

**XTAO INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FISCAL PERIOD ENDED JUNE 30, 2025**  
**(Expressed in US Dollars)**

## DISCLAIMER

The following Management's Discussion & Analysis ("MD&A") of the financial condition and results of the operations of XTAO Inc. (the "Company" or "XTAO") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended June 30, 2025. All information in this MD&A is given as of the period ended June 30, 2025, unless otherwise indicated. All dollar figures are stated in US dollars, unless otherwise indicated.

This MD&A has been prepared in compliance with the requirements of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This MD&A should be read in conjunction with the condensed interim financial statements for the three months ended June 30, 2025, together with the notes thereto. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended June 30, 2025, are not necessarily indicative of the results that may be expected for any future period.

For the purposes of preparing this MD&A, management considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value in the common shares of the Company; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The words "we", "our", "us", "Company" and "XTAO" refer to XTAO Inc. together with its management and/or employees of the Company (as the context may require).

These documents, along with additional information about XTAO, are available under the Company's profile at [www.sedarplus.ca](http://www.sedarplus.ca).

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects," "is expected," "budget," "scheduled," "estimates," "continues," "forecasts," "projects," "predicts," "intends," "anticipates" or "believes," or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may," "could," "would," "should," "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. These forward-looking statements may include, but are not limited to, statements relating to:

- Our expectations regarding our revenue, expenses, operations and future operational and financial performance;
- Our cash flows;
- Popularity, adoption and rate of adoption of cryptocurrencies;
- The rise of Bittensor's increasing market share;
- Our future growth plans and acquisition strategies;
- Our ability to stay in compliance with laws and regulations or the interpretation or application thereof that currently apply or may become applicable to our business in applicable jurisdictions;

- Our expectations with respect to the application of laws and regulations and the interpretation or enforcement thereof and our ability to continue to carry on our business as presently conducted or proposed to be conducted;
- The reliability, stability, performance and scalability of our infrastructure and technology;
- Our ability to attract new customers and maintain existing customers;
- Our ability to attract and retain personnel;
- Our expectations with respect to advancement in our technologies;
- Our competitive position and our expectations regarding competition; and
- Regulatory developments and the regulatory environments in which we operate.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate. Forward-looking statements are also subject to risks and uncertainties which include:

- Decline in the cryptocurrency market or general economic conditions;
- Regulatory uncertainty and risk, including changes in laws or the interpretation or application or enforcement thereof and the obtaining of regulatory approvals;
- We are subject to an extensive and highly evolving and uncertain regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations, or regulatory interpretation of such laws and regulations, could adversely affect our brand, reputation, business, operating results, and financial condition;
- In connection with such laws and regulations or regulatory interpretation thereof, a particular crypto asset's or product offering's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty and if we are unable to properly characterize a crypto asset or product offering, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, and our business, operating results, and financial condition may be adversely affected;
- Risks related to managing our growth;
- Our dependence on customer growth;
- The future development and growth of crypto is subject to a variety of factors that are difficult to predict and evaluate. If crypto does not grow as we expect, our business, operating results, and financial condition could be adversely affected;
- Regulatory risk, including changes in laws or the interpretation or application thereof and the obtaining of regulatory approvals;
- Technology and infrastructure risks;
- Cybersecurity risks;
- Fluctuations in quarterly operating results;
- Competition in our industry and markets;
- Our reliance on key personnel;
- Our reliance on third party service providers;
- Exchange rate fluctuations;
- Risks related to terrorism, geopolitical crisis, or widespread outbreak of an illness or other health issue; and
- Risks associated with acquisitions and the integration of the acquired businesses;

Inherent in forward-looking statements are risks, uncertainties and other factors beyond XTAO's ability to predict or control. Readers are cautioned that the above does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. Moreover, we operate in a competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these

risks, uncertainties, and assumptions, the future events and trends discussed in this document may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that past performance is not indicative of future performance and current trends in the business and demand for crypto assets may not continue and readers should not put undue reliance on past performance and current trends. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## DESCRIPTION OF BUSINESS

XTAO Inc. was incorporated under the laws of the Cayman Islands on December 13, 2024. Its principal place of business is 4th Floor, Genesis Building, 13 Genesis Close, Grand Cayman, Cayman Islands, with its registered office at TTA Corporate Services Limited, PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

XTAO is committed to the continued development of the Bittensor network, a decentralized AI ecosystem. The Company's core business is operating a validator on the Bittensor network, which serves three key purposes: (1) evaluating digital goods (e.g., cloud compute resources, AI models, scientific research, distributed data) produced by miners across subnets; (2) providing access to these goods via APIs; and (3) securing the network. This requires significant hardware resources and technical expertise due to the computational and operational intensity of validating diverse subnets.

On July 10, 2025, the Company and a public company Adrianna Ventures Ltd. ("Adrianna Ventures"), completed a business combination (the "Merger") effected pursuant to the terms of an agreement and plan of merger between Adrianna and XTAO dated May 1, 2025 (the "Merger Agreement") to facilitate a listing on the TSX Venture Exchange (the "TSXV") by the surviving entity to the merger (the "Resulting Issuer"). Pursuant to the terms of the Merger Agreement, Adrianna and XTAO completed a statutory merger pursuant to the laws of the Cayman Islands under the Companies Act (2025 Revision). The Resulting Issuer maintained the name XTAO Inc. The common shares of the post-Merger company (the "Resulting Issuer Shares") commenced trading on the TSXV under the symbol "XTAO.U" on July 22, 2025, following the issuance of the final bulletin of the TSXV in respect of the Merger. Pursuant to the merger, (i) all Adrianna shareholders who would have held twenty-five or fewer Resulting Issuer Shares immediately subsequent to the merger had their Adrianna shares redeemed by the Resulting Issuer at an equivalent price of \$1 per Resulting Issuer Share; and (ii) all remaining Adrianna shares outstanding as of closing of the Merger were exchanged for an aggregate of 540,000 Resulting Issuer Shares.

## FINANCIAL & OPERATIONAL HIGHLIGHTS:

From April 1, 2025 to the date of this MD&A, XTAO has achieved the following milestones:

- **Staking Operations:** XTAO has continued staking operations on the Bittensor network, generating staking rewards in TAO. XTAO has also taken steps in preparation for deployment of a validator on the Bittensor network, which will provide additional network rewards based on delegated stakes and validator performance across selected subnets. XTAO has generated \$168,341 in revenue during the three months ended June 30, 2025.
- **TSXV Listing:** On July 21, 2025, the Resulting Issuer received final approval to list its common shares on the TSXV. The common shares, listed under the stock symbol XTAO.U, commenced trading at the market open on July 22, 2025.

## **STAKING & VALIDATOR OPERATIONS**

XTAO earns revenue by operating a validator on the Bittensor network, staking its own TAO, and managing delegated TAO from third parties. The validator evaluates digital goods, provides API access, and secures the network, earning rewards distributed pro rata to delegators net of fees.

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### **Risks related to validator operations**

Revenue depends on third-party delegators staking TAO to XTAO's validator. Fewer delegators could reduce rewards and yields.

### **Risks related to staking operations**

Staking rewards depend on network quality, liquidity, and compensation rates, which vary based on Bittensor's inflation rate, transaction fees, TAO price, and staking participation. These factors are beyond XTAO's control and may decrease, impacting revenue.

## **CAPITAL RAISING ACTIVITIES**

### **Merger**

On July 10, 2025, the Merger of XTAO with Adrianna Ventures was completed. The Resulting Issuer, which has maintained the name XTAO Inc., has been conditionally approved for listing on Tier 2 of the TSXV as a technology issuer, subject to the satisfaction of customary conditions. Additional information regarding the Merger can be found in the filing statement of Adrianna Ventures dated June 27, 2025 (the "Filing Statement"). A copy of the Filing Statement is available under the Resulting Issuer's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Private Placement**

In connection with the completion of the Merger, the Company completed the Private Placement for aggregate gross proceeds of \$22,779,225, through the issuance of 4,555,845 subscription receipts, at a price of \$5.00 for each subscription receipt (the "Private Placement"). Share issuance costs incurred, comprising cash finders' fees and professional fees, totaled \$893,839, of which \$500,000 was paid to a company controlled by the CEO. On completion of the Merger the securities underlying the subscription receipts converted on a 1 for 5 basis for an aggregate of 22,779,225 Resulting Issuer Shares. The Resulting Issuer Shares issued in connection with the Private Placement are not subject to any restrictions on transfer.

Following closing of the Private Placement and the Merger, the Company had 28,319,225 common shares issued and outstanding, comprised of:

- (i) 22,779,225 common shares issued in connection with the Financing;
- (ii) 5,000,000 common shares issued to XTAO founders, which shares are subject to a three-year lock-up, with 10% being releasable on the three-year anniversary date of listing on the TSXV, and an additional 10% releasable every three (3) months thereafter (the "Lockup"), and subject to rights of refusal and ongoing liquidity restrictions; and
- (iii) 540,000 common shares issued to former shareholders of Adrianna Ventures, which are also subject to the Lockup.

On July 24, 2025, in connection with the Private Placement, the Resulting Issuer also issued 32,970 additional Resulting Issuer Shares for aggregate gross proceeds of \$32,970 at a price of \$1.00 per common share.

### **Granting stock options**

On July 21, 2025, the Resulting Issuer granted 1,870,000 stock options to its management and consultants

with the exercise price of \$1.00 per common share, which includes 540,000 stock options expiring on July 21, 2030 and 1,330,000 stock options expiring on July 21, 2035.

### Non-brokered private placement

On July 22, 2025, the Resulting Issuer closed a separate non-brokered private placement of 200,000 common shares at \$1.00 per common share. The common shares from the private placement will be subject to a four-month plus one-day hold period. No finder's fees are payable in connection with the common share private placement, and the proceeds will be used to acquire TAO.

### Funding

We believe our operating activities will continue to generate adequate cash flows to fund normal operations. However, we continually evaluate opportunities for us to maximize our growth and further enhance our strategic position, including, among other things, acquisitions, strategic alliances, and joint ventures potentially involving all types and combinations of equity, and acquisition alternatives. As a result, we may choose to raise additional funds to support those strategic initiatives.

## RESULTS OF OPERATIONS

XTAO has generated \$168,341 in revenue from staking rewards for the three months ended June 30, 2025. Net income and comprehensive income for this period of \$528,914 are primarily due to revaluation gain on digital assets of \$392,884.

The Company's digital currencies are remeasured as of the reporting date. The following summary shows a summary of digital currencies' balance, their costs and fair values as at as at June 30, 2025, and March 31, 2025:

	Number of digital assets	Cost \$	Fair Value \$
TAO	10,032	3,723,795	2,244,961
USDC	5,000	5,000	5,000
<b>Balance, March 31, 2025</b>	<b>15,032</b>	<b>3,728,795</b>	<b>2,249,961</b>
Digital assets	5,202	70,237	50,302
Digital assets - held in escrow	9,830	3,658,558	2,199,659
<b>Balance, March 31, 2025</b>	<b>15,032</b>	<b>3,728,795</b>	<b>2,249,961</b>
TAO	21,923	8,425,816	7,339,749
USDC	160,003	160,003	159,985
<b>Balance, June 30, 2025</b>	<b>181,926</b>	<b>8,585,819</b>	<b>7,499,734</b>
Digital assets	160,692	238,715	235,606
Digital assets - held in escrow	21,234	8,347,104	7,264,128
<b>Balance, June 30, 2025</b>	<b>181,926</b>	<b>8,585,819</b>	<b>7,499,734</b>

Below is a continuity of digital assets for the three months ended June 30, 2025:

	USDC number	USDC \$	TAO number	TAO \$	Total \$
Digital assets	5,000	5,000	202	45,302	50,302
Digital assets - held in escrow	-	-	9,830	2,199,659	2,199,659
<b>Balance, March 31, 2025</b>	<b>5,000</b>	<b>5,000</b>	<b>10,032</b>	<b>2,244,961</b>	<b>2,249,961</b>
Digital assets received for subscription receipts - held in escrow	155,000	155,000	11,404	4,533,548	4,688,548
Staking rewards	-	-	486	168,341	168,341
Revaluation of digital assets	-	(15)	-	392,899	392,884
<b>Balance, June 30, 2025</b>	<b>160,000</b>	<b>159,985</b>	<b>21,922</b>	<b>7,339,749</b>	<b>7,499,734</b>
Digital assets	5,000	5,000	688	230,606	235,606
Digital assets - held in escrow	155,000	154,985	21,234	7,109,143	7,264,128
<b>Balance, June 30, 2025</b>	<b>160,000</b>	<b>159,985</b>	<b>21,922</b>	<b>7,339,749</b>	<b>7,499,734</b>

The Company's operating expenses during the period were \$37,865, which primarily pertain to the professional fees, including legal, consulting and accounting fees. XTAO expects that its operating expenses will increase in line with its operations.

## SUMMARY OF QUARTERLY RESULTS

The following table shows selected quarterly financial information for each of the last quarters since incorporation on December 13, 2024:

	Period Ended 30-Jun-25 \$	Period Ended 31-Mar-25 \$
Total restricted cash	6,265,459	999,854
Working capital	6,048,348	817,820
Shareholders' equity	13,548,082	3,067,780
Income (loss) for the period	528,914	(1,595,778)
Income (loss) per share	0.53	(1.65)

## LIQUIDITY AND GOING CONCERN

The Company's principal source of liquidity at June 30, 2025, was restricted cash totaling \$6,265,459 at June 30, 2025 (March 31, 2025 – \$999,854).

During the three months ended June 30, 2025, the Company's cash used in operating activities amounted to \$276. The Company received proceeds from subscription receipts in cash of \$5,258,672.

As at June 30, 2025, the majority of the Company's assets are restricted, primarily due to escrow arrangements related to subscription receipts. Excluding these restricted assets, the Company has a working capital deficit as at June 30, 2025. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. As at June 30, 2025, management was actively pursuing the completion of the Merger with Adrianna Ventures and other financing opportunities to address liquidity needs.

The condensed interim financial statements of the Company and this MD&A have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the

foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **RELATED PARTY TRANSACTIONS**

Related parties are persons or entities that have control, joint control, or significant influence over the Company, or who are members of key management personnel of the Company.

### **Key Management Personnel**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of its CEO.

During the three months ended June 30, 2025, the Company did not have any transactions with the related parties other than expenses paid by the CEO on behalf of the Company.

The balance due to the Company's related parties included in accounts payables and accrued liabilities was \$44,815 as at June 30, 2025 (March 31, 2025 – \$21,659), payable for reimbursement of expenses to its CEO. These amounts are unsecured, non-interest bearing and payable on demand.

## **CAPITAL RESOURCES AND MANAGEMENT**

Capital is comprised of the Company's shareholders' equity, which totaled \$13,548,082 as at June 30, 2025 (March 31, 2025 – \$3,071,950). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

The Company manages and adjusts its capital structure, based on the funds available to the Company, to support the investment in cryptocurrencies and blockchain companies. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, or acquire or dispose of assets. The Company ensures that there is sufficient working capital and planned future capital raises to meet its short-term business requirements, considering its anticipated cash flow from operations. Management believes the Company's working capital is presently sufficient for the Company to meet its near-term objectives.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments as at June 30, 2025, consist of restricted cash, deferred financing costs, and its accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

Cash consists solely of cash held in a major Canadian reputable bank.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates involving the Canadian dollar.

## **FAIR VALUE OF FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES**

The Company classifies its fair value measurements in accordance with an established hierarchy that

prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not observable for the asset or liability.

The following table sets forth the Company’s assets measured at fair value by level within the fair value hierarchy as at June 30, 2025, and March 31, 2025:

	<b>Fair value hierarchy</b>	<b>As at June 30, 2025 \$</b>	<b>As at March 31, 2025 \$</b>
<b>Assets:</b>			
Digital assets	Level 2	235,606	50,302
Digital assets - held in escrow	Level 2	7,264,128	2,199,659
<b>Total</b>		<b>7,499,734</b>	<b>2,249,961</b>

Management considers the fair value of digital assets to be Level 2 under IFRS 13 Fair Value Measurement fair value hierarchy. Management determined fair value of digital assets by reference to the daily closing price of TAO and USDC listed on CoinGecko an independent third-party that makes prices publicly available, for each relevant digital asset.

The carrying values of the Company’s cash, deferred transaction costs, accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these instruments.

## **SHARE CAPITAL**

As at the date of this MD&A, XTAO as the Resulting Issuer had 28,352,195 issued and outstanding common shares and 1,870,000 incentive stock options, exercisable at the price of \$1.00.

## **SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and expenses. Actual results may differ significantly from these estimates.

The significant judgements made by management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those applied to the annual audited financial statements for the period ended March 31, 2025.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

There are no recent accounting pronouncements or standards expected to have a material impact on the Company.

## **FINANCIAL RISK FACTORS**

### **Safeguarding of Cryptocurrency Assets**

Digital assets are exposed to unique risks of loss or theft, relative to traditional assets. If the credentials (or private keys) to a digital wallet or asset are lost, stolen or destroyed, the digital assets are not recoverable and would be lost by the Company. The Company uses unique physical devices each with a unique backup. Should there be a flaw in the physical devices or uniqueness to how the randomness is generated, the Company may also be at risk of losing access to the assets. This may extend to loss of

physical access due to acts of God or an unforeseen change in access controls. Industry best practices continue to emerge, and it is also possible that updates to software, firmware, device changes may also may not be completed in a timely way should there be an event requiring the Company to update its custody procedures before a loss of digital assets occurs. In addition, at brief periods of time, digital assets may be held in “hot wallets” which are considered to be higher risk of theft through cyber hacks.

### **Risk Disclosures**

Exposure to credit, interest rate, cryptocurrency, and currency related risks arises in the normal course of the Company's business.

#### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's maximum exposure to credit risk is limited to the carrying values of restricted cash shown on its condensed interim statement of financial position, which totaled \$6,265,459 at June 30, 2025 (March 31, 2025 – \$999,854). The restricted cash is held with high credit quality financial institutions, management considers the risk of loss on these financial instruments to be minimal.

#### **Interest Rate Risk**

The Company has no exposure to interest rate risk since there are no outstanding debts or other payables subject to interest charges at the end of the reported periods.

#### **Cryptocurrencies Risk**

Cryptocurrencies are measured at fair value less cost to sell. Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and political and economic conditions. Further, cryptocurrencies have no underlying backing or contracts to enforce recovery of invested amounts. The profitability of the Company is related to the current and future market price of cryptocurrencies, mainly Bittensor; in addition, the Company may not be able to liquidate its cryptocurrencies at its desired price if necessary. Investing in cryptocurrencies is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends.

Cryptocurrencies have a limited history; their fair values have historically been volatile, and the value of cryptocurrencies held by the Company could decline rapidly. A decline in the market prices of cryptocurrencies could negatively impact the Company's future operations. Historical performance of cryptocurrencies is not indicative of their future performance.

Many cryptocurrency networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. In the data packets distributed from cryptocurrency software programs to confirm transaction activity, each party to the transaction user must sign transactions with a data code derived from entering the private key into a hashing algorithm, which signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency. This process is vulnerable to hacking and malware and could lead to theft of the Company's digital wallets and the loss of the Company's cryptocurrency.

Cryptocurrencies are loosely regulated and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, exchanges may suffer from operational issues, such as delayed execution, which could have an adverse effect on the Company.

The cryptocurrency exchanges on which the Company may trade on are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets. Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Company to recover money or cryptocurrencies being held on the exchange. Further, the Company may be unable to recover cryptocurrencies awaiting transmission into or out of the exchange, all of which could adversely affect an investment of the Company. Additionally, to the extent that the digital asset exchanges representing a substantial portion of the volume in digital asset trading

are involved in fraud or experience security failures or other operational issues, such as digital asset exchanges' failures may result in loss or less favorable prices of cryptocurrencies, or may adversely affect the Company, its operations, and its investments.

Furthermore, crypto-exchanges engage in commingling their client's assets in exchange wallets. When crypto-assets are commingled transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is a risk around the occurrence of transactions or existence of period end balances represented by exchanges.

#### **Loss of access risk**

The loss of access to the private keys associated with the Company's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed, or otherwise compromised and no backup is accessible the Company may be unable to access the cryptocurrency.

#### **Irrevocability of transactions**

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation.

#### **Market Risk**

Market risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of foreign currency risk and interest rate risk.

#### **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Company maintains its restricted cash in Canadian dollars and US dollars. As at June 30, 2025 restricted cash held in banks was mainly denominated in US dollars.

As at June 30, 2025 the Company had certain monetary items denominated in Canadian dollars. Based on these net exposures, the impact of a 10% variance in the exchange rate of the Canadian dollar on the Company's earnings would be approximately \$9,640 (March 31, 2025 – \$9,010).

#### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Management endeavors to maintain cash in excess of financial liabilities, to enable payment of financial liabilities as they come due. As June 30, 2025, the Company had restricted cash of \$6,265,459 (March 31, 2025 – \$999,854), to settle accounts payable and accrued liabilities of \$293,078 (March 31, 2025 – \$188,995) which are short-term in nature and subject to normal trade terms.

#### **Price risk:**

Digital currencies are measured based on their fair values, determined based on the price from CoinGecko.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is affected by the current and future market price of digital currencies; in addition, the Company may not be able to sell its digital currencies at its desired price if required.

A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company from time to time converts its digital assets but has not entered into any hedge transactions. Digital assets have a limited history, and the fair value historically has been very volatile. Historical performances of digital assets are not indicative of their future price performance. The Company's digital

assets consist primarily of TAO and USDC. The impact of a 10% variance in the price of these digital assets on the Company's earnings or other comprehensive income, based on their closing prices at June 30, 2025 would be approximately \$749,973 (March 31, 2025 – \$224,996).

### **Concentration Risk**

The Company is exposed to concentration risk as the majority of its assets are held in Bittensor and related validator operations. The value of these assets is highly dependent on the performance, stability, and adoption of the Bittensor network, as well as broader cryptocurrency market and economic conditions. Any adverse developments, including regulatory changes, security incidents, or network disruptions, could materially impact the Company's financial position. The Company continuously evaluates its exposure and risk management strategies to mitigate potential adverse effects.

### **Regulatory Risk**

The regulatory environment for digital assets, including Bittensor, remains uncertain and continues to evolve. Changes in laws, regulations, or enforcement actions in key jurisdictions could impact the Company's ability to operate validator nodes, stake assets, or transact in Bittensor. Regulatory developments may also affect the liquidity, valuation, or classification of Bittensor under applicable financial reporting standards. The Company actively monitors regulatory changes and assesses potential impacts on its operations and financial position.

### **Bittensor Governance Risk**

Bittensor's development and governance are significantly influenced by the OpenTensor Foundation, which plays a key role in protocol upgrades, ecosystem growth, and validator coordination. While Bittensor operates as a decentralized blockchain, the OpenTensor Foundation's decision-making authority could impact network stability, economic incentives, or technical direction in ways that may not align with the interests of all stakeholders. Any material changes initiated by the OpenTensor Foundation, including governance proposals, tokenomics adjustments, or network upgrades, could affect the Company's validator operations and the value of its Bittensor and Bittensor-related assets. The Company continues to monitor governance developments and assess potential risks to its operations.

### **Other Risk Factors**

Risks which the Company is not aware of or which the Company currently deems to be immaterial may surface and have a material adverse impact on the Company's business income and financial condition. Exposure to credit, interest rate, cryptocurrency and currency risks arises in the normal course of the Company's business.

## **OTHER INFORMATION**

This discussion and analysis of the financial position and results of operation as at June 30, 2025, should be read in conjunction with the Company's condensed interim financial statements for the three months ended June 30, 2025. Additional information can be accessed through the Company's public filings under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's condensed interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The condensed interim financial statements were prepared by the Company's management in accordance with IFRS. The condensed interim financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the condensed interim financial statements are presented fairly in all material respects.

"Karia Samaroo"  
Chief Executive Officer  
August 28, 2025