

KONTROL TECHNOLOGIES CORP.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024
(Prepared in Canadian dollars)**

To the Shareholders of Kontrol Technologies Corp.:

Opinion

We have audited the consolidated financial statements of Kontrol Technologies Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Key Audit Matters

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

Impairment analysis of goodwill and long-lived assets

Key Audit Matter Description

The Company performs impairment testing on an annual basis, or whenever events or changes in circumstances indicate that the carrying value of a cash generating unit ("CGU") might exceed its recoverable amount. As a result of the Company performing impairment tests for each of its CGUs, an impairment loss on goodwill has been recorded. Refer to Note 8 of the consolidated financial statements for further details.

We identified the impairment of goodwill as a key audit matter. There was a high degree of auditor judgment required to evaluate the significant assumptions used in determining the recoverable amount including but not limited to, forecasted revenue, gross margin, operating expenses, long-term growth and discount rates. The sensitivity of reasonable changes to the significant assumptions could have a significant impact on the determination of the recoverable amount of the CGUs and the Company's determination of impairment.

Audit Response

We responded to this matter by performing audit procedures in relation to the impairment of goodwill and long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained management's impairment test cash flows and assessed the underlying assumptions used in the discounted cash flow model;
- Recalculated the resulting recoverable amount and corresponding carrying amounts;
- Evaluated the reasonableness of management's forecasts and other assumptions;
- Performed a retrospective review of actual results relative to budget;
- Assessed management's determination of CGUs and verified that goodwill has been allocated to: a) the lowest level within the entity at which goodwill is monitored for internal management purposes; and b) not larger than an operating segment determined in accordance with IFRS 8 Operating Segments; and
- Engaged our valuation specialists to review management's methodology and the discount rate.

Over time revenue recognition

Key Audit Matter Description

The Company generates revenue by providing various energy efficiency solutions. Some of these contracts can be longer than a year in duration.

For such contracts, revenue is recognized over time, based on the percentage-of-completion method. This method is measured by reference to costs incurred to date as a percentage of the total estimated costs. The Company's policy for revenue recognition together with the related significant accounting estimates and assumptions is described in Notes 3 and 15 of the consolidated financial statements.

We identified the revenue recognized over-time as a key audit matter. There was a high degree of auditor judgment required to evaluate the estimated costs to complete for projects open at year-end. Given the variation in the type of projects, these judgments related to the estimation of future costs are subjective in nature and dependent on the complexity and status of the related contract as of the year end date.

Audit Response

We responded to this matter by performing audit procedures in relation to the percentage of completion and nature of contracts per IFRS 15. Our audit work in relation to this included, but was not restricted to, the following:

- Tested the operating effectiveness of controls over the budgeting and cost tracking processes, including approval of budgets, approval of weekly payroll records, and the approval of time allocation to specific jobs;
- Agreed the details of the total contract value to approved contracts and purchase order, as well as approved change orders, where applicable;
- Obtained and tested expected costs to complete (cost budgets) and actual costs incurred to date including agreeing a sample of costs to underlying support;
- Recalculated the revenue recognized based on the input method and compared to revenue recognized to date by management;
- For projects incomplete as at year-end, performed a look back exercise of total costs incurred to date versus budgeted cost to assess management's ability to estimate accurately. Furthermore, conducted inquiries with operational personnel to gain an understanding of the status of contract activities;
- Agreed invoiced amounts to cash received; and
- Reviewed journal entries posted against revenue balances to identify indication of management override of controls.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Burlington, Ontario

March 31, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

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

	Notes	December 31 2025	December 31 2024
Assets			
Cash		\$763,709	\$2,068,029
Marketable securities	4	7,074,172	10,569,453
Trade and other receivables	5	2,083,881	2,090,348
Unbilled revenue		24,649	59,700
Finished inventory		68,962	72,334
Prepaid expenses and deposits		60,922	20,850
Current assets		10,076,295	14,880,714
Property and equipment	6	91,353	110,693
Right-of-use assets	7	218,894	361,164
Goodwill	8	1,207,123	2,435,486
Intangible assets	8	1,933,981	2,492,497
Non-current assets		3,451,351	5,399,840
Total assets		\$13,527,646	\$20,280,554
Liabilities			
Accounts payable and accrued liabilities		876,281	962,768
Holdback and advances	9	582,500	582,500
Vendor take back	9	3,500,000	3,500,000
Current portion of lease liabilities	7	95,303	94,436
Current liabilities		5,054,084	5,139,704
Lease liabilities	7	147,102	286,237
Deferred income taxes	10	-	69,411
Non-current liabilities		147,102	355,648
Total liabilities		5,201,186	5,495,352
Equity			
Common shares	11	26,984,283	27,332,485
Contributed surplus		1,731,639	1,584,303
Reserves	13	4,290,173	4,290,173
Deficit		(24,679,635)	(18,421,759)
Total equity		8,326,460	14,785,202
Total liabilities and equity		\$13,527,646	\$20,280,554

Contingent liabilities (Note 17)

KONTROL TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
For the years ended December 31
(in Canadian dollars)

	Notes	Twelve months ended	
		December 31 2025	December 31 2024
Revenue	15	\$5,675,662	\$10,928,814
Cost of sales		2,606,571	4,792,932
Gross profit		3,069,091	6,135,882
Advertising and promotion		19,684	55,525
Bad debt		-	26,822
Business fees and licenses		236,486	339,952
Consulting		346,716	1,938,678
Employee salaries and benefits		2,349,512	3,265,722
Impairment of assets		1,228,363	-
Insurance		115,550	127,820
Maintenance and repairs		99,225	83,735
Office and general		41,070	80,543
Other (income) expense		14,609	(102,585)
Professional fees		371,945	529,418
Rent and utilities		72,638	90,613
Supplies		-	7,508
Telecommunication		56,889	53,805
Travel		116,371	163,784
Amortization - intangibles	8	586,017	540,620
Depreciation - property & equip. and right-of-use	6 & 7	147,059	231,569
Share-based compensation	14	147,336	244,294
		5,949,470	7,677,823
(Loss) before undernoted		(2,880,379)	(1,541,941)
Net finance income (expense)	4	123,978	(173,021)
Gain on sale of assets	16	-	13,281,812
Realized loss on sale of marketable securities	4	(488,451)	-
Unrealized loss on revaluation of marketable securities	4	(3,082,435)	21,738
		(3,446,908)	13,130,529
Net income (loss) before tax		(6,327,287)	11,588,588
Recovery of income taxes		69,411	609,052
Net income (loss) and comprehensive income (loss) for the year		\$(6,257,876)	\$12,197,640

Earnings (loss) per common share

Basic and Diluted	\$(0.11)	\$0.21
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Weighted average number of common shares outstanding

Basic and Diluted	54,660,762	57,057,480
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The accompanying notes are an integral part of these Consolidated Financial Statements

KONTROL TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31
(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 12)	-	-	244,294	-	-	244,294
Repurchase of common shares (Note 11)	(1,846,500)	(450,000)	-	-	-	(450,000)
Net income	-	-	-	-	12,197,640	12,197,640
As at December 31, 2024	55,891,169	\$27,332,485	\$1,584,303	\$4,290,173	\$(18,421,759)	\$14,785,202

	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 12)	-	-	147,336	-	-	147,336
Repurchase of common shares (Note 11)	(2,132,000)	(348,202)	-	-	-	(348,202)
Net loss	-	-	-	-	(6,257,876)	(6,257,876)
As at December 31, 2025	53,759,169	\$26,984,283	\$1,731,639	\$4,290,173	\$(24,679,635)	\$8,326,460

The accompanying notes are an integral part of these Consolidated Financial Statements

KONTROL TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31
(in Canadian dollars)

	Twelve months ended December 31	Twelve months ended December 31
	2025	2024
Operating activities		
Net income (loss)	\$(6,257,876)	\$12,197,640
Non-cash items		
Revaluation of marketable securities	3,082,435	-
Realized loss on sale of marketable securities	488,451	-
Impairment of assets	1,228,363	-
Gain on sale of assets	-	(13,281,812)
Amortization and depreciation	733,076	772,189
Share-based compensation	147,336	244,294
Net finance (income) expense	(123,978)	173,021
Tax recovery	(69,411)	(763,659)
Non-cash working capital items		
Trade receivable	236,467	2,918,663
Holdback	500,000	-
Income tax payable	-	276,117
Unbilled revenue	35,051	118,840
Finished inventory	3,372	(140,399)
Prepaid expenses and deposits	(40,072)	60,487
Accounts payable and accrued liabilities	(86,488)	(1,432,025)
Deferred revenue	-	(518,375)
Cash flows (used in) from operating activities	(123,274)	624,981
Investing activities		
Additions to product development, equipment, and leases	(43,295)	(134,467)
Cash from sale of assets	-	20,859,247
Purchase of marketable securities	(6,071,083)	(10,473,561)
Proceeds on sale of marketable securities	5,995,478	-
Advance of director loans	(730,000)	-
Proceeds from interest income	146,202	-
Cash flows (used in) from investing activities	(702,698)	10,251,219
Financing activities		
Payment of revolver	-	(1,739,588)
Payment of term loan	-	(9,323,750)
Payment of lease principal	(107,922)	(175,715)
Repurchase of common shares	(348,202)	(450,000)
Payment of interest	(22,224)	(366,913)
Cash flows used in financing activities	(478,348)	(12,055,966)
Decrease in cash	(1,304,320)	(1,179,766)
Cash at beginning of year	2,068,029	3,247,795
Cash at end of year	\$763,709	\$2,068,029
Additional information		
Income tax paid	\$0	\$0

The accompanying notes are an integral part of these Consolidated Financial Statements

KONTROL TECHNOLOGIES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with IFRS® Accounting Standards issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved by the Board of Directors and authorized as issued by March 31, 2026.

The consolidated financial statements have been prepared on a going concern basis and based on historical cost, except where financial instruments have been designated as fair value through profit and loss.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on 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 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

Basis of Presentation

The 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 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.

KONTROL TECHNOLOGIES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 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.

3. MATERIAL ACCOUNTING POLICIES

Property and Equipment

Property and Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the declining balance or straight-line method as noted below.

The cost of an item consists of the purchase price, plus any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income.

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

KONTROL TECHNOLOGIES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Depreciation – Property and Equipment		
Office equipment	Declining balance	20%
Laboratory and other equipment	Declining balance	20%
Computer equipment	Declining balance	25%
Vehicles	Declining balance	20%
Leasehold improvements	Declining balance	20%

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. Research and development costs excluding those meeting the capitalization criteria are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (“CGU”) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

For the purposes of testing goodwill for impairment, the Company has determined that it has three CGUs – Kontrol Energy Group, Efficiency Engineering, and Kontrol Buildings Inc. Annual impairment testing is performed as of December 31.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income and comprehensive income when the asset is derecognized.

Development costs are recognized as an intangible asset when the Company can demonstrate all the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

KONTROL TECHNOLOGIES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Following initial recognition of the development costs as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Development costs are amortized on a straight-line basis over a period of 5 to 10 years or are expensed immediately if capitalized projects are not completed.

Amortization - Intangibles

Brand Names	Straight-line	10 years
Customer Relationships	Straight-line	10 years to 15 years
Intellectual Property	Straight-line	3 years to 15 years
Patents	Straight-line	3 years
Product Development	Straight-line	5 years to 10 years

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Where goodwill forms part of a cash-generating unit and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the cash-generating unit retained.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired.

If such evidence exists, the Company recognizes an impairment loss for financial assets. The carrying amount of the asset is reduced by this amount either directly or indirectly using an allowance account.

The carrying amount of long-lived non-financial assets, including intangible assets and property and equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the carrying value may not be recoverable.

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. The fair value less costs of disposal calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. A change in any of the significant assumptions of estimates used to evaluate the underlying assets could result in a material change to the results of operations. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment had been recognized. Write-downs as a result of impairment are recognized in the consolidated statement of loss and comprehensive loss.

KONTROL TECHNOLOGIES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash are valued at the fair value of the good and services received except where the fair value cannot be estimated in which case they are measured at their market value at the date the shares are issued.

Warrants

Financing warrants have been issued in combination with common shares as part of a financing exercise. They are evaluated and classified under IAS 32 Financial Instruments: Presentation. Equity classification applies to instruments where a fixed amount of cash (or liability) denominated in the issuer's functional currency is exchanged for a fixed number of shares (often referred to as the "fixed-for-fixed" criteria). Warrants classified as equity are valued using the Black-Scholes Model. When the warrants are exercised, the fair value of the warrants is transferred to share capital from the warrant reserve. If a warrant expires, the value of the warrant remains in warrant reserve.

Compensation warrants are also issued in combination with debt agreements, such as the debt financing. These warrants are measured at the fair value of the good and services received except where the fair value cannot be estimated in which case they are measured at the fair value of the equity instruments granted, determined using the Black-Scholes Model. The warrants are classified as a reduction of the associated debt and amortized on a straight-line basis over the life of the debt agreement.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lesser of the lease term and its useful life. The right-of-use assets are subject to impairment in line with the Company's policy as described in *Impairment of non-financial assets*.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of an extension option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. The lease term includes extension and termination options if reasonably certain to be exercised.

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Revenue Recognition

Revenue from Contracts with Customers (“IFRS 15”) encompasses a single 5-step model for revenue recognition for customer contracts. This model for revenue recognition is based on identifying the contract with the customer, identifying the performance obligations, determining the individual transaction price and allocating said price to the individual performance obligations making up the contract. Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

The Company generates revenue from contracts in which goods or services are typically provided over time. Revenue is measured based on the consideration the Company expects to be entitled to in exchange for providing goods and services, net of discounts, duty, and taxes collected from clients that are reimbursable to government authorities.

The majority of the Company’s contracts include a single performance obligation because the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and therefore is not distinct. The Company’s contracts may include multiple goods or services that are accounted for as separate performance obligations if they are distinct - if a good or service is separately identifiable from other items in the contract and if a customer can benefit from it. If a contract has multiple performance obligations, the consideration in the contract is allocated to each performance obligation based on the estimated stand-alone selling price.

The Company transfers control of the goods or services it provides to clients over time and therefore recognizes revenue progressively as the services are performed. Revenue from fixed-fee and variable-fee contracts is recognized based on the percentage of completion method where the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract, and the percentage of completion is applied to total estimated revenue. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period that the losses are determined. Revenue from time-and-material contracts without stated ceilings is recognized as costs are incurred based on the amount that the Company has a right to invoice.

The timing of revenue recognition, billings, and cash collections results in accounts receivable, unbilled revenues, contract assets, and deferred revenue (contract liabilities) in the consolidated statements of financial position. Amounts are typically invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or when contractual milestones are achieved. Receivables represent amounts due from customers: accounts receivable consist of invoiced amounts, and unbilled receivables consist of work in progress that has not yet been invoiced. Contract assets represent unbilled amounts where the right to payment is subject to more than the passage of time and includes performance-based incentives and services provided ahead of agreed contractual milestones. Contract assets are transferred to receivables when the right to consideration becomes unconditional. Deferred revenue (contract liabilities) represents amounts that have been invoiced but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when (or as) the Company performs under the contract. Revenue is adjusted for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Advance payments and holdbacks typically do not result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all of its obligations under the contract

Share-based payments

The Company operates a stock option plan for directors, employees, and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the

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option reserve (contributed surplus). The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income taxes

Income tax on the income for the periods presented comprises current and deferred tax. Income tax is recognized in net income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Income tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be substantially enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by dividing the earnings attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company. If dilutive instruments were not in the money, on average, during the fiscal year, they are excluded from the calculation of diluted EPS.

If the Company incurs a net loss during a reporting period, the calculation of fully diluted loss per share will not include potentially dilutive equity instruments such as restricted stock units, stock option, warrants, contingently issuable shares and convertible debt.

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Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Financial assets are classified as follows:

- **Amortized cost** - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash and accounts receivables.
- **Fair value through other comprehensive income** - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- **Mandatorily at fair value through profit or loss** - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss comprise of the long-term investment. The Company's marketable securities are measured at fair value through profit or loss.
- **Designated at fair value through profit or loss** – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. As at December 31, 2024 the Company has designated certain market securities as financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the

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Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Financial Liabilities at FVTPL

Liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL upon initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. As at December 31, 2024 and 2023 the Company did not have any liabilities measured as FVTPL.

Other Financial Liabilities

Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss. The Company has accounts payable and accrued liabilities, revolver, term loans, debentures, convertible debentures, holdback and advances and non-derivative vendor take backs classified as other financial liabilities.

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Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Government Grants and Assistance

The benefits of tax incentives for scientific research and experimental development expenditures, funding for Industrial Research Assistance Program, and grants from the Ontario Together Fund are recognized in the period the qualifying claim is made providing there is reasonable assurance of recoverability. The grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of loss and comprehensive loss.

Significant accounting judgments and estimates

The preparation of these 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.

The most significant judgments applying to the Company's consolidated financial statements include:

- The classification of financial instruments: The determination of a financial instrument classification requires management to review the instrument's underlying terms and conditions and assess these against the criteria in IFRS 9 included above; and
- Leases renewal terms and incremental borrowing rate: Judgment is required at the inception of a lease as to whether payments associated with future renewal options are included or excluded from the calculation of the lease liability. Management must assess the likelihood of such options being exercised based on factors such as lease rates, improvements made and cost associate with exiting. Additionally, the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific risk adjustments.

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Key sources of estimation uncertainty include:

- In assessing the probability of realizing income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax positions taken will be sustained upon examination by applicable tax authorities;
- The measurement of the value of intangibles and goodwill acquired in business combinations and asset acquisitions. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques. These valuation techniques are generally based on the present value of the forecasted future net cash flows, discounted using the risk adjusted weighted average cost of capital. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied;
- Allowance for expected credit losses: The Company makes an assessment of whether accounts receivable and unbilled revenues are collectible from customers. Accordingly, the Company establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected;
- Useful lives of property and equipment: The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluations and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets;
- Useful lives of intangible assets: The Company estimates the useful lives of intangibles assets over the period in which it expects to obtain economic benefits from the intangible asset. The estimated useful lives of intangible assets are reviewed periodically by management for a change in circumstances which could lead to a change in the useful lives of intangible assets;
- Share-based payment transactions and warrants: The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates; and
- Fair value of financial instruments: The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. The Company uses consistent valuation methodologies by third party experts to determine the fair value of financial assets and liabilities such as those acquired in business combinations.

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- Impairment of non-financial assets: Non-financial assets include property and equipment, intangible assets and goodwill. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate and cash flow projections; and
- Assessing the stage of completion on revenue contracts: This assessment requires management to make judgments on efforts and resulting costs required to complete projects as well as the potential recovery of overruns.

Change in accounting standards

The Company monitors the potential changes proposed by the IASB and analyses the effect that changes in the standards may have on operations. The interpretations of standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below and include standards that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Accounting Policies Adopted During the Year and Prior Year

Amendments to IAS 1 Presentation of Financial Statements

On October 31, 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements ("IAS 1") that apply to annual reporting periods beginning on or after January 1, 2024. The amendments are aimed at improving the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period and to enable users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. These amendments to IAS 1 override but incorporate the previous amendments issued in January 2020, which clarified the criteria for classifying a liability as non-current if there is the right to defer settlement of the liability for at least 12 months after the reporting period.

Accounting Pronouncements Issued But Not Yet Effective

IFRS 18 Presentation and Disclosures in Financial Statements

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosures in Financial Statements ("IFRS 18"). The new standard on presentation and disclosure in financial statements focuses on updates to the statement of income. The key new concepts introduced in IFRS 18 relate to the structure of the statement of income, required disclosures in the financial statements for certain income or loss performance measures that are reported outside an entity's financial statements and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027, and also applies to comparative information. The Company is assessing the impact of this standard on the consolidated financial statements.

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Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments. The key changes included clarification on the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to financial liabilities settled through electronic payment system, including an option to utilize an accounting policy for early derecognition. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance (ESG)-linked features and other similar contingent features. The IASB also added disclosure requirements to provide additional transparency regarding equity investments designated at fair value through other comprehensive income and financial instruments with contingent features, such as those related to ESG requirements.

The amendments are effective for annual periods beginning on or after January 1, 2026 with early application permitted. The Company is assessing the impact of these amendments on the consolidated financial statements.

4. MARKETABLE SECURITIES

	December 31, 2025	December 31, 2024
GIC	3,734,000	3,832,000
USD term deposit (presented in Canadian dollars)	1,644,000	1,560,378
Fixed income	-	1,568,673
iShares bitcoin trust ETF ("IBIT"), call options, shares in public companies	1,696,172	3,608,402
Total marketable securities	<u>\$7,074,172</u>	<u>\$10,569,453</u>

During the years ended December 31, 2025 and December 31, 2024, the Company invested in marketable securities, including GIC's, fixed income securities, iShares bitcoin trust ETF ("IBIT"), call options on IBIT and securities holding digital assets, and shares in public companies. The marketable securities are measured at fair value through profit and loss. For the year ended December 31, 2025 the Company recorded loss on the revaluation of these marketable securities of \$3,082,435. For the year ended December 31, 2024 the Company recorded income on the revaluation of these marketable securities of \$21,738. Included in Net finance income (expense) is \$146,202 of interest income earned on GIC, term deposit, and fixed income investments during the year.

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5. TRADE AND OTHER RECEIVABLES

	December 31, 2025	December 31, 2024
Net trade accounts receivable	1,353,881	1,590,348
Holdback	-	500,000
Director loans	730,000	-
Trade and other receivables	\$2,083,881	\$2,090,348

Trade receivable net carrying value reasonably approximates the fair value of the receivables.
 Director loans are repayable within one year, interest bearing at annual rates ranging from 4% to 6%, and unsecured.

Allowance for expected credit losses

Accounts receivable

	December 31, 2025	December 31, 2024
Opening credit loss allowance	65,725	73,032
Expected credit loss allowance recognized during the year	-	26,822
Receivables written off during the year, net of recoveries	(57,994)	(34,129)
Ending allowance for credit losses	\$7,731	\$65,725

Aging of receivables and the credit loss assessed and provided for are as shown below:

December 31, 2025

	< 30 days	31 - 60	61 -90	> 90 days	Total
Accounts receivable aging ECL %	0.00%	0.00%	0.00%	6.4%	0.5%
Gross carrying amount	1,011,652	180,287	49,100	120,573	1,361,613
Lifetime expected credit loss	-	-	-	(7,731)	(7,731)
Net accounts receivable	\$1,011,652	\$180,287	\$49,100	\$112,842	\$1,353,881

December 31, 2024

	< 30 days	31 - 60	61 -90	> 90 days	Total
Accounts receivable aging ECL %	0.00%	0.00%	0.00%	40.93%	3.6%
Gross carrying amount	1,166,388	188,285	140,838	160,562	1,656,073
Lifetime expected credit loss	-	-	-	(65,725)	(65,725)
Net accounts receivable	\$1,166,388	\$188,285	\$140,838	\$94,837	\$1,590,348

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6. PROPERTY AND EQUIPMENT

	Office Equipment	Equipment	Computer Equipment	Vehicles	Total
Cost					
Balance at January 1, 2025	120,151	79,933	276,432	177,142	653,658
Additions	-	-	4,842	-	4,842
Disposals	-	-	-	(7,003)	(7,003)
Balance at December 31, 2025	120,151	79,933	281,274	170,139	651,497
Accumulated depreciation					
Balance at January 1, 2025	109,649	75,449	243,931	113,936	542,965
Disposals	-	-	-	(7,003)	(7,003)
Depreciation	1,982	832	8,727	12,641	24,182
Balance at December 31, 2025	111,631	76,281	252,658	119,574	560,144
Carrying value					
Balance at December 31, 2025	\$8,520	\$3,652	\$28,616	\$50,565	\$91,353
At December 31, 2024	\$10,502	\$4,484	\$32,501	\$63,206	\$110,693

	Office Equipment	Lab & Other Equipment	Computer Equipment	Vehicles	Computer Software	Leasehold Improvements	Total
Cost							
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.

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7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

Cost	Property	Vehicles	Total
Balance at January 1, 2025	205,991	336,438	542,429
Additions/Acquisitions	-	-	-
Disposals	-	(48,479)	(48,479)
Balance at December 31, 2025	205,991	287,959	493,950
Accumulated depreciation			
Balance at January 1, 2025	65,314	115,952	181,266
Disposals	-	(29,087)	(29,087)
Depreciation	53,699	69,178	122,877
Balance at December 31, 2025	119,013	156,043	275,056
Carrying value			
Balance at December 31, 2025	\$86,978	\$131,916	\$218,894

Lease Liabilities

Opening balance at January 1, 2025	380,673
Additions/Acquisitions	-
Disposals	(30,346)
Principal repayment	(107,922)
Closing balance at December 31, 2025	\$242,405
Current	\$95,303
Long-term	\$147,102

Lease payments for the year ended December 31, 2025

Principal payments	107,922
Interest expense	32,622
Lease payments	\$140,544

Contractual lease payments by fiscal year

2026	\$123,404
2027	\$121,212
2028	\$103,607
2029	\$26,573

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Right-of-Use Assets

Cost	Property	Vehicles	Total
Balance at January 1, 2024	739,264	267,752	1,007,016
Additions/Acquisitions	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

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.

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	<u>\$380,673</u>
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	<u>\$223,524</u>

Contractual lease payments by fiscal year

2025	\$140,544
2026	\$102,669
2027	\$107,821
2028	\$65,607
2029	\$26,573

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8. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Product	Brand	Customer	Intellectual	Patents	Total
		Development	Names	Relationships	Property		Intangible Assets
Cost							
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	-	27,500	-	-	-	-	27,500
Disposals	(1,228,363)	-	-	-	-	-	-
Balance at December 31, 2025	1,207,123	2,755,170	245,400	2,816,766	1,427,260	195,056	7,439,652
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	-	272,556	35,366	222,513	52,076	3,506	586,017
Balance at December 31, 2025	-	2,504,126	144,164	1,662,980	1,016,368	178,033	5,505,671
Carrying value							
At December 31, 2025	\$1,207,123	\$251,044	\$101,236	\$1,153,786	\$410,892	\$17,023	\$1,933,981
At December 31, 2024	\$2,435,486	\$496,099	\$136,601	\$1,376,300	\$462,968	\$20,528	\$2,492,496

	Goodwill	Product	Brand	Customer	Intellectual	Patents	Total
		Development	Names	Relationships	Property		Intangible Assets
Cost							
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

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on fair value less costs of disposal using level 3 inputs in a discounted cash flow model. The fair value less costs of disposal was determined to be in greater than the CGUs value in use. The goodwill impairment amounts and key assumptions used in the estimates of the recoverable amounts are described below:

- Goodwill relating to the SmartSite brand and Efficiency Engineering Inc. were deemed impaired in 2025. The impairment amounts equal the goodwill carrying amounts of \$398,000 and \$830,363 for SmartSite and Efficiency Engineering respectively.
- Cash flows were projected based on the Company's long-term plan. The plan contains forecasts based on actual operating results in conjunction with anticipated future growth opportunities, as well as industry and market trends. The forecasts were extended to a total of three years (with a terminal year thereafter). Revenue compound annual growth rates were 5% and 3% for SmartSite and Efficiency Engineering respectively. The growth rates were 18% and 10% respectively in 2024.

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- The terminal growth rate of 2% was based on historical and projected industry and relevant Indian market data. If all other assumptions were held constant and the terminal growth rate were to decrease by 1% this would not impact the determination of impairment of the goodwill.
- The post tax discount rate applied in determining the recoverable amount of the CGU groups was 15% (2024 – 15%). The discount rates were estimated based on past experience and the weighted average cost of capital of the CGU, other competitors in the industry and adjusted for risks in the cash flow. If all other assumption were held constant and the discount rates were to increase by 1% this would not impact the determination of impairment of the goodwill.

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

9. HOLDBACK

	December 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, 2025. The full amount is under legal dispute.

VENDOR TAKE BACK (“VTB”)

	December 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.

10. INCOME TAX

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to income (loss) from operations before income taxes, shown as follows:

	Dec 31, 2025	Dec 31, 2024
Expected tax rate	26.50%	26.50%
Expected tax benefit resulting from loss	(1,676,731)	3,070,976
Permanent differences	515,987	193,849
Effect of losses not recognized	364,78	99,295
Effect other deductible temporary differences not recognized	723,645	(3,983,191)
True-up of prior years taxes	2,903	742
Other	-	9,277
Income tax recovery	\$(69,411)	\$(609,052)

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The income tax expense (recovery) consists of the following:

	Dec 31, 2025	Dec 31, 2024
Current tax expense	-	154,607
Deferred tax recovery	(69,411)	(763,659)
Recovery of income taxes	(69,411)	(609,052)

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have been recognized for accounting purposes:

	Dec 31, 2025	Dec 31, 2024
Deferred tax asset	348,633	417,666
Deferred tax liability	(348,633)	(487,077)
Net deferred tax liability	-	\$(69,411)

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year are as follows:

	Dec 31, 2024	Recognized in profit and loss	Dec 31, 2025
Deferred tax asset			
Loss carry forwards	281,029	(5,154)	275,875
Right of use assets/liabilities	5,170	1,060	6,230
Scientific research & experimental development credits	121,529	(121,529)	-
Share issue costs	9,938	56,590	66,528
	417,666	(69,033)	348,633
Deferred tax liability			
Property and equipment	(9,336)	(3,092)	(12,428)
Intangible assets	(477,741)	141,536	(336,205)
	(487,077)	138,444	(348,633)
Net deferred tax liability	\$(69,411)	69,411	-

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Gross temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

	Dec 31, 2025	Dec 31, 2024
Property and equipment	37,500	131,093
Intangible assets	628,395	705,140
Scientific research & experimental development credits	343,643	179,073
Marketable securities	3,457,277	378,232
Deferred financing fees	145,967	291,935
Share issue costs	14,398	772,649
Non-capital losses	9,852,456	7,982,887
Capital losses	1,356,504	116,722
Total	<u>\$15,836,140</u>	<u>\$10,557,781</u>

The company has the following non-capital losses available to reduce future years' federal and provincial taxable income, which expire as follows:

2039	386,351
2040	333,812
2041	1,567,463
2042	2,261,392
2043	2,543,317
2044	1,184,035
2045	1,576,086
	<u>\$9,852,456</u>

The net capital loss carry forwards may be carried forward indefinitely but can only be used to reduce capital gains.

11. COMMON SHARES

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

During the year ended December 31, 2025, 2,132,000 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.

12. 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.

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

Options Outstanding	December 31, 2025		December 31, 2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening	3,857,500	\$0.44	3,197,500	\$0.61
Granted	-	-	2,00,000	\$0.30
Expired	(85,000)	\$1.55	(60,000)	\$1.12
Forfeited	(412,500)	\$0.77	(1,330,000)	\$0.59
Closing	3,360,000	\$0.37	3,857,500	\$0.44

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. The following outlines the range of assumptions used for the options issued during the year ended December 31, 2025 and 2024:

Black-Scholes assumptions	December 31, 2025	December 31, 2024
Exercise price	-	\$0.29 - \$0.30
Risk-free interest rate	-	3.0%
Expected life	-	2 – 5 years
Expected volatility	-	100%
Expected dividend yield	-	0%
Weighted average grant date fair value per option	-	\$0.16

The following table summarizes the stock options that remain outstanding as at December 31, 2025:

Range of Exercise Prices	Number of Options Outstanding	Number of Options Vested	Weighted Average Remaining Life (Years)
\$0.29	100,000	100,000	0.84
\$0.30	2,800,000	2,800,000	3.31
\$0.65	395,000	395,000	0.22
\$1.67	65,000	65,000	1.28
	<u>3,360,000</u>	<u>3,360,000</u>	2.83

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The following table summarizes the stock options that remain outstanding as at December 31, 2024:

Range of Exercise Prices	Number of Options Outstanding	Number of Options Vested	Weighted Average Remaining Life (Years)
\$0.29	100,000	100,000	1.84
\$0.30	3,100,000	1,025,000	4.28
\$0.60	25,000	25,000	0.22
\$0.65	430,000	430,000	1.22
\$0.70	27,500	27,500	0.07
\$1.14	10,000	10,000	0.85
\$1.67	65,000	65,000	2.28
\$1.95	10,000	10,000	0.67
\$2.15	40,000	40,000	0.68
\$3.74	50,000	50,000	0.96
	3,857,500	1,782,500	3.68

13. RESERVES

As at December 31, 2025, the outstanding warrants may be exercised for a quantity of 9,307,340 common shares (December 31, 2024 – 10,829,006).

Warrants Outstanding	December 31, 2025		December 31, 2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening	10,829,006	\$1.09	10,829,006	\$1.09
Expired	(1,521,666)	\$1.78	-	-
Closing	9,307,340	\$0.98	10,829,006	\$1.09

Warrant expiration dates: 400,000 on February 9, 2026 and 8,907,340 on February 22, 2028.

14. 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. Director loans are repayable within one year, interest bearing at annual rates ranging from 4% to 6%, and unsecured.

The following is a summary of the related party transactions, including key management compensation for the year ended December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Salaries, benefits and consulting	532,600	1,884,000
Share-based compensation	106,200	152,000
	\$638,800	\$2,036,000

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15. REVENUE

The Company earns revenues from the following geographic regions:

	December 31, 2025	December 31, 2024
Canada	5,675,662	7,813,465
United States	-	3,115,349
	<u>\$5,675,662</u>	<u>\$10,928,814</u>

Contract balances

The following tables provides information about receivables, unbilled revenues and deferred revenues (contract liabilities) from contracts with customers:

	2025	2024
Trade accounts receivable	1,353,881	1,590,348
Unbilled revenue	24,649	59,700
Net contract balances	<u>\$1,378,530</u>	<u>\$1,650,048</u>

A reconciliation of the beginning and ending carrying amounts of contact balances is as follows:

	2025	2024
Opening balance, contract balances	1,650,048	3,273,699
Revenue earned during the year	5,675,662	10,928,814
Expected credit losses	-	7,307
Billings collected in the year	(5,947,180)	(12,559,772)
Net contract balances, end of year	<u>\$1,378,530</u>	<u>\$1,650,048</u>

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16. GAIN ON SALE OF ASSETS

In the second quarter of 2024, the CEMSI business was sold. As such certain assets and liabilities of CEMSI were disposed of and a gain on sale recorded in the amount of \$13,377,659.

Proceeds (including holdback receivable)	16,069,405
Carrying value of assets and liabilities	
Prepays	51,545
Work-in-progress	98,437
Inventory	563,690
Property and equipment	112,176
Right-of-use	276,272
Intangibles	1,219,450
Goodwill	1,000,253
Accruals	(46,265)
Deferred revenue	(289,761)
Lease liabilities	(294,051)
Net assets sold	2,691,746
Gain on sale of assets	13,377,659
Other gain (loss)	(95,847)
	<u>\$13,281,812</u>

17. 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.

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18. 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 December 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.

The Company's contractual liabilities and obligations are as follows:

December 31, 2025

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable	876,281	-	-	876,281
Holdback and VTB	4,082,500	-	-	4,082,500
Lease liabilities	123,404	251,392	-	374,796
Total	\$5,082,185	\$251,392	\$-	\$5,333,577

December 31, 2024

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable	962,768	-	-	962,768
Holdback and VTB	4,082,500	-	-	4,082,500
Lease liabilities	140,544	302,669	-	443,213
Total	\$5,185,812	\$302,669	\$-	\$5,488,481

(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).

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As at December 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 I 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.

	December 31, 2025	December 31, 2024
Cash	34,364	195,143
Marketable securities	3,340,172	5,168,780
Accounts receivable	-	22,922
Accounts payable and accrued liabilities	-	1,348
	\$3,374,536	\$5,388,193

(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. As at December 31, 2025, had the market price for these securities increased or decreased by 10%, with all other variables held constant, net income would have increased or decreased by \$707,417. The Company notes that the investments in IBIT, call options, and shares in public companies are expected to be more volatile than the other marketable securities held.

19. 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.

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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.