non-GAAP financial measures. Refer to the Non-GAAP and Other Financial Measures section of this MD&A for definitions, reconciliations and additional information.

² The balance of digital assets, including restricted digital assets, is a supplementary financial measure. Refer to the Non-GAAP and Other Financial Measures section of this MD&A for additional information.

Company Overview

SATO Technologies Corp. is a publicly traded provider of high-density computing infrastructure. The Company currently operates a 20 MW hydroelectric-powered data centre in Joliette, Québec, which is used primarily for Bitcoin mining. The Company is advancing a strategy to diversify its operations through the potential conversion of portions of its existing infrastructure to support AI and HPC workloads and through the evaluation of additional AI-focused data-centre opportunities, including the proposed phased development in Bhutan. These initiatives remain subject to financing, customer commitments, regulatory approvals and other customary development conditions.

SATO Technologies Corp. was incorporated on May 7, 2008 under the *Business Corporations Act* (Ontario). On September 8, 2021, the Company announced the completion of its “Qualifying Transaction”, as defined under Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (the “Exchange”). The Qualifying Transaction was completed through a reverse takeover of Canada Computational Unlimited Inc. (“CCU”). Upon completion of the Qualifying Transaction, the business of CCU Inc. became the business of the Company as a result of CCU becoming a wholly-owned subsidiary of the Company.

CCU was incorporated under the *Business Corporations Act* (Québec) on November 16, 2017. It was founded by tech entrepreneurs Romain Nouzareth and Mathieu Nouzareth to operate a high-density computation center in Joliette, Québec. The center specializes in advanced cryptocurrency mining while maintaining a commitment to social responsibility and environmental care through the use of sustainable energy and heat re-use. In 2018, SATO entered into an agreement with Hydro-Joliette to procure up to 20 MW of hydroelectric power for its cryptocurrency mining operations.

On September 16, 2021, SATO transitioned into a publicly traded company in Canada, listed on the TSXV with the symbol SATO. In the United States, it is traded under the ticker OTCQB:CCPU.F.



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SATO Corp., a wholly-owned subsidiary of the Company, was incorporated under the Delaware General Corporation Law on October 11, 2022.

Qritical AI Inc. (“Qritical.AI”), a wholly owned subsidiary of the Company, was incorporated under the Business Corporations Act (Québec) on June 23, 2025. Qritical.AI was established to develop AI Factory 1, a planned high-density data centre in Joliette, Québec, designed for large language models (LLMs), inference workloads, and next-generation compute applications. The Company anticipates that AI Factory 1 could repurpose up to 20 MW of hydroelectric-powered compute capacity at its existing Joliette facility. The Company is currently in the planning stage, and will require funding to advance to the next phase.

The Company’s head office is located at 66 Wellington Street West, Suite 5300, Toronto, Ontario, M5K 1E6, Canada and the Company maintains a place of business located at 289 Dugas, Joliette, Québec J6E 4H1, Canada (“Center One”).

SATO currently owns and operates specialized computing equipment for Digital Asset Mining (Bitcoin) that runs 24 hours a day and 365 days per year, unless required by Hydro-Québec or Hydro-Joliette to reduce operations in response to extreme demands on the electrical grid or maintenance, or where the Company voluntarily curtails operations by temporarily shutting down mining equipment during periods when mining economics are unfavorable or operations are not expected to be profitable. This mining equipment produces computing power, referred to as hashrate, which the Company sells to Mining Pool operators.

Strategic Review and Long-Term Plan

During 2025 and the first half of 2026, the Company continued its strategic review in response to pressure on Bitcoin-mining economics following the 2024 halving and increases in network difficulty. The Company’s objective is to evolve from a pure-play Bitcoin miner into a diversified operator of high-density computing infrastructure capable of supporting Bitcoin mining, AI and HPC workloads.

The Board had previously established a special committee of independent directors to oversee and evaluate the Company’s strategic review and related opportunities.

As part of this review, the Company is actively engaged in discussions with several parties regarding the potential use of Center One for AI and HPC data-centre operations. The potential arrangements under discussion include commercial hosting relationships, strategic partnerships, joint ventures and other structures through which the Company’s existing power capacity and infrastructure could be deployed for AI and HPC workloads. These discussions are at various stages, and the Company has not entered into or announced a definitive agreement in respect of these opportunities. There can be no assurance that the discussions will result in a definitive agreement or transaction or, if an agreement is reached, as to its structure, timing, financing requirements or commercial terms.

The Company is also evaluating opportunities to acquire, lease or develop additional sites with access to sufficient power and infrastructure for potential AI and HPC data-centre operations. These evaluations include available power capacity, location, infrastructure requirements, development costs, customer demand and financing requirements. No agreement has been entered into to acquire, lease or develop an additional site, and any such opportunity would remain subject to due diligence, negotiation of definitive agreements, financing, regulatory approvals and other customary conditions.

Center One remains the Company’s principal operating asset. Management believes that its access to hydroelectric power, existing electrical infrastructure and established industrial footprint provide strategic value for the Company’s Bitcoin-mining operations and its planned expansion into AI and HPC data-centre services. The Company is not currently pursuing a sale of Center One.

Québec’s announced plans to make additional hydroelectric power available for AI data centres further support the strategic rationale for this transition. With an existing permitted and grid-connected facility, the Company believes it is positioned to participate in the expansion of AI-focused computing capacity in Québec, subject to securing customer commitments, financing and the required infrastructure.



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Management recognizes the Company's current liquidity constraints and is advancing its AI and HPC strategy using a disciplined and measured approach. The Company continues to manage costs, optimize its existing operations and evaluate financing opportunities.

The Company's transition toward AI and HPC infrastructure will require additional capital, infrastructure investment, technical capabilities and customer commitments. Accordingly, the timing and extent of the transition will depend on the Company's ability to complete definitive commercial arrangements and obtain financing on acceptable terms. There can be no assurance that any proposed financing or commercial arrangement will be completed or, if completed, that it will achieve the anticipated benefits.

The Company continues to operate as a Bitcoin Miner during this strategic review period.

Center One: The Facility and Electrical contracts

SATO currently operates Center One, its high-capacity computation facility located in Joliette, Québec, Canada, which is powered by 20 MW of renewable hydroelectric energy. The facility focuses on High Performance Computing for Bitcoin mining operations, with a nameplate hashrate of up to approximately 540 PHs of Mining hashrate sold to Mining Pools. As described under "Liquidity and Capital Resources," during the period and subsequent thereto, the Company temporarily down-clocked approximately up to 50% of its mining fleet to reduce power consumption and operating costs. As a result, realized hashrate was below nameplate capacity. The Company started 2022 with 10 MW and reached the maximum capacity of 20 MW in September of that same year.

In February 2018, SATO entered into a 5-year lease for 9,000 square feet of space within a 159,000 sq ft factory complex. The lease was first amended on July 1, 2022, extending it to September 30, 2026, and then on December 1, 2022, the leased space was increased to 25,000 square feet. In March 2023, the company signed an amended lease contract for a total of 33,282 square feet. The contract is expected to last until September 2033, provided the 5-year renewal option in the contract is exercised.

The facility, which houses approximately 5,600 air-cooled computers, reuses heat, warming the building's factory and minimizing its energy consumption during winter. Center One also served as the site for a collaborative project with the University of Québec collecting heat data for widespread applications. The findings of this study were presented at the International Scientific Conference on Power and Electrical Engineering of the Riga Technical University. As of today, the Company does not have additional plans or projects for third parties to use its byproduct heat. In September 2018, SATO signed a 5-year contract for 20 MW of power with Hydro Joliette in Joliette, Québec, where the Company is based. On February 23, 2023, SATO extended its 20 MW contract with Hydro-Joliette for an additional five years, to be renewed in September 2028.

City of Joliette, Québec

The Company has operated Center One in Joliette, Québec, Canada since 2017 and has developed relationships with local contractors, industrial operators and municipal stakeholders. During 2025, the Company remained one of Hydro-Joliette's largest electricity customers, generating electricity-related revenue for the municipality.

SATO utilizes energy that was previously surplus capacity in Joliette and ceases operations through curtailment during periods of high demand. Although Bitcoin mining is often criticized for wasting energy, SATO demonstrates in Joliette that Bitcoin miners can actually make use of this otherwise unused energy, while also delivering significant value to the municipality and its residents.

The company is also a proud supporter of the arts, having made Bitcoin donations to the MAJ Foundation. The Musée d'Art de Joliette Foundation is a charitable organization dedicated to creating an endowment fund to ensure the museum's long-term stability and contribute to the future of Québec's cultural heritage.



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Computing Power

In order to grow its business, the Company would require access to additional electricity. Hydro-Québec had previously allocated additional capacity for cryptographic use, which the Company had hoped would form part of its expansion plans, however, in late 2022, the Régie de l'Énergie paused the allocation process for Hydro-Québec's remaining 270 MW under Phase 3 of the "Allocation of the block of electricity dedicated to cryptographic use". On September 20, 2023, the Régie de l'Énergie in its report D-2023-109 cancelled the remaining 270MW. As a result, there is no potential way to increase the Company's Digital Asset Mining business in the Province of Québec unless the Company is able to acquire an existing allocation of electrical capacity.

SATO aims to acquire additional electrical and computational capacities for future AI and HPC data centers.

Looking ahead to 2026–2030, SATO is evaluating the potential to secure additional hydroelectric power—either through Hydro Joliette or Hydro-Québec—to support the expansion of its AI and HPC business line. The company is also evaluating additional sites with existing power capacity that could be retrofitted into HPC data centers or new sites relevant for a combined energy and computing infrastructure development in other Canadian provinces or in other places in the world.

Efficiency

SATO remains focused on improving operational efficiency in response to volatility in Bitcoin prices, increases in network hashrate and difficulty, electricity costs and the reduction in block rewards following the April 2024 Bitcoin halving.

The Company also seeks to improve the environmental efficiency of its operations. Heat generated by Center One is reused to provide ambient heating within the building, and the Company has collaborated with the University of Québec's Laboratoire d'Innovation de Recherche en Énergie Intelligente to study the measurement and potential reuse of heat generated by computing infrastructure. As the Company evaluates AI and HPC opportunities, it may resume greenhouse-gas emissions tracking and assess environmental-efficiency measures for Center One and any future facilities.

Sector Transition Snapshot

Bitcoin-mining economics have remained under pressure following the April 2024 halving, increases in global network hashrate and difficulty, and changes in electricity costs. Certain industry participants have responded by evaluating or pursuing AI and HPC infrastructure opportunities. Management believes these trends support the Company's evaluation of AI and HPC workloads; however, such operations require significant capital investment, specialized infrastructure, customer commitments and technical expertise and may not generate the anticipated returns.

Industry Context

Recent disclosures from Québec and North American mining operators show sector-wide pressure following the 2024 halving and record network difficulty. Several peers have reported lower profitability and have begun redirecting capital toward AI and high-density compute infrastructure. This industry transition reinforces the rationale behind SATO's strategic review and the advancement of AI Factory 1.

With a fully built, permitted, and grid-connected 20 MW hydro-powered facility, SATO is positioned to execute this transition more quickly than operators that require greenfield development. The Company continues to generate Bitcoin through its existing mining operations, which continue to generate revenue and may provide a cash contribution when mining economics are favourable. Management is also evaluating complementary initiatives, including AI-aligned decentralized mining protocols and a prototype GPU-per-hour cloud compute service.



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SATO's operational footprint provides a strong platform for executing its transition toward AI infrastructure. Center One continues to operate a portion of the existing mining fleet, with utilization adjusted in response to mining economics, curtailment requirements, maintenance and operational conditions. While utilization varies due to curtailment and operational factors, the facility retains the flexibility to deploy additional Bitcoin miners or GPU-based AI computing units as market conditions evolve. Its existing power allocation, electrical infrastructure, and industrial footprint provide a strong foundation for future high-density compute deployments.

Cloud Compute Monetization Prototype

The Company has developed an initial prototype of a web-based platform for reselling GPU compute capacity on a per-hour basis, leveraging its experience operating high-density computing infrastructure. While preliminary, this initiative represents a potential future revenue stream alongside the Company's planned AI and HPC deployments, and reflects management's intention to diversify revenue sources beyond Bitcoin mining. The ability to advance this initiative is contingent on obtaining the necessary financing.

AI, HPC and Cryptocurrency Industry Trends and Risks

Cryptocurrency Market Overview

Bitcoin prices remained volatile during the first half of 2026. Although relatively elevated Bitcoin prices supported the Canadian-dollar value of mining revenue during portions of the period, increases in network hashrate and difficulty, the reduced block reward following the April 2024 halving and electricity costs continued to pressure mining margins. These factors contributed to the Company's decision to down-clock less profitable mining equipment and continue evaluating alternative uses for its power and data-centre infrastructure.

Regulatory and Power Environment

Regulatory developments in the United States during 2025 were generally supportive of the digital asset sector, including policies aimed at fostering domestic infrastructure development and digital asset reserves. However, the regulatory environment remains subject to change and may impact capital flows, operational structures, and market sentiment.

In Québec, where the Company operates, access to low-cost hydroelectric power remains a key competitive advantage. However, regulatory and policy developments continue to introduce uncertainty. Hydro-Québec has maintained restrictions on new or expanded cryptomining load approvals, and projects may be subject to additional conditions under evolving legislative frameworks, including Bill 69. These measures reflect increasing prioritization of energy allocation toward strategic industries, including AI and data infrastructure.

Electricity pricing has continued to increase in Québec, with cumulative rate increases implemented in April 2023, April 2024, and April 2025. These increases, combined with potential future changes in rate structures or curtailment requirements, have directly impacted operating costs and long-term planning for energy-intensive operations, including Bitcoin mining and data centers.

Strategic Shift Toward AI and High-Performance Computing (HPC)

The Company is actively evaluating and pursuing opportunities to transition portions of its infrastructure toward AI and high-performance computing ("HPC") applications, which are experiencing significant global demand growth.

AI-driven workloads continue to accelerate demand for high-density, power-intensive data center capacity. Industry trends through late 2025 and into 2026 indicate increasing adoption of advanced cooling technologies, including liquid cooling, and a shift toward higher rack power densities. These developments are driving increased competition for suitable sites with access to reliable, low-cost power and scalable infrastructure.

In Canada, government support for AI infrastructure development, including funding initiatives such as the Strategic Innovation Fund, continues to support domestic capacity expansion. These programs may present opportunities for the Company to participate in the buildout of next-generation compute infrastructure.



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The Company believes its existing energy infrastructure, operational expertise, and access to power position it to participate in this evolving market; however, the transition from Bitcoin mining to AI/HPC infrastructure involves execution risk, capital investment, and potential changes to operational and technical requirements.

Key Risks and Uncertainties

Cryptocurrency Operations:

- Volatility in Bitcoin price and transaction fee markets;
- Continued increases in network difficulty and global hashrate;
- Dependence on access to competitively priced and reliable power;
- Regulatory approvals for expansion or modification of energy usage;
- Foreign exchange fluctuations; and
- Technological obsolescence of mining equipment.

AI / HPC Strategy:

- Availability and timing of power capacity and grid approvals;
- Capital requirements for infrastructure upgrades, including cooling and electrical systems;
- Availability of GPUs and specialized computing hardware;
- Construction and deployment timelines;
- Evolving regulatory, environmental, and permitting requirements; and
- Competitive pressures from established data center and hyperscale operators.

Custody of assets

SATO generally only converts its Bitcoin to currency when necessary to pay for operating expenses, and otherwise retains the Bitcoin it earns in a combination of self-custodied wallets and custodial wallets with third-parties. SATO has implemented internal controls, secure technology, and appropriate custody arrangements to minimize the risk of loss or theft of the retained digital assets, mainly Bitcoins.

Self-custody wallet

Some of the Bitcoin received by the Company is deposited to multi-signature wallets that the Company controls, which are secured by Fireblocks Inc. ("Fireblocks"), which is classified as a non-custodial technology provider according to the Department of Financial Services of New York. Fireblocks secures access to the Company's wallet and the transfers in and out of the wallet, but at no time does Fireblocks exercise control over SATO's Bitcoin. Fireblocks utilizes a secure hot vault and secure transfer environment to help establish connections between wallets, exchanges, counterparties, and networks. Fireblocks utilizes multi-party computation ("MPC") protection layers to distribute private key secrets across multiple locations to ensure there is no single point of failure associated with the private keys. The use of MPC ensures private keys are never concentrated to a single device at any point in time. Fireblocks is not a fiduciary or a licensed custodian under any banking or trust laws of any jurisdiction. Fireblocks is not a related party of the Company.

Fireblocks is SOC 2 Type II certified and undergoes a SOC 2 review on an annual basis. SATO reviews the Fireblocks SOC 2 report to ensure that Fireblocks maintains a secure technology infrastructure and that their systems are designed and operating effectively. Fireblocks maintains insurance coverage for losses resulting from failures of technology and cybersecurity, and for professional liability, however, the Company cannot ensure that the coverage from this policy would be available to the Company or, if available, sufficient to make the Company whole for any BTC that might be lost or stolen. The Company is unaware of: (i) any security breaches involving Fireblocks, and (ii) anything with regards to Fireblocks' operations that would adversely affect the Company's ability to obtain an unqualified audit opinion on its audited financial statements. The Company's digital assets secured by Fireblocks would continue to be owned and recoverable by the Company in the event of bankruptcy by Fireblocks.

On April 16, 2024, SATO signed a contract with a 3rd party blockchain protection company, which will provide the following services to protect Bitcoin funds kept on Fireblocks:

Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

- RSA Key Pair;
- Secure Key Storage that will be kept offline with zero network exposure;
- Device Access Recovery which will allow a soft recovery package passphrase in the event that the Customer loses access
- Account Access Recovery;
- Theft Protection

Custodian wallet

Sygnum is a Swiss-based fiduciary and qualified custodian under Swiss banking law and is licensed in Switzerland to custody digital assets. Currently, Sygnum does not use a sub-custodian. Sygnum is not a related party of the Company.

Sygnum is ISAE 3402 Type II certified and undergoes a ISAE 3402 review on an annual basis. SATO reviews the Sygnum ISAE 3402 report to ensure that Sygnum maintains a secure technology infrastructure and that their systems are designed and operating effectively.

Sygnum has insurance coverage of CHF 10 million for digital assets under its custody, however, the Company cannot ensure that the limits of this policy would be available to the Company or, if available, sufficient to make the Company whole for any BTC that are lost or stolen. The Company is unaware of: (i) any security breaches involving Sygnum, and (ii) anything with regards to Sygnum's operations that would adversely affect the Company's ability to obtain an unqualified audit opinion on its audited financial statements. The Company understands that digital assets held in custody by Sygnum are segregated from Sygnum's own assets and are not recorded as assets of Sygnum. This means that the Company's assets would not become part of the bankruptcy estate in the event of bankruptcy by Sygnum.

As at June 30, 2026, the Company was required under its arrangements with Sygnum to maintain collateral consisting of Bitcoin and, where applicable, cash in accounts controlled by Sygnum. The Company had pledged 6 BTC with a fair value of \$506,434 as at June 30, 2026.

Subsequent to June 30, 2026, on August 24, 2026, the Company completed the loan settlement described under "Highlights." Pursuant to the settlement agreement, Sygnum retained approximately 6.69 Bitcoin held in the relevant accounts, and the Company made a cash payment of CHF150,000 (approximately CAD\$258,000). Following completion of these obligations, the Company and its subsidiary received a full release from their obligations relating to the debt facility.

Results of Operations for the three months ended June 30, 2026 and 2025

	Three months ended			Six months ended		
	June 30, 2026	June 30, 2025	Change	June 30, 2026	June 30, 2025	Change
	\$	\$	%	\$	\$	%
Total revenues	1,135,976	3,019,539	-62%	2,487,521	5,979,413	-58%
Cost of revenue	1,626,689	3,129,918	-48%	3,543,680	5,791,395	-39%
Gross profit (loss)	(490,713)	(110,379)	345%	(1,056,159)	188,018	-662%
Loss on use of digital assets	(30,973)	353,530	-109%	(148,988)	346,281	-143%
Unrealized gain on revaluation of digital assets	-	72,554	-100%	-	-	-
Total operating expenses	460,236	642,751	-28%	862,726	1,412,212	-39%
Operating loss	(981,922)	(327,046)	200%	(2,067,873)	(877,913)	136%
Total other income (expenses)	59,405	(439,408)	-114%	(121,955)	(773,983)	-84%
Loss before income taxes	(922,517)	(766,454)	20%	(2,189,828)	(1,651,896)	33%
Deferred income tax recovery	-	-	-	-	-	-
Net loss for the period	(922,517)	(766,454)	20%	(2,189,828)	(1,651,896)	33%
Net loss and comprehensive loss for the period	(995,121)	(519,089)	92%	(2,308,047)	(1,688,212)	37%
Compute Power Profit (Loss)	(127,438)	431,505	-126%	(329,611)	1,267,170	-124%
Adjusted EBITDA	(597,157)	(108,804)	449%	(1,175,458)	55,499	-2218%

¹Compute Power Profit is a non-GAAP financial measure. Refer to the Non-IFRS Performance Measures section.

²Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-IFRS Performance Measures section.



Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

Revenue

For the three months ended June 30, 2026, SATO earned 11 Bitcoin resulting in revenue of \$1,130,696, compared to revenue of \$3,014,259 from 22 Bitcoin in the three months ended June 30, 2025. For the six months ended June 30, 2026, SATO earned 24 Bitcoin resulting in revenue of \$2,476,961, compared to \$5,968,853 from 44 Bitcoin in the six months ended June 30, 2025. The decrease in Bitcoin production was primarily attributable to:

1. Increased network difficulty and equipment profitability — Management regularly monitors the profitability of the Company's mining fleet based on factors including network difficulty, Bitcoin prices, electricity costs and individual miner efficiency. During the three and six months ended June 30, 2026, the Company selectively down-clocked miners that were not operating profitably under prevailing market conditions. Management continues to assess fleet profitability monthly and down-clocks or returns miners to service where appropriate.
2. Increased network difficulty / hashrate – The Bitcoin network's average hashrate for Q2 2026 remained near all-time highs and approximately 922 EH/s on June 30, 2026 (approximately 843 EH/s at June 30, 2025, compared with roughly 831 EH/s at December 31, 2025). Higher network hashrate reflects increased competition and directly reduces the number of Bitcoin earned per unit of computing power.

These factors combined to materially reduce the Company's Bitcoin production despite competitive hydroelectric power in Québec.

The average market price of Bitcoin during January to June 2026 was approximately US \$74,000, compared to around US \$99,500 for the same period in 2025. This price decrease of approximately 26% along with reduced production decreased the Company's digital asset revenue.

The Company also experienced load shedding and downtime. Load shedding is typically required in the winter when Hydro-Joliette asks the Company to reduce the power usage of its computing operations during periods of extreme cold, in order to support grid stability. In Q1 2025, SATO incurred a total of 268 downtime hours for load shedding and operational shutdowns, which represents around 12.4% of all operating hours. In Q1 2026, SATO incurred a total of 220 downtime hours for load shedding and operational shutdowns, which represents around 10.0% of all operating hours. No load shedding was required in Q2.

Other revenue for the three and six months ended June 30, 2026 was \$5,280 and \$10,560 compared to \$5,280 and \$10,560 during the same periods in 2025. During 2026 and 2025, other revenue consisted of management revenues to one customer.

The cost of operations for the three months ended June 30, 2026, was \$1,626,689, compared to \$3,129,918 for the period ended June 30, 2025. The cost of operations for the six months ended June 30, 2026, was \$3,543,680, compared to \$5,791,395 for the period ended June 30, 2025. These costs directly relate to the costs incurred for earning Bitcoin and include site operating costs (such as electricity, insurance and regular maintenance cost), salaries and benefits, and depreciation. The decrease in site operating costs was primarily due to lower electricity costs (mainly resulting from fewer miners in operation and increased downtime), reduced repair and maintenance costs, and a decrease in depreciation expense related to miners and associated equipment.



Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

Below is a breakdown of the cost of operations for the three and six months ended June 30, 2026 and 2025:

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	\$	\$	\$	\$
Cost of operations				
Site operating costs	1,197,526	2,527,622	2,706,269	4,610,267
Salary and benefits	60,608	55,132	100,303	91,416
Depreciation and amortization	368,555	547,164	737,108	1,089,712
	1,626,689	3,129,918	3,543,680	5,791,395

SATO recorded losses of \$30,973 and \$148,988 on the use of digital assets for the three and six months ended June 30, 2026, compared to gains of \$353,530 and \$346,281 for the three months and six months ended June 30, 2025. These losses are the result of exchanging Bitcoin for cash, and for services. For the period ended June 30, 2026, the Company recognized an unrealized revaluation loss of \$118,219 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 \$118,219.

For the six months ended June 30, 2025, the Company recognized an unrealized revaluation loss of \$36,316 on digital assets measured under the revaluation model. Of this amount, \$Nil was recognized in net income, to the extent that it reverses revaluation gains previously recognized in comprehensive income, resulting in a net OCI loss of \$36,316.

Expenses

A summary of expenses for the three and six months ended June 30, 2026 and 2025 is as follows:

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	\$	\$	\$	\$
Share based payments	-	100,604	22,079	200,151
General and administration:				
Salaries, benefits and remuneration	206,075	401,087	402,329	781,752
Advertising, promotion, and investor relations	4,447	33,702	21,909	83,591
Directors' and officers' insurance	23,750	23,750	47,500	47,500
Professional fees	119,409	96,361	180,240	171,998
Legal fees	32,673	27,227	52,459	88,787
Regulatory cost	32,483	21,554	52,199	61,585
Software	37,806	20,721	68,089	42,101
Custodian fees	-	1,552	8,840	13,539
Other expense recovery	-	(93,719)	-	(93,719)
Other expenses	3,593	9,912	7,082	14,927
	460,236	642,751	862,726	1,412,212

Share-based compensation represents the value of stock options granted during the year ended December 31, 2025 that have vested during the period, which is a non-cash expense.

General and administrative expenses for the three and six months ended June 30, 2026, were \$460,236 and \$840,647 compared with \$542,147 and \$1,212,061 in the same periods of 2025. The decrease was primarily driven by a decrease in salaries, benefits and remuneration, advertising, promotion, and investor relations, decrease in legal fees. Salaries decreased in 2026 compared to 2025 as the Company engaged additional personnel to assist management with advancing its strategy on developing an AI facility during 2025.



Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

Other charges/income

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	\$	\$	\$	\$
Foreign exchange loss	14,763	3,442	15,760	10,170
Unrealized foreign exchange loss (gain)	(12,888)	250,122	24,079	369,309
Gain on debt modification	(214,930)	-	(214,930)	-
Finance expense	153,650	185,844	297,046	394,504
	(59,405)	439,408	121,955	773,983

The Company had a comprehensive loss of \$2,308,047 for the six months ended June 30, 2026, compared to a comprehensive loss of \$1,688,212 for the period ended June 30, 2025.

Selected Quarterly Information (in accordance with IFRS)

The following table summarizes SATO's financial information for the last eight quarters:

	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
	\$	\$	\$	\$
Total revenues	1,135,976	1,351,545	2,340,316	3,344,866
Gross profit (loss)	(490,713)	(565,446)	(380,491)	381,566
Total operating expenses	460,236	402,490	731,207	627,556
Net loss	(922,517)	(1,267,311)	(2,436,921)	(284,424)
	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
	\$	\$	\$	\$
Total revenues	3,019,539	2,959,874	3,294,313	2,612,997
Gross profit (loss)	(110,379)	298,397	(35,973)	(544,387)
Total operating expenses	642,751	769,461	997,578	534,156
Net loss	(766,454)	(885,442)	(94,740)	(1,717,056)

Revenue generated from the Company's sale of computing power for Bitcoin is the primary contributor to the quarterly variations in revenue and net income or loss, and can vary depending upon the price of Bitcoin, which is volatile. Winter months typically generate fewer mining outputs due to load shedding. While the Bitcoin mining industry experiences volatility, it is typically not subject to seasonality. Seasonal fluctuations in electricity supply, however, may impact the Company's operations. All of the Company's operations during the above periods were in Québec. Changing weather may impact seasonal electricity needs, and periods of extreme cold or extreme hot weather may thus contribute to service interruptions in cryptocurrency mining operations.

Liquidity and Capital Resources

As at June 30, 2026, SATO had a working capital deficiency of \$2,747,398, compared to a deficiency of \$2,491,270 as at December 31, 2025. Working capital is a supplementary financial measure. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for its composition and additional information.

Net cash used in operating activities during the six months ended June 30, 2026 was \$3,378,428. Cash provided by investing activities was \$2,420,419, primarily from the disposal of digital assets, while cash provided by financing activities was \$1,109,647, primarily from the private placement and issuance of convertible debentures completed during the period.

As at June 30, 2026, SATO had cash of \$275,315 (December 31, 2025 – \$123,677), digital assets of \$102,199 (December 31, 2025 – \$37,435) and restricted digital assets of \$506,434 (December 31, 2025 – \$792,392).

On August 24, 2026, the Company completed the Settlement and Release Agreement. Following completion of these obligations, the Company and its subsidiary received a full release from their obligations relating to the loan facilities.

Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

The settlement eliminated the future principal and interest payment requirements associated with the senior secured loan. Management believes that the settlement represents a significant improvement to the Company's capital structure and future cash-flow flexibility by removing a substantial debt-service burden and allowing a greater portion of future available resources to be directed toward operations and strategic initiatives.

The Company has also temporarily down-clocked approximately up to 50% of its mining fleet to reduce power consumption and operating costs. Although this measure reduces hashrate and Bitcoin production, it is intended to improve the profitability and cash contribution of the Company's remaining mining operations under current market conditions.

Notwithstanding the completed loan settlement, the Company's ability to continue as a going concern remains dependent upon generating sufficient cash flows from operations, managing operating expenses and working capital requirements, completing additional financings and obtaining further capital when required. The Company's AI and HPC strategy will require additional financing, customer commitments, infrastructure investment and successful execution of definitive commercial arrangements. There can be no assurance that the Company will obtain the required financing or complete any commercial transaction on acceptable terms or at all.

Accordingly, the conditions disclosed in the financial statements continue to indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company will continue to assess its liquidity, financing opportunities, operating performance and strategic initiatives as part of its going-concern evaluation for at least the next twelve months.

Non-IFRS Performance Measures

This MD&A makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore not necessarily comparable to similar measures presented by other companies. The Company uses non-IFRS measures including "Adjusted EBITDA" and "Compute Profit" as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. The following tables reconcile non-IFRS measures used by the Company to analyze the operational performance of the Company, to its nearest IFRS measure and should be read in conjunction with the condensed interim consolidated statement of operations and comprehensive income (loss) and condensed interim consolidated statement of cash flows included in the condensed interim consolidated financial statements for the period ended June 30, 2026 and 2025.

Digital Assets (including restricted digital assets)

Digital Assets (including restricted digital assets) is a supplementary financial measure, which represents the total value of digital assets held by the Company, including those subject to contractual or regulatory restrictions. It comprises unrestricted digital assets available for operational use and restricted digital assets that are reserved for specific obligations or held under lock-up arrangements.

Working Capital

Working capital is a supplementary financial measure calculated as current assets less current liabilities. Management uses working capital to assess the Company's short-term liquidity and its ability to satisfy obligations as they become due. Working capital does not have a standardized meaning prescribed by IFRS Accounting Standards and may not be comparable to similarly titled measures presented by other issuers.

The calculation of working capital is as follows:

	June 30, 2026	December 31, 2025
Current assets	\$1,086,580	\$1,621,589
Current liabilities	(3,833,978)	(4,112,859)
Working capital deficiency	\$(2,747,398)	\$(2,491,270)



Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

Compute Power Profit

Compute Power profit represents gross profit (revenue earned from Mining Pool operators less cost of revenue), excluding (i) depreciation, (ii) revenue and site operating costs directly attributable to hosting revenue, and (iii) other revenue. This measure focuses on profitability from core compute power operations, giving investors clearer insight into operational efficiency and scalability before considering non-operating factors. Management and the board use Compute Power Profit to assess performance and cost efficiency of compute services, monitor trends and guide infrastructure and energy decisions, and support budgeting and forecasting. Previously called “Mining Profit,” the name was changed to “Compute Power Profit” to reflect SATO’s broader focus on compute power services beyond traditional mining.

The following is a reconciliation of gross profit to the non-IFRS measure of Compute Power profit:

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	\$	\$	\$	\$
Gross profit (loss)	(490,713)	(110,379)	(1,056,159)	188,018
Add (deduct)				
Other	(5,280)	(5,280)	(10,560)	(10,560)
Depreciation and amortization	368,555	547,164	737,108	1,089,712
Computer power profit (loss)	(127,438)	431,505	(329,611)	1,267,170

Adjusted EBITDA

Adjusted EBITDA represents net income excluding finance income, finance expense, income taxes, depreciation, and amortization, and adjusted for non-cash and non-recurring transactions.

Management believes that the items excluded from Adjusted EBITDA are not connected to and do not represent the operating performance of SATO. Management believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by SATO’s main business activities prior to taking into consideration how those activities are financed and taxed as well as expenses related to stock-based compensation, depreciation, amortization, restructuring costs, other expense (income), and foreign exchange (gain) loss. Accordingly, management believes that this measure may also be useful to investors in enhancing their understanding of SATO’s operating performance. It is a key measure used by SATO’s management and board of directors to understand and evaluate SATO’s operating performance, to prepare annual budgets, and to help develop operating plans.

The following is a reconciliation of net income to the non-IFRS measure of Adjusted EBITDA:

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	\$	\$	\$	\$
Net loss for the period	(922,517)	(766,454)	(2,189,828)	(1,651,896)
Add (deduct)				
Finance expense	153,650	185,844	297,046	394,504
Depreciation and amortization	368,555	547,164	737,108	1,089,712
EBITDA	(400,312)	(33,446)	(1,155,674)	(167,680)
Share based payments	-	100,604	22,079	200,151
Gain on debt modification	(214,930)	-	(214,930)	-
Loss on use of digital assets	30,973	(353,530)	148,988	(346,281)
Unrealized gain on revaluation of digital assets	-	(72,554)	-	-
Unrealized foreign exchange loss (gain)	(12,888)	250,122	24,079	369,309
Adjusted EBITDA	(597,157)	(108,804)	(1,175,458)	55,499



Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

Related Party Transactions

Key management comprises the directors and officers of the Company. Compensation paid or accrued to key management or companies controlled by key management personnel during the six months ended June 30, 2026 and 2025 are as follows:

	June 30, 2026	June 30, 2025
	\$	\$
Salaries, benefits and remuneration	399,868	362,974
Stock based compensation	13,919	98,417
	413,787	461,391

As at June 30, 2026, a balance of \$128,477 (\$170,928 as at December 31, 2025) was due to related parties and included in accounts payable and accrued liabilities.

During the period ended June 30, 2026, the Company issued Debenture Units for gross proceeds of approximately \$340,000 to the Chief Executive Officer of the Company. 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.

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.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Financial Instruments and Business Risks

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

Fair value

The fair value of the Company's financial instruments, including cash, restricted cash, other receivables, accounts payable and accrued liabilities, approximates their carrying value due to their short-term nature. The fair value of borrowings approximates their carrying amounts based on actualized cash flows (Level 2). Digital assets are measured at fair value using the quoted price on Coinbase Prime (Level 1).

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and restricted cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

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.



Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

The Company'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 Company's cash account

Liquidity Risk

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

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

As at June 30, 2026, 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	527,398	527,398	527,398	-	-	-
Line of credit	19,350	19,350	19,350	-	-	-
Convertible debenture	278,797	480,250	51,000	51,000	378,250	-
Long term loan	2,993,482	2,993,482	2,993,482	-	-	-
Long term loan - interest	-	147,990	147,990	-	-	-
	3,819,027	4,168,470	3,739,220	51,000	378,250	-

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:

	June 30, 2026	December 31, 2025
	\$	\$
Cash - \$US	110,352	3,308
Cash - \$CHF	(2,819)	(2,760)
Restricted cash - \$CHF	-	-
Digital assets - \$US	608,633	829,827
Accounts payable and accrued liabilities - \$US	5,697	36,142
Long term loan - \$CHF	2,993,482	3,041,001
Line of credit - \$US	19,350	20,408

Based on the net U.S. dollar exposure as at June 30, 2026 a 10% increase in the Canadian/U.S. dollar exchange rate would have had a favorable impact of \$69,394 on net income (\$77,658 for the year ended December 31, 2025). 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.

Based on the net CHF exposure as at June 30, 2026, a 10% increase in the Canadian/CHF exchange rate would have had a favorable impact of \$299,348 on net income (\$303,824 for the year ended December 31, 2025). 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 Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able to 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 Company's future operations. The Company 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 Company's digital assets currently solely consist of Bitcoin and Ether.

Critical Accounting Estimates and Material Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the 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.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income from digital assets earned

The Company recognizes income from the sale of computing power produced to provide transaction verification services within digital asset networks, commonly termed cryptocurrency mining. As consideration for these services, the Company receives digital assets from each network in which it participates. Income from digital asset mining 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 Company'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 Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.



Management Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

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 Company would pay to borrow at a similar term and with similar security.

Income, valued added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company'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 Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company'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 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.

Useful lives of property, plant and equipment

Depreciation of mining and industrial equipment is 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.

Impairment of non-financial assets

Impairment of miners is 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.

Convertible debentures

Significant judgment is required in accounting for the Company's convertible notes. Significant judgement is required in determining the fair value and allocation of convertible debentures to the liability and equity components. Management relies on a number of estimates and assumptions, including the effective interest rate, volatility, maturity duration and any conversion rights and terms, in determining the fair value and allocation of convertible debentures to the liability and equity components.



Management Discussion and Analysis

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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 comprising issued share capital and reserves, together with borrowings of \$3,012,832 and convertible debentures of \$278,797. 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, 2025.

Share Capital

As of the date of this MD&A, the Company has issued, and outstanding share capital consisted of 90,050,785 Common Shares, 5,875,507 stock options and 21,387,122 warrants. No remaining securities are under escrow.

Risk Factors

The Company's business is subject to a number of risk factors, which are described in the AIF that was filed on SEDAR+ on August 25, 2025. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the Common Shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline, and shareholders may lose all or part of their investment.