KONTROL TECHNOLOGIES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 and 2024
(Prepared in Canadian dollars)

UNAUDITED

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed interim consolidated financial statements for Kontrol Technologies Corp. (the "Company") have been prepared by management. Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Requirements, the Company advises that the accompanying condensed interim consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditor. The Company's auditor has not performed a review of the accompanying condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
AS AT
(in Canadian dollars)

	Notes	March 31 2025	December 31 2024
Assets			
Cash		**$1,184,259**	$2,068,029
Marketable securities	3	**9,991,009**	10,569,453
Accounts receivable	4	**1,943,550**	2,090,348
Unbilled revenue		**69,154**	59,700
Finished inventory		**72,334**	72,334
Prepaid expenses and deposits		**63,779**	20,850
Current assets		**13,324,085**	14,880,714
Property and equipment	5	**104,753**	110,693
Right-of-use assets	6	**330,444**	361,164
Goodwill	7	**2,435,486**	2,435,486
Intangible assets	7	**2,380,606**	2,492,497
Non-current assets		**5,251,289**	5,399,840
Total assets		**$18,575,374**	$20,280,554
Liabilities			
Accounts payable and accrued liabilities		**519,923**	962,768
Holdback and advances	8	**582,500**	582,500
Vendor take back	8	**3,500,000**	3,500,000
Current portion of lease liabilities	6	**107,596**	94,436
Current liabilities		**4,710,019**	5,139,704
Lease liabilities	6	**247,102**	286,237
Deferred income taxes		**60,411**	69,411
Non-current liabilities		**307,513**	355,648
Total liabilities		**5,017,532**	5,495,352
Equity			
Common shares	9	**27,202,485**	27,332,485
Contributed surplus		**1,632,776**	1,584,303
Reserves	11	**4,290,173**	4,290,173
Deficit		**(19,567,592)**	(18,421,759)
Total equity		**13,557,842**	14,785,202
Total liabilities and equity		**$18,575,374**	$20,280,554

Contingent liabilities (Note 13)

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(in Canadian dollars)

		Three months ended	
		March 31	**March 31**
	Notes	**2025**	2024
Revenue		**$1,493,383**	$3,786,234
Cost of sales		**685,579**	1,454,159
Gross profit		**807,804**	2,332,075
Advertising and promotion		**3,583**	18,598
Business fees and licenses		**91,652**	101,904
Consulting		**72,473**	140,470
Employee salaries and benefits		**556,011**	903,513
Insurance		**38,948**	34,527
Maintenance and repairs		**36,224**	9,871
Office and general		**10,851**	21,177
Other income (expense)		**(28,503)**	(87,747)
Professional fees		**180,913**	98,620
Rent and utilities		**18,962**	58,867
Supplies		-	4,066
Telecommunication		**16,666**	14,347
Travel		**38,545**	47,373
Amortization - intangibles	7	**119,392**	153,167
Depreciation - property & equip. and right-of-use	5 & 6	**36,660**	69,216
Share-based compensation		**48,473**	51,957
		1,240,850	1,639,926
(Loss) income before undernoted		**(433,046)**	692,149
Finance income (expense)		**30,208**	(158,662)
Revaluation of marketable securities		**(742,995)**	-
		(712,787)	(158,662)
Net income (loss) and comprehensive income (loss) for the period		**$(1,145,833)**	$533,487

Earnings per common share		
Basic and Diluted	**$(0.02)**	$0.01
Weighted average number of common shares outstanding		
Basic and Diluted	**55,560,730**	57,737,669

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31
(UNAUDITED)
(In Canadian dollars)

	Number of Shares	Common Shares	Contributed Surplus	Reserves	Deficit	Total Equity
As at December 31, 2023	57,737,669	$ 27,782,485	$ 1,340,009	$ 4,290,173	$ (30,619,399)	$ 2,793,268
Stock options grant (Note 10)	-	-	51,957	-	-	51,957
Net income	-	-	-	-	533,487	533,487
As at March 31, 2024	**57,737,669**	**$27,782,485**	**$1,391,966**	**$4,290,173**	**$(30,085,912)**	**$3,378,712**

	Number of Shares	Common Shares	Contributed Surplus	Reserves	Deficit	Total Equity
As at December 31, 2024	55,891,169	$ 27,332,485	$ 1,584,303	$ 4,290,173	$ (18,421,759)	$ 14,785,202
Stock options grant (Note 10)	-	-	48,473	-	-	48,473
Repurchase of common shares (Note 9)	(734,000)	(130,000)	-	-	-	(130,000)
Net loss	-	-	-	-	(1,145,833)	(1,145,833)
As at March 31, 2025	**55,157,169**	**$27,202,485**	**$1,632,776**	**$4,290,173**	**$(19,567,592)**	**$13,557,842**

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in Canadian dollars)

	Three months ended March 31 2025	Three months ended March 31 2024
Operating activities		
Net income (loss)	**$(1,145,833)**	$533,487
Non-cash items		
Revaluation of marketable securities	**742,995**	-
Amortization and depreciation	**156,052**	222,383
Share-based compensation	**48,473**	51,957
Finance (income) expense	**(30,208)**	158,662
Non-cash working capital items		
Accounts receivable	**146,798**	505,160
Unbilled revenue	**(9,454)**	33,115
Finished inventory	-	(18,673)
Prepaid expenses and deposits	**(42,929)**	(37,967)
Accounts payable and accrued liabilities	**(442,847)**	(922,905)
Deferred tax	**(9,000)**	
Deferred revenue	-	(81,411)
Cash flows (used in) from operating activities	**(585,953)**	443,808
Investing activities		
Additions to product development, property and equipment	**(7,500)**	(7,046)
Cash from sale of assets	-	5,789,842
Purchase of marketable securities	**(120,238)**	-
Cash flows (used in) from investing activities	**(127,738)**	5,782,796
Financing activities		
Payment of revolver	-	(1,524,000)
Payment of term loan	-	(6,039,810)
Payment of lease principal	**(25,974)**	(61,396)
Repurchase of common shares	**(130,000)**	-
Payment of interest	**(14,105)**	(215,662)
Cash flows used in financing activities	**(170,079)**	(7,840,868)
(Decrease) in cash	**(883,770)**	(1,614,264)
Cash at beginning of period	**2,068,029**	3,247,795
Cash at end of period	**$1,184,259**	**$1,633,531**

Additional information		
Income tax paid	**$0**	$0

1. NATURE OF OPERATIONS

Kontrol Technologies Corp. ("Kontrol" or the "Company") was incorporated under the laws of the Province of British Columbia and authorized continuance of the Company from the Business Corporations Act (British Columbia) to the Business Corporations Act (Ontario) ("OBCA"), and amendment of the Company's current articles of incorporation and bylaws to conform to the OBCA. The Company's common shares are listed in the Cboe Exchange (NEO:KNR). The Company is a provider of energy efficiency solutions to commercial energy consumers. Through a disciplined mergers and acquisition strategy and technology platform, Kontrol's market-based energy solutions are designed to reduce its customers overall cost of energy while providing a reduction in Green House Gas (GHG) emissions. Management of the Company considers there to be one operating segment being the provision of energy management and consulting services. All of the Company's operations are in Canada. The address of the Company's head office is 11 Cidermill Ave, Unit 211, Concord, ON, L4K 4B6.

2. BASIS OF PREPARATION

Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2024. The accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the most recent annual audited consolidated financial statements.

The condensed interim consolidated financial statements are presented in Canadian dollars which is the currency of the primary economic environment in which the Company operates. The condensed interim consolidated financial statements have been prepared on a historical cost basis, except where financial instruments have been designated as fair value through profit and loss.

Basis of Presentation

The condensed interim consolidated financial statements are presented in Canadian dollars which is the currency of the primary economic environment in which the Company and its subsidiaries operates in.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Details of the Company's subsidiaries are as follows:

On June 30, 2016, the Company acquired 100% of Kontrol Technologies Inc., a company incorporated in Ontario. This entity and its parent company's activities are designed for commercial building applications and include deep energy retrofits, distributed power generation, conservation solutions, and energy audits.

On February 10, 2017, the Company acquired 100% of ORTECH Consulting Inc. ("ORTECH"), a company incorporated in Ontario. ORTECH is an engineering consulting firm specializing in Green House Gas reporting, air quality testing, emission testing and renewable energy/power consulting. Kontrol Energy Group Inc. and ORTECH Consulting Inc. were amalgamated on December 27, 2023. The amalgamated name is Kontrol Energy Group Inc. On December 29, 2023 the ORTECH Consulting Inc. business was sold through an asset sale.
On August 4, 2017, the Company acquired 100% of Efficiency Engineering Inc. ("EE Inc."), a company incorporated in Ontario. EE Inc. provides engineering services to industrial, municipal and commercial building owners across Canada.

On April 30, 2018, the Company acquired assets from MCW Dimax Ltd. The purchased assets are used to manage HVAC systems in real time through ongoing monitoring and analysis. The acquisition of MCW Dimax Ltd was determined to be an acquisition of a business under IFRS 3 Business combinations.
On September 20, 2018, the Company acquired 100% of CEM Specialties Inc. ("CEMSI"), a company incorporated

in Ontario. CEMSI provides the Canadian and US market with value added solutions for continuous emissions and process monitoring applications. Kontrol Technologies Corp. and CEMSI were amalgamated on June 21, 2024. The amalgamated name is Kontrol Technologies Corp. On June 24, 2024 the CEMSI business was sold through an asset sale.

On August 1, 2020, the Company acquired 100% of New Found Air HVAC Services Inc. ("NFA"), a company incorporated in Ontario. NFA provides building energy services that ensures the effective operation and service of essential heating, cooling, ventilation, and utility systems. This entity has been renamed to Kontrol Buildings Inc.

On July 30, 2021, Kontrol Technologies Corp. completed the acquisition of Global HVAC & Automation Inc. ("Global"). Global provides integrated installations of complex heating, cooling, ventilation, plumbing and building automation systems to its customers. On February 14, 2023 Global made an assignment pursuant to the Bankruptcy and Insolvency Act and a trustee in bankruptcy was appointed.

All of the Company's subsidiaries have the same year end as the Company and share similar business products and services, customers, functional currency, and markets in which they operate.

Basis of Consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries after intercompany balances and transactions have been eliminated. Subsidiaries are consolidated from the date that control is obtained and deconsolidated on the date control ceases. The acquisition method is used to account for the acquisition of a subsidiary from an unrelated party at the date that control is obtained, with the difference between the consideration transferred and the fair value of the subsidiary's net identifiable assets acquired recorded as goodwill. Business acquisition related costs are recognized in profit and loss as incurred.

Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

3. MARKETABLE SECURITIES

	March 31, 2025	December 31, 2024
GIC	3,860,000	3,832,000
USD GIC (presented in Canadian dollars)	1,571,898	1,560,378
Fixed income	1,588,744	1,568,673
iShares bitcoin trust ETF ("IBIT") and related call options	2,970,367	3,608,402
Total marketable securities	$9,991,009	$10,569,453

During the three months ended March 31, 2025 and during the year ended December 31, 2024, the Company invested in marketable securities, including GIC's, fixed income securities, iShares bitcoin trust ETF ("IBIT") and call options on the IBIT ETF. The marketable securities are measured at fair value through profit and loss. For the three months ended March 31, 2025 the Company recorded loss on the revaluation of these marketable securities of $742,995. For the year ended December 31, 2024 the Company recorded income on the revaluation of these marketable securities of $21,738.

4. ACCOUNTS RECEIVABLE

Accounts receivable net carrying value reasonably approximates the fair value of the receivables.

	March 31, 2025	December 31, 2024
Net trade accounts receivable	1,443,550	1,590,348
Holdback	500,000	500,000
Total accounts receivable	$1,943,550	$2,090,348

5. PROPERTY AND EQUIPMENT

Cost	**Office Equipment**	**Lab & Other Equipment**	**Computer Equipment**	**Vehicles**	**Computer Software**	**Total**
Balance at January 1, 2025	120,151	79,933	276,432	177,142	41,872	695,530
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at March 31, 2025	120,151	79,933	276,432	177,142	41,872	695,530
Accumulated depreciation						
Balance at January 1, 2025	109,649	75,449	243,931	113,936	41,872	584,837
Disposals	-	-	-	-	-	-
Depreciation	525	224	2,031	3,160	-	5,940
Balance at March 31, 2025	110,174	75,673	245,962	117,096	41,872	590,777
Carrying value						
Balance at March 31, 2025	$9,977	$4,260	$30,470	$60,046	-	$104,753

Cost	Office Equipment	Lab & Other Equipment	Computer Equipment	Vehicles	Computer Software	Leasehold Improvements	Total
Balance at January 1, 2024	254,015	220,601	569,518	232,304	226,458	65,215	1,568,111
Additions	-	6,296	2,083	73,470	-	-	81,849
Disposals	(133,864)	(146,965)	(295,169)	(128,632)	(184,586)	(65,215)	(954,431)
Balance at December 31, 2024	120,151	79,932	276,432	177,142	41,872	-	695,529
Accumulated depreciation							
Balance at January 1, 2024	230,757	194,631	508,069	159,918	224,518	65,215	1,383,108
Disposals	(124,735)	(123,993)	(280,268)	(64,427)	(183,616)	(65,215)	(842,254)
Depreciation	3,627	4,810	16,130	18,445	970	-	43,982
Balance at December 31, 2024	109,649	75,448	243,931	113,936	41,872	-	584,836
Carrying value							
Balance at December 31, 2024	$10,502	$4,484	$32,501	$63,206	-	-	$110,693

In the second quarter of 2024, CEMSI business was sold, and the property and equipment were recorded in disposals.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets Cost	Property	Vehicles	Total
Balance at January 1, 2025	461,535	336,438	797,973
Additions/Acquistions	-	-	-
Disposals	-	-	-
Balance at March 31, 2025	461,535	336,438	797,973
Accumulated depreciation			
Balance at January 1, 2025	320,857	115,952	436,809
Disposals	-	-	-
Depreciation	13,425	17,295	30,720
Balance at March 31, 2025	334,282	133,247	467,529
Carrying value			
At March 31, 2025	$127,253	$203,191	$330,444

Lease Liabilities	
Opening balance at January 1, 2025	380,672
Additions/Acquisitions	-
Disposals	-
Principal repayment	(25,974)
Closing balance at March 31, 2025	$354,698

Current	$107,596
Long-term	$247,102

Lease payments for the period ended March 31, 2025	
Principal payments	25,974
Interest expense	8,990
Lease payments	$34,965

Contractual lease payments by fiscal year	
2025	$140,544
2026	$102,669
2027	$107,821
2028	$65,607
2029	$26,573

Right-of-Use Assets

Cost	**Property**	**Vehicles**	**Total**
Balance at January 1, 2024	739,264	267,752	1,007,016
Additions/Acquistions	112,669	156,248	268,917
Disposals	(390,398)	(87,562)	(477,960)
Balance at December 31, 2024	461,535	336,438	797,973
Accumulated depreciation			
Balance at January 1, 2024	328,813	83,861	412,674
Disposals	(114,126)	(49,326)	(163,452)
Depreciation	106,170	81,417	187,587
Balance at December 31, 2024	320,857	115,952	436,809
Carrying value			
At December 31, 2024	$140,678	$220,486	$361,164

Lease Liabilities	
Opening balance at January 1, 2024	634,874
Additions/Acquisitions	268,917
Disposals	(347,403)
Principal repayment	(175,715)
Closing balance at December 31, 2024	$380,673
Current	$94,436
Long-term	$286,237
Lease payments for the year ended December 31, 2024	
Principal payments	175,715
Interest expense	47,809
Lease payments	$223,524
Contractual lease payments by fiscal year	
2025	$140,544
2026	$102,669
2027	$107,821
2028	$65,607
2029	$26,573

In the second quarter of 2024, CEMSI business was sold, and the right-of-use assets were recorded in disposals. IBR of 10% used for lease liability additions. The stated contractual lease payments are undiscounted.

7. GOODWILL AND INTANGIBLE ASSETS

Cost	Goodwill	Product Development	Brand Names	Customer Relationships	Intellectual Property	Patents	Total Intangible Assets
Balance at January 1, 2025	2,435,486	2,727,670	245,400	2,816,766	1,427,260	195,056	7,412,152
Additions	-	7,500	-	-	-	-	7,500
Disposals	-	-	-	-	-	-	-
Balance at March 31, 2025	2,435,486	2,735,170	245,400	2,816,766	1,427,260	195,056	7,419,652
Accumulated amortization							
Balance at January 1, 2025	-	2,231,570	108,798	1,440,467	964,292	174,527	4,919,654
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Amortization	-	67,764	4,782	32,951	13,019	876	119,392
Balance at March 31, 2025	-	2,299,334	113,580	1,473,418	977,311	175,403	5,039,046
Carrying value							
At March 31, 2025	$2,435,486	$435,836	$131,820	$1,343,348	$449,949	$19,653	$2,380,606

Cost	Goodwill	Product Development	Brand Names	Customer Relationships	Intellectual Property	Patents	Total Intangible Assets
Balance at January 1, 2024	3,435,739	2,690,170	472,400	4,637,766	1,427,260	195,056	9,422,652
Additions	-	37,500	-	-	-	-	37,500
Disposals	(1,000,253)	-	(227,000)	(1,821,000)	-	-	(2,048,000)
Balance at December 31, 2024	2,435,486	2,727,670	245,400	2,816,766	1,427,260	195,056	7,412,152
Accumulated amortization							
Balance at January 1, 2024	-	1,969,514	209,171	1,945,662	912,217	171,021	5,207,585
Disposals	-	-	(130,850)	(697,700)	-	-	(828,550)
Impairment	-	-	-	-	-	-	-
Amortization	-	262,056	30,477	192,505	52,076	3,506	540,620
Balance at December 31, 2024	-	2,231,570	108,798	1,440,467	964,293	174,527	4,919,655
Carrying value							
At December 31, 2024	$2,435,486	$496,100	$136,602	$1,376,299	$462,967	$20,529	$2,492,497

In the second quarter of 2024, CEMSI business was sold, and the Goodwill, Customer Relationships, and Brand Names were recorded in disposals.

8. HOLDBACK

	March 31, 2025	December 31, 2024
Holdback payable relating to CEMSI acquisition	582,500	582,500

Holdback payable is to secure any indemnifications of Vendors in connection with acquisitions. The holdback relating to the CEMSI acquisition was due December 20, 2019, however, the amount has not been repaid as at December 31, 2024. The full amount is under legal dispute.

VENDOR TAKE BACK ("VTB")

	March 31, 2025	December 31, 2024
VTB relating to Global acquisition	3,500,000	3,500,000

The Global VTB matured on the third anniversary of the closing date. The Global VTB is classified as current based on the contractual terms of the purchase agreement, however, the Company is pursuing legal action against the vendor, as the full amount is under legal dispute.

9. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares.

During the three months March 31, 2025, 734,000 shares were repurchased under the Company's normal course issuer bid.

During the year ended December 31, 2024, 1,846,500 shares were repurchased under the Company's normal course issuer bid.

10. STOCK OPTIONS

The Company has established a stock option plan for directors, employees, and consultants. The aggregate number of common shares issuable pursuant to options granted under the plan is 10% of the Company's issued common shares. The Board of Directors has the exclusive power over the granting of options.

The following is a summary of the changes in the Company's stock option plan for the three months ended March 31, 2025 and 2024:

Options Outstanding	**March 31, 2025**		**March 31, 2024**	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Opening	3,857,500	$0.44	3,197,500	$0.61
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(25,000)	$0.60	-	-
Forfeited	(412,500)	$0.77	(290,000)	$1.42
Closing	3,420,000	$0.40	2,907,500	$0.53

The fair value of stock options is determined using the Black-Scholes Model. Volatility is calculated by using the historical volatility. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. There were no options issued during the three months ended March 31, 2025 and March 31, 2024.

11. RESERVES

As at March 31, 2025, the outstanding warrants may be exercised for a quantity of 10,829,006 common shares (December 31, 2024 – 10,829,006).

Warrants issued are recorded at their fair value on the grant date which is determined using the Black-Scholes Model. Key inputs to the model include exercise price, grant-date fair value of the Company's shares, the risk-free rate of return and volatility. The inputs are adjusted on each issuance based on the prevailing rates and prices on the grant date.

12. RELATED PARTY TRANSACTIONS

Key Management Compensation

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors. The following is a summary of the related party transactions, including key management compensation for the three months ended March 31, 2025 and 2024.

	March 31, 2025	March 31, 2024
Salaries, benefits and consulting	104,800	114,700
Share-based compensation	35,702	40,627
	$140,502	$155,327

13. CONTINGENT LIABILITIES

The Company's former wholly owned subsidiary, Global HVAC & Automation Inc. ("Global"), was deconsolidated effective February 14, 2023 and treated as a discontinued operation.

Global and Kontrol are subject to claims from suppliers and customers of which certain claims were filed in periods before Global began to experience financial challenges; Global has counterclaimed under the Construction Lien Act of Ontario. Claims are being addressed by Kontrol and the receiver for the Global bankruptcy. An estimate of the potential claims against the Company is not reliably determinable, and as such no provision has been recorded.

In 2023, Kontrol was included as a defendant on a claim filed by a bonding insurance company which relates to Global and its former Director as indemnitors of the insurance claim. Kontrol has not recorded any account provisions as an outcome is not determinable at this time. An estimate of the potential claims against the Company is not reliably determinable, and as such no provision has been recorded.

There is one compensation claim that was filed by a former employee. An estimate of the potential claim against the Company is not reliably determinable, and as such no provision has been recorded.

14. FINANCIAL INSTRUMENTS

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

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the liquidity of its cash, accounts receivable and certain marketable securities. The Company limits exposure to credit risk by maintaining its cash with large Canadian financial institutions. To mitigate credit risk with respect to accounts receivable the Company subjects all major customer accounts to its credit evaluation process. The Company's maximum exposure to credit risk as at March 31, 2025 is the carrying value of cash held with financial institutions, marketable securities and accounts receivable.

(b) 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 ensures there is sufficient capital to meet short-term business requirements after taking into account cash flows from operations, the Company's holdings of cash, available credit facilities, and by initiating new debt or equity financings. The Company manages liquidity risk through the management of its capital structure.

(c) Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
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. as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2025 and December 31, 2024, both the carrying and fair value amounts of all the Company's financial instruments was approximately equivalent. The Company's marketable securities are measured at fair value and are classified as level 1 within the fair value hierarchy.

(d) Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. Management of foreign exchange currency exposure is governed by the Company's foreign exchange policy. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations.

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash, accounts receivable, marketable securities, accounts payables and accrued liabilities which are denominated in foreign currencies.

(e) Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Company is exposed to market price risk arising from its marketable securities. The Company manages market price risk in accordance with the Company's investment objective and policies. The Company notes that the investments in IBIT and the related call options are expected to be more volatile than the other marketable securities held.

15. MANAGEMENT OF CAPITAL RISK

The Company considers items included in shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustment to it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

To maximize the ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term marketable securities. The Company's approach to managing capital remains unchanged from the year ended December 31, 2024.