



Management's Discussion and Analysis

For the three and six months ended June 30, 2025 and June 30, 2024

Dated August 27, 2025



Management Discussion and Analysis

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Introduction

The following analysis concerns the financial situation, operating results and cash flows of SATO Technologies Corp. (together with its subsidiaries, “SATO” or the “Company”) for three and six months ended June 30, 2025 and 2024. The discussion should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2025, the audited consolidated financial statements for the year ended December 31, 2024, 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.

Glossary

“\$” means Canadian dollars, unless indicated otherwise; Canadian dollars are also indicated as “C\$” or “CAD”.
“AI” AI (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.
“Digital Asset Treasury” A digital asset treasury refers to the structured management of a company’s reserves or excess liquidity through holdings of digital assets, primarily Bitcoin, alongside or in place of traditional assets such as cash, cash equivalents, or short-term investments. The purpose of such a treasury is to diversify reserves, potentially enhance returns, and align the company’s financial position with its operational focus in blockchain, AI, or digital infrastructure. A digital asset treasury is managed under established treasury policies, with consideration for liquidity, risk management, regulatory compliance, accounting treatment, and long-term financial resilience.
“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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Company Overview

SATO Technologies Corp. is a public company focused on providing efficient compute power. SATO currently operates one data center tailored for Digital Asset Mining (Bitcoin) but is studying an expansion into a High Density data center for AI and HPC using GPUs, and may add additional data centers.

SATO Technologies Corp. (formerly known as Canada Computational Unlimited Corp. and Capricorn Business Acquisitions Inc.) 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.

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 owns and operates HPC 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. This mining equipment produces computing power, referred to as hashrate, which the Company sells to Mining Pool operators.

Mining Pool operators aggregate the hashrate and devote it to mining Bitcoin, which they receive as a Block Reward. Mining is a competitive process where only the successful processor of each transaction earns the Block Reward. Mining Pool operators purchase hashrate and accept the risk of the randomness of Block Rewards with the aim to mine more Blocks than they statistically should in a given time period based on the hashrate they have acquired as a percentage of the Network Hashrate. SATO regularly reviews the Mining Pools to which it sells its hashrate and allocates hashrate to pools based on the firmware and fee structure of the Mining Pool operators. SATO only sells to Mining Pool operators with a Full Pay Per Share (“FPPS”) payout method.



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Under FPPS, the calculation of the payout is based on three components, where the Company's total compensation is the sum of the Company's share of (1) and (2), less (3):

1. an amount in respect of Block Rewards is calculated by the Mining Pool operator based on the proportion of hashrate the Company contributed to the Mining Pool's total hashrate, and the proportion of the hashrate the Mining Pool contributed to the total network hashrate used in adding the Block. The Company is entitled to its relative share of consideration even if a Block is not successfully added to the Blockchain by the Mining Pool.
2. an amount in respect of transaction fees paid by users of the network to execute transactions is calculated by the Mining Pool operator as a proportion of the total network transaction fees based on the same hashrate proportions used in the calculation of number (1). The Company is entitled to its relative share of transaction fees even if a Block is not successfully added to the Blockchain by the Mining Pool.
3. an amount in respect of Mining Pool operating fees, charged by the Mining Pool operator for operating the Mining Pool as set forth in a rate schedule to the mining pool contract. The Mining Pool operating fees reduce the total amount of compensation the Company receives and are only incurred to the extent that the Company is otherwise entitled to payment under (1) and (2).

Due to how the payments are calculated, SATO's revenues depend on both the amount of hashrate SATO supplies and the total Network Hashrate. The Company's participation in the Mining Pools may be terminated at any time without penalty, and SATO may switch from one pool to another at its discretion, with the result that SATO's revenues are not dependent on any one Mining Pool. The proceeds paid by a Mining Pool operator to the Company for its hashrate may be paid in digital assets or in traditional currencies. The Company accumulates the Bitcoin earned or exchanges them for traditional currencies with reputable and well-known trading platforms. A portion of the Bitcoin generated by the Company's activities representing approximately 24% of each payment received by the Company is allocated directly to a wallet with Sygnum Bank for the monthly payment owing on the Company's secured loan.

On October 24, 2024, the Company announced expansion of its business strategy. Building on its expertise in the high-performance computing sector, subject to obtaining the additional financing required, SATO plans to expand its digital infrastructure offerings to include advanced and efficient computing infrastructures for Artificial Intelligence (AI), High Performance Computing (HPC), and future-ready technologies such as zero-knowledge proof, or quantum computing. SATO plans to utilize its existing 20 MW of hydro-electricity from Québec to power the first phase of its next-generation data center. A new hire joined in the last quarter of 2024 to support infrastructure financing efforts for AI and HPC projects.

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, generating roughly 540 PHs of Mining hashrate sold to Mining Pools. 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



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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 that are operating continuously, 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.

On June 1, 2024, a minor fire occurred in the building housing Center One, impacting approximately 40 PHs of the 560 PHs operating at the facility. During the third quarter, the team focused on rebuilding the damaged area, and by the end of Q3, the repairs were completed, restoring the center to full infrastructure capacity. Following a detailed assessment, it was concluded that 413 machines, accounting for 30 PH, were beyond repair and have yet to be replaced.

City of Joliette, Québec

The Company has operated Center One in Joliette, Québec, Canada since 2017. The Company has successfully partnered with local contractors and industrialists, and in 2024, paid over CA\$10,600,000 to Hydro Joliette, contributing 26% of the electricity revenues forecasted in the city's 2024 budget.

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.

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.



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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 is focused on operational efficiency to maintain the viability of the business even during periods of volatility in Bitcoin prices and with an eye on the impacts of the halving event that occurred on April 19th, 2024. This had the effect of significantly driving up the price of Bitcoin, culminating in a new all-time high following the U.S. elections.

The Company has developed DataMan, a proprietary software designed for managing large-scale computing equipment with an emphasis on efficiency through effective data and information management. Utilizing a secure and detailed data set starting from 2018, the development team has equipped the operational team with a powerful tool to oversee the sites and its external components (temperature, humidity, air inflows, etc). Simultaneously, the software enables precise identification of computers requiring repairs, ensuring the entire suite of computers is regularly monitored for long-term performance and increased efficiency. In terms of efficiency, measured by the number of Bitcoins generated per Exahash (EH/s), Center One's performance places SATO among the most efficient publicly listed Mining companies based on the publicly available information. The Company plans to continue developing DataMan to enhance its data capabilities and has begun integrating AI components, including computer vision for its camera system and natural language query features—similar to ChatGPT—for more intuitive data access and analysis.

Cultivating a conscientious environmental approach is a constant priority for all team members. Throughout its operations, the Company harnesses the heat generated by its data center for ambient heating of the building and is exploring solutions that could lead to transforming byproduct heat into transportable energy for industries, municipalities, and farming production. In mid-2022, the Company initiated a collaboration with the University of Québec, partnering with the LIREI (Laboratoire d'Innovation de Recherche en Energie Intelligente). This initiative aims to facilitate the handling and visualization of accurate data about heat transfer produced from Bitcoin Mining Data Centers, which in turn assists in the implementation and design of new centers in close collaboration with future local partners. The study is available at <https://www.bysato.com/#nowaste>.

In previous years, the Company tracked its Scope 1 and Scope 2 emissions, which refers to the Company's direct greenhouse gas emissions and indirect emissions associated with the production of the electrical energy that the Company consumes. The Company does not track Scope 3 emissions, which are the emissions associated with the Company's supply chain and the use of the Company's products. Using calculation tools provided by the Greenhouse Gas Protocol (<https://ghgprotocol.org/>) the Company calculated that its Scope 1 and Scope 2 emissions totaled 208.04 metric tonnes of carbon dioxide equivalent ("MTCO₂e") in 2023. The Company purchased carbon credits to offset its 2023 Scope 1 and Scope 2 emissions. The Company purchased the offset credits from SeaTrees, a non-profit organization dedicated to planting mangrove trees, kelp, coral reefs and so on, in the ocean. In 2024, given the low emissions recorded in 2023 and their minimal carbon credit impact, the Company did not purchase any carbon offset and elected not to conduct a new emissions assessment, as the results were expected to remain largely unchanged. Instead, efforts were focused on further improving the efficiency of its infrastructure. As the Company explores the



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development of a high-density data center for AI and HPC workloads powered by GPUs, it may resume GHG emissions tracking and consider carbon offset strategies for Center One and any future facilities.

In addition to these operational efficiency efforts, the team also sought to solidify relationships with financial partners to facilitate accessing the necessary capital for the Company's growth and expansion.

Summary strategy discussions

Center One is currently operating at its maximum electrical capacity, though the Company does not consistently utilize 100% of that power. Additional miners could be deployed to optimize usage, and with an upgrade to new-generation miners, the site has the potential to reach a hashrate of up to 1 EH/s.

As well, the Company is actively investigating the addition of new locations with sufficient energy capacity, aiming to replicate Center One's efficiency. The Company is also actively seeking acquisition opportunities in locations worldwide. To fund this expansion, the Company will need to raise capital through debt or equity.

In Q4 2024, the Company made a strategic decision to shift its future growth plans toward AI infrastructure to pursue contracted cash flows, generated through the long-term rental of AI HPC infrastructure to blue chip clients.

In parallel, the Company has initiated a review of its treasury management strategy to support this transition. This process, begun in Q2 2025, is focused on identifying opportunities to optimize the Company's balance sheet and strengthen long-term financial resilience. Early work has involved evaluating potential Digital Asset Treasury strategies that align with the Company's historical expertise, while ensuring alignment with prudent risk management and regulatory requirements. Further details will be provided as this strategy is formalized.

AI HPC and Cryptocurrency industries trends and risks

The cryptocurrency market remained strong through the first eight months of 2025, with Bitcoin reaching an all-time high of USD \$120,552 on July 14, 2025. Prices have since remained elevated, trading in a range of USD \$85,000 to \$120,552, supported by institutional inflows into spot ETFs, growing adoption, and continued optimism over pro-crypto policies in the U.S.

Mining Difficulty reached new highs in 2025, reflecting increased global competition following the April 2024 Halving. While higher Bitcoin prices have supported profitability, margin pressure remains due to rising network Difficulty.

Regulatory developments in the U.S. have been broadly positive, with the Trump administration easing enforcement actions and promoting policies favorable to the crypto sector, including the creation of a Strategic Bitcoin Reserve in March 2025.

Electricity costs and regulatory headwinds persist as key challenges. In Québec, while the Company continues to operate under the CB rate, ongoing discussions around future rate structures and grid prioritization for data and AI infrastructure may affect long-term planning for Bitcoin mining facilities in the province. A general rate increase of 6.5% for all Hydro-Québec industrial clients took effect on April 1, 2023, followed by a further increase of 3.3% for industrial clients and 5.1% for CB rate clients effective April 1, 2024. On April 1, 2025, electricity prices in Québec increased by 3.9% for all business rates. This escalation in costs has had a direct impact on various industries, including Data Centers.



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In Canada, the Strategic Innovation Fund (SIF) has earmarked \$2 billion to support Canadian companies in deploying AI Compute infrastructure.

These shifts are expected to have global implications, potentially influencing other countries to adapt their policies and investments in response. The Company believes it is well-positioned to capture a competitive share of the market in this evolving landscape, leveraging its capabilities to meet the growing demand for AI and computing infrastructure.

Crypto Currency

Network economics post-halving. The April 2024 halving reduced block rewards to 3.125 BTC, compressing miner “hashprice” despite Bitcoin price strength. Industry research in 2025 indicates materially lower revenue per unit of hash, alongside higher network difficulty and hashrate versus pre-halving levels—pressuring margins for higher-cost operators.

Hashrate & competition. As of August 2025, Bitcoin network hashrate remains near all-time highs (~900–1,000 EH/s), reflecting ongoing investment in efficient fleets and low-cost power. This raises competitive thresholds, challenging operators with older hardware or higher energy costs.

ETF-driven capital flows & market structure. Since the launch of U.S. spot Bitcoin ETFs in 2024, assets and flows have become a notable market driver. While ETFs enhance liquidity and institutional participation, their flow volatility can amplify BTC price swings, indirectly affecting miner revenues.

Policy & power in Québec (mining-specific). In Québec, new or expanded crypto-mining loads now face approval thresholds and potential conditions under Bill 69. Hydro-Québec has suspended its prior dedicated allocation block for cryptographic use. While access to low-carbon hydro remains a strategic advantage, approvals, rate structures, and curtailment terms present ongoing uncertainties.

Key risks for mining. BTC price and difficulty volatility; transaction-fee variability; secure access to competitively priced, low-carbon power; regulatory approvals for incremental load; foreign-exchange movements; and performance gaps between existing and next-generation equipment.

AI/HPC (Data Centers, Compute & Power)

Demand & capacity. AI workloads continue to drive record demand for high-density data center capacity in Q2 2025, prompting faster adoption of liquid cooling and plans for materially higher rack power densities. Industry outlooks point to an accelerated shift toward liquid-cooled deployments and ongoing constraints in suitable power and real estate.

Key risks for AI/HPC strategy. Power procurement and timing; liquid-cooling readiness and associated capex; GPU/system availability; construction timelines; evolving sustainability standards; and potential changes to tariffs or approval requirements for high-load customers.

Implications for the Company

The Company’s Joliette, Québec facility benefits from competitively priced, low-carbon hydroelectric power, a critical advantage for both AI/HPC and cryptocurrency operations in an environment of rising energy costs and tighter approval requirements.

In cryptocurrency mining, sustained high network difficulty and the April 2024 halving underscore the need for an efficient fleet and active monitoring of digital-asset prices, particularly under the Company’s revaluation-model accounting policy, which can cause earnings volatility.



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In AI/HPC, the planned AI Factory 1 will likely require high-density, liquid-cooled infrastructure and timely access to advanced GPUs. Supply chain lead times, permitting, funding timing, and power allocation approvals will be key determinants of project execution and capital deployment.

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:

- 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.



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Custodian wallet

The balance of the Bitcoin received by the Company is deposited directly to wallets held with Sygnum Bank AG (“Sygnum”), pursuant to the Company’s Loan Agreement with Sygnum. 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’s digital assets held in custody with Sygnum are held off-balance sheet and are therefore ring-fenced from Sygnum’s own assets. This means that the Company’s assets would not become part of the bankruptcy estate in the event of bankruptcy by Sygnum.

The Company is required to maintain a combination of Bitcoin and cash, with a value of at least 20% of the outstanding amount of the secured loan, with Sygnum at all times as security for the Company’s secured loan.

SATO holds a diversified fiat position, in USD, CAD, CHF and EUR, across multiple bank accounts with two Canadian banks and one Swiss bank. The Company avoids concentrating its cash in a single account or bank.

Highlights of the six months ended June 30, 2025, to the date of the MD&A

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

- As noted earlier, the Halving event occurred on April 19, 2024 resulting in the Company earning half the number of Bitcoin for the same amount of hashrate.
- Total revenue decreased 29% and 41% for the three and six months ended June 30, 2025, compared to the same periods in 2024.
- Gross loss for the three months ended June 30, 2025 was \$110,379 and gross profit for the six months ended June 30, 2025 was \$188,018 compared to a gross profit of \$942,422 and \$3,627,360 for the three and six months ended June 30, 2024.
- Net loss of \$766,454 and \$1,651,896 for the three and six months ended June 30, 2025, compared to a net loss of \$924,526 and net income of \$2,986,443 for the three and six months ended June 30, 2024.
- 22 BTC and 44 BTC earned in the three and six months ended June 30, 2025, compared to 46 BTC and 129 BTC in for the three and six months ended June 30, 2024.
- Digital assets balance at June 30, 2025, was \$3,123,860 compared to \$4,556,864 at December 31, 2024.



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

Warrants and Stock Options

On March 3, 2025, the Company granted stock options to purchase an aggregate of 1,991,424 common shares to directors, officers, consultants and employees. The options are exercisable into common shares of the Company at a price of \$0.185 per share for a period of 5 years from date of grant. A total of 1,085,000 options will vest on April 21, 2025, and 906,424 options will vest on March 3, 2026. Of the total grant, 1,071,424 options have been awarded to directors and officers and are subject to a four month hold period in accordance with TSXV policies.

Results of Operations for the six months ended June 30, 2025 and 2024

	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% change	2025	2024	% change
Revenue	3,019,539	4,275,158	-29%	5,979,413	10,189,913	-41%
Cost of revenue	3,129,918	3,332,736	-6%	5,791,395	6,562,553	-12%
Gross profit	(110,379)	942,422	-112%	188,018	3,627,360	-95%
Gain (loss) on use of digital assets	353,530	(248,551)	-242%	346,281	342,919	1%
Unrealized gain (loss) on revaluation of digital assets	72,554	(399,660)	N/A	-	1,097,487	-100%
Expenses	642,751	903,020	-29%	1,412,212	1,801,429	-22%
Operating income (loss)	(327,046)	(608,809)	-46%	(877,913)	3,266,337	-127%
Other charges	439,408	315,717	39%	773,983	279,894	177%
Profit (loss) before income taxes	(766,454)	(924,526)	-17%	(1,651,896)	2,986,443	N/A
Deferred income taxes	-	-	N/A	-	-	N/A
Net income (loss)	(766,454)	(924,526)	-17%	(1,651,896)	2,986,443	N/A
Total comprehensive income (loss)	(519,089)	(924,526)	44%	(1,688,212)	2,986,443	N/A
Gross mining profit	325,866	1,668,888	-80%	1,161,531	5,046,554	-77%
EBITDA	(33,446)	63,082	N/A	(167,680)	4,979,493	N/A
Adjusted EBITDA	(108,804)	866,262	N/A	55,499	3,415,081	98%

Revenue

For the three months ended June 30, 2025, SATO earned 22 Bitcoin resulting in revenue of \$3,014,259, compared to revenue of \$4,269,878 from 46 Bitcoin in the three months ended June 30, 2024. For the six months ended June 30, 2025, SATO earned 44 Bitcoin resulting in revenue of \$5,968,853, compared to revenue of \$10,156,862 from 129 Bitcoin in the six months ended June 30, 2024. The decrease in Bitcoin production was primarily attributable to:

1. April 2024 halving event – On April 19, 2024, the Bitcoin network reduced block rewards from 6.25 BTC to 3.125 BTC. This halving immediately cut the number of Bitcoin earned per block by 50%, materially reducing production levels for all miners regardless of operating capacity.
2. Increased network difficulty / hashrate – The Bitcoin network's average hashrate for Q2 2025 remained near all-time highs (approximately 843 EH/s at June 30, 2025, compared with roughly 600–700 EH/s in Q2 2024). Higher network hashrate reflects increased competition and directly reduces the number of Bitcoin earned per unit of computing power.
3. Reduced operational capacity due to equipment loss – A fire in 2024 damaged a portion of the Company's mining equipment, resulting in an approximate 5.4% reduction in available hashing capacity in 2025 compared with the same periods in 2024.



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

These factors combined to materially reduce the Company's Bitcoin production despite continued operation of its existing fleet and access to competitive hydroelectric power in Québec.

Although the number of Bitcoin earned decreased, the average market price of Bitcoin during January to June 2025 was approximately US \$99,500, compared to around US \$66,000 for the same period in 2024. This price appreciation of approximately 50% helped offset the production decline, supporting digital asset revenue.

The Company also experienced load shedding and downtime in 2025. 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 197 hours of curtailment and 71 hours of planned outage due to the replacement of three electrical substations. While such maintenance is uncommon, it was necessary to improve long-term reliability and capacity. The total downtime amounted to 268 hours, representing approximately 12.4% of operating hours for the quarter. In Q2 2025, there was no load shedding, but the Company experienced 22.32 hours of downtime from repair or power issues, mainly linked to minor electrical work and local power interruptions. Total downtime for Q2 represented roughly 1.0% of available operating hours, a significant improvement compared to Q1.

Other revenue for the three and six months ended June 30, 2025 was \$5,280 and \$10,560 compared to \$5,280 and \$33,051 during the three and six months ended June 30, 2024. During 2025 other revenue consisted of management revenues. During 2024 the Company provided services to two customers compared to only one customer in 2025 which reduced revenue from the comparative period.

The cost of operations for the three months ended June 30, 2025, was \$3,129,918, compared to \$3,332,736 for the three months ended June 30, 2024. The cost of operations for the six months ended June 30, 2025, was \$5,791,395, compared to \$6,562,553 for the six months ended June 30, 2024. 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.

Below is a breakdown of the cost of operations for the three and six months ended June 30, 2025 and 2024:

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cost of operations	\$	\$	\$	\$
Site operating costs	2,527,622	2,569,068	4,610,267	5,051,580
Salary and benefits	55,132	31,922	91,416	58,728
Depreciation	547,164	731,746	1,089,712	1,452,245
	3,129,918	3,332,736	5,791,395	6,562,553

SATO had gains of \$353,530 and \$346,281 on the use of digital assets for the first three and six months ended June 30, 2025, compared to a loss of \$248,551 and gain of \$342,919 in the comparative periods. These gains are the result of exchanging Bitcoin for cash, donations and for services. SATO also had an unrealized gain of \$72,554 and loss of \$Nil on the revaluation of digital assets for the first three and six months ended June 30, 2025, as a result of the increasing Bitcoin price to the end of Q2 2025.



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

Expenses

A summary of expenses for the three and six months ended June 30, 2025 and 2024 is as follows:

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2025	2024	2025	2024
	\$	\$	\$	\$
Share based compensation	100,604	59,416	200,151	107,833
General and administration				
Salaries, benefits and remuneration	401,087	388,500	781,752	813,922
Advertising, promotion, and investor relations	33,702	152,911	83,591	301,021
Directors' and officers' insurance	23,750	42,988	47,500	85,975
Professional fees	96,361	120,413	171,998	235,468
Legal fees	27,227	48,437	88,787	66,609
Regulatory cost	21,554	35,994	61,585	75,462
Custodian fees	1,552	19,387	13,539	19,387
Other expenses	30,633	34,974	57,028	95,752
Other expense recovery	(93,719)	-	(93,719)	-
	642,751	903,020	1,412,212	1,801,429

Share-based compensation represents the value of stock options that have vested during the period, which is a non-cash expense. The Company granted 1,991,424 stock options during the six months ended June 30, 2025, compared to 30,000 stock options granted in Q2 2024, which explains the increase in the expense.

General and administrative expenses for the three and six months ended June 30, 2025, were \$542,147 and \$1,212,061, compared with \$843,604 and \$1,693,596 in the same periods of 2024. The decrease on a year-to-date basis was primarily driven by lower salaries, benefits, and remuneration due to a reduction in personnel. For Q2 2025, however, salaries increased compared to Q2 2024 as the Company engaged additional personnel (at the end of fiscal 2024) to assist management with advancing its strategy on developing an AI facility. Advertising, promotion, and investor relations expenses also decreased significantly, to \$33,702 and \$83,591 for the three and six months ended June 30, 2025, from \$152,911 and \$301,021 in the same periods of 2024, reflecting fewer investor relations initiatives during the current period. Other expense recoveries during the quarter included GST refunds from prior periods and the write-off of an over-accrued expense.

Other charges/income

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2025	2024	2025	2024
	\$	\$	\$	\$
Foreign exchange loss	3,442	(35,698)	10,170	(29,072)
Unrealized foreign exchange (gain) loss	250,122	95,553	369,309	(231,839)
Finance expense	185,844	255,862	394,504	540,805
	439,408	315,717	773,983	279,894

The Company had a comprehensive loss of \$1,688,212 for the six months ended June 30, 2025, compared to a comprehensive income of \$2,986,443 for the six months ended June 30, 2024.



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

Selected Quarterly Information (in accordance with IFRS)

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

Financial Results	Q2 2025	Q1 2025	Q4 2024	Q3 2024
	\$	\$	\$	\$
Revenue	3,019,539	2,959,874	3,294,313	2,612,997
Gross Profit (Loss)	(110,379)	298,397	(35,973)	(544,387)
Total Expenses	642,751	769,461	997,578	534,156
Net Income (Loss)	(766,454)	(885,442)	(94,740)	(1,717,056)

Financial Results	Q2 2024	Q1 2024	Q4 2023	Q3 2023
	\$	\$	\$	\$
Revenue	4,275,158	5,914,755	5,369,198	4,070,260
Gross Profit (Loss)	942,422	2,684,938	2,159,366	755,958
Total Expenses	903,020	898,409	1,066,993	1,290,776
Net Income (Loss)	(924,526)	3,910,969	951,825	(775,935)

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, 2025, SATO had a working capital deficiency of \$3,118,399 compared to a deficiency of \$108,648 as at December 31, 2024.

Net cash used in operating activities for six months ended June 30, 2025, was \$5,631,365, and cash provided by investing activities amounted to \$7,772,146, related to the disposal of digital assets. Cash used in financing activities was \$2,659,379.

As at June 30, 2025, SATO had cash on hand of \$151,973 (December 31, 2024 - \$658,488), restricted cash of \$Nil (December 31, 2024 - \$90,312), digital assets of \$1,665,840 (December 31, 2024 - \$3,094,216) and restricted digital assets of \$1,458,020 (December 31, 2024 - \$1,462,648).

SATO's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business is dependent upon maintaining sustained profitability. There are various risks and uncertainties affecting SATO's operations including, but not limited to, the viability of the economics of Bitcoin mining, the liquidity of Bitcoin, and SATO's ability to maintain the security of its digital assets and execute its business plan.



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

SATO's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at maintaining security, operational efficiency, revenue growth, and overall computing profitability while managing operating expenses and working capital requirements, including the securing of additional financing as needed through loans/equity investments. However, given the volatility in financial markets it may be difficult to raise financing when needed. Failure to implement SATO's business plan could have a material adverse effect on its financial condition or financial performance. Accordingly, there are material risks and uncertainties that cast significant doubt over SATO's ability to continue as a going concern.

The Company regularly engages with various counterparties for potential financing options, to assess the availability of financing and to be prepared to take advantage of opportunities to strengthen the Company's balance sheet, with a view to ensuring the Company has liquidity when required.

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 audited consolidated statement of operations and comprehensive income (loss) and consolidated statement of cash flows included in the consolidated financial statements for the three and six months ended June 30, 2025, and 2024.

Compute Power Profit (formerly called "Mining 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.

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

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Gross Profit	(110,379)	942,422	188,018	3,627,360
<i>Add (deduct)</i>				
Other revenue	(5,280)	(5,280)	(10,560)	(33,051)
Depreciation	547,164	731,746	1,089,712	1,452,245
Compute Power Profit	431,505	1,668,888	1,267,170	5,046,554



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

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. The Company uses it to assess profitability.

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
	\$	\$	\$	\$
Net income (loss)	(766,454)	(924,526)	(1,651,896)	2,986,443
<i>Add (deduct)</i>				
Finance expense	185,844	255,862	394,504	540,805
Deferred income taxes	-	-	-	-
Depreciation	547,164	731,746	1,089,712	1,452,245
EBITDA	(33,446)	63,082	(167,680)	4,979,493
Share based compensation	100,604	59,416	200,151	107,833
Loss (Gain) on use of digital assets	(353,530)	248,551	(346,281)	(342,919)
Unrealized foreign exchange (gain) loss	250,122	95,553	369,309	(231,839)
Unrealized gain on revaluation of digital assets	(72,554)	399,660	-	(1,097,487)
Adjusted EBITDA	(108,804)	866,262	55,499	3,415,081

Mda_3Related Party Transactions

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

	June 30, 2025	June 30, 2024
	\$	\$
Salaries, benefits and remuneration	362,974	527,461
Stock based compensation	98,417	62,022
Total	461,391	589,483

As at June 30, 2025, a balance of \$133,045 (\$292,477 as at December 31, 2024) was due to related parties and included in accounts payable and accrued liabilities. During the six months ended June 30, 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.



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

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.

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, 2025, 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	908,928	908,928	908,928	-	-
Line of credit	14,520	14,520	14,520	-	-
Line of credit - interest	-	-	-	-	-
Long term loan	4,254,984	4,254,984	4,248,732	6,252	-
Long term loan - interest	-	210,214	210,167	47	-
	5,178,432	5,388,646	5,382,347	6,299	-

Currency Risk

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

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.

Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

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.

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.

Digital asset valuation

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



Management Discussion and Analysis

For the three and six months ended June 30, 2025, and June 30, 2024

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.

Capital Management

The Company's capital currently consists of Common Shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of 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.

Share Capital

As of the date of this MD&A, the Company has issued, and outstanding share capital consisted of 73,277,683 Common Shares, 6,553,120 stock options and 520,000 warrants. 20,941,095 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 May 15, 2024. 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.