KONTROL TECHNOLOGIES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 and 2025
(Prepared in Canadian dollars)

UNAUDITED

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Notes	March 31 2026	December 31 2025
Assets			
Cash		**$610,008**	$763,709
Marketable securities	3	**6,988,090**	7,074,172
Trade and other receivables	4	**1,712,742**	2,083,881
Unbilled revenue		**43,189**	24,649
Finished inventory		**67,769**	68,962
Prepaid expenses and deposits		**53,255**	60,922
Current assets		**9,475,053**	10,076,295
Property and equipment	5	**86,427**	91,353
Right-of-use assets	6	**287,155**	218,894
Goodwill	7	**1,207,123**	1,207,123
Intangible assets	7	**1,784,287**	1,933,981
Non-current assets		**3,364,992**	3,451,351
Total assets		**$12,840,045**	$13,527,646
Liabilities			
Accounts payable and accrued liabilities		**547,798**	876,281
Holdback and advances	8	**582,500**	582,500
Vendor take back	8	**3,500,000**	3,500,000
Current portion of lease liabilities	6	**92,432**	95,303
Current liabilities		**4,722,730**	5,054,084
Lease liabilities	6	**223,472**	147,102
Non-current liabilities		**223,472**	147,102
Total liabilities		**4,946,202**	5,201,186
Equity			
Common shares	9	**26,984,283**	26,984,283
Contributed surplus		**1,731,639**	1,731,639
Reserves	11	**4,290,173**	4,290,173
Deficit		**(25,112,252)**	(24,679,635)
Total equity		**7,893,843**	8,326,460
Total liabilities and equity		**$12,840,045**	$13,527,646

Contingent liabilities (Note 13)

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

		Three months ended	
		March 31	March 31
	Notes	**2026**	2025
Revenue		**$1,296,862**	$1,493,383
Cost of sales		**546,906**	685,579
Gross profit		**749,956**	807,804
Advertising and promotion		**3,636**	3,583
Business fees and licenses		**80,951**	91,652
Consulting		**67,560**	72,473
Employee salaries and benefits		**519,805**	556,011
Insurance		**18,774**	38,948
Maintenance and repairs		**33,628**	36,224
Office and general		**10,539**	10,851
Other income		**(24,000)**	(28,503)
Professional fees		**110,396**	180,913
Rent and utilities		**21,499**	18,962
Telecommunication		**11,174**	16,666
Travel		**29,357**	38,545
Amortization - intangibles	7	**157,194**	119,392
Depreciation - property & equip. and right-of-use	5 & 6	**33,364**	36,660
Share-based compensation		**-**	48,473
		1,073,877	1,240,850
Loss before undernoted		**(323,921)**	(433,046)
Net finance income		**23,776**	30,208
Unrealized loss on revaluation of marketable securities		**(132,472)**	(742,995)
		(108,696)	(712,787)
Net loss and comprehensive loss for the period		**$(432,617)**	$(1,145,833)

Loss per common share		
Basic and Diluted	**$(0.01)**	**$(0.02)**
Weighted average number of common shares outstanding		
Basic and Diluted	**53,759,169**	55,560,730

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

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

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

	Number of Shares	Common Shares	Contributed Surplus	Reserves	Deficit	Total Equity
As at December 31, 2025	53,759,169	$ 26,984,283	$ 1,731,639	$ 4,290,173	$ (24,679,635)	$ 8,326,460
Net loss	-	-	-	-	(432,617)	(432,617)
As at March 31, 2026	**53,759,169**	**$26,984,283**	**$1,731,639**	**$4,290,173**	**$(25,112,252)**	**$7,893,843**

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

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

	Three months ended March 31 2026	Three months ended March 31 2025
Operating activities		
Net loss	**$(432,617)**	$(1,145,833)
Non-cash items		
Revaluation of marketable securities	**132,472**	742,995
Amortization and depreciation	**190,558**	156,052
Share-based compensation	**-**	48,473
Net finance income	**(23,776)**	(30,208)
Non-cash working capital items		
Trade receivable	**371,139**	146,798
Deferred tax	-	(9,000)
Unbilled revenue	**(18,540)**	(9,454)
Finished inventory	**1,193**	-
Prepaid expenses and deposits	**7,667**	(42,929)
Accounts payable and accrued liabilities	**(328,483)**	(442,847)
Cash flows used in operating activities	**(100,387)**	(585,953)
Investing activities		
Additions to product development, equipment, and leases	**(5,024)**	(7,500)
Purchase of marketable securities	**(46,390)**	(120,238)
Proceeds from interest income	**33,045**	-
Cash flows used in investing activities	**(18,369)**	(127,738)
Financing activities		
Payment of lease principal	**(25,676)**	(25,974)
Repurchase of common shares	**-**	(130,000)
Payment of interest	**(9,269)**	(14,105)
Cash flows used in financing activities	**(34,945)**	(170,079)
Decrease in cash	**(153,701)**	(883,770)
Cash at beginning of period	**763,709**	2,068,029
Cash at end of period	**$610,008**	$1,184,259

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

1. NATURE OF OPERATIONS

Kontrol Technologies Corp. ("Kontrol" or the "Company") was incorporated under the laws of the Province of British Columbia and authorized continuance of the Company from the Business Corporations Act (British Columbia) to the Business Corporations Act (Ontario) ("OBCA"), and amendment of the Company's current articles of incorporation and bylaws to conform to the OBCA. The Company's common shares are listed in the Cboe Exchange (NEO:KNR). The Company is a provider of energy efficiency solutions to commercial energy consumers. Through a disciplined mergers and acquisition strategy and technology platform, Kontrol's market-based energy solutions are designed to reduce its customers overall cost of energy while providing a reduction in Green House Gas (GHG) emissions. Management of the Company considers there to be one operating segment being the provision of energy management and consulting services. All of the Company's operations are in Canada. The address of the Company's head office is 11 Cidermill Ave, Unit 201, Concord, ON, L4K 4B6.

2. BASIS OF PREPARATION

Statement of Compliance

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

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2025. The accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the most recent annual audited consolidated financial statements.

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

Basis of Presentation

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

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

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

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

On August 4, 2017, the Company acquired 100% of Efficiency Engineering Inc. ("EE Inc."), a company incorporated in Ontario. EE Inc. provides engineering services to industrial, municipal and commercial building owners across Canada.

On April 30, 2018, the Company acquired assets from MCW Dimax Ltd. The purchased assets are used to manage HVAC systems in real time through ongoing monitoring and analysis. The acquisition of MCW Dimax Ltd was determined to be an acquisition of a business under IFRS 3 Business combinations.

On September 20, 2018, the Company acquired 100% of CEM Specialties Inc. ("CEMSI"), a company incorporated in Ontario. CEMSI provides the Canadian and US market with value added solutions for continuous emissions and process monitoring applications. Kontrol Technologies Corp. and CEMSI were amalgamated on June 21, 2024. The amalgamated name is Kontrol Technologies Corp. On June 24, 2024 the CEMSI business was sold through an asset sale.

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

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

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

Basis of Consolidation

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

Significant accounting judgments and estimates

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

3. MARKETABLE SECURITIES

	March 31, 2026	December 31, 2025
GIC	3,756,000	3,734,000
USD term deposit (presented in Canadian dollars)	1,668,000	1,644,000
Shares in public companies	1,564,090	1,696,172
Total marketable securities	$6,988,090	$7,074,172

During the three months ended March 31, 2026 and during the year ended December 31, 2025, the Company invested in marketable securities, including GIC's, term deposit, and shares in public companies. The marketable securities are measured at fair value through profit and loss. For the three months ended March 31, 2026 the Company recorded unrealized loss on the revaluation of these marketable securities of $132,472. For the year ended December 31, 2025 the Company recorded unrealized loss on the revaluation of these marketable securities of $3,082,435. Included in Net finance income is $33,045 and $146,202 of interest income earned on GIC, term deposit, and fixed income investments during the three months ended March 31, 2026 and year ended December 31, 2025 respectively.

4. TRADE AND OTHER RECEIVABLES

	March 31, 2026	December 31, 2025
Net trade accounts receivable	982,742	1,353,881
Director loans	730,000	730,000
Trade and other receivables	$1,712,742	$2,083,881

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.

5. PROPERTY AND EQUIPMENT

Cost	**Office Equipment**	**Equipment**	**Computer Equipment**	**Vehicles**	**Total**
Balance at January 1, 2026	120,151	79,933	281,274	170,139	651,497
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at March 31, 2026	120,151	79,933	281,274	170,139	651,497
Accumulated depreciation					
Balance at January 1, 2026	111,631	76,281	252,658	119,574	560,144
Disposals	-	-	-	-	-
Depreciation	426	183	1,789	2,528	4,926
Balance at March 31, 2026	112,057	76,464	254,447	122,102	565,070
Carrying value					
Balance at March 31, 2026	$8,094	$3,469	$26,827	$48,037	$86,427

Cost	**Office Equipment**	**Equipment**	**Computer Equipment**	**Vehicles**	**Total**
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

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

Cost	**Property**	**Vehicles**	**Total**
Balance at January 1, 2026	205,991	287,959	493,950
Additions/Acquistions	99,175	-	99,175
Disposals	(93,322)	-	(93,322)
Balance at March 31, 2026	211,844	287,959	499,803
Accumulated depreciation			
Balance at January 1, 2026	119,013	156,042	275,055
Disposals	(90,845)	-	(90,845)
Depreciation	13,567	14,871	28,438
Balance at March 31, 2026	41,735	170,913	212,648
Carrying value			
Balance at March 31, 2026	$170,109	$117,046	$287,155

Lease Liabilities

Opening balance at January 1, 2026	242,405
Additions/Acquisitions	99,175
Disposals	-
Principal repayment	(25,676)
Closing balance at March 31, 2026	$315,904

Current	$92,432
Long-term	$223,472

Lease payments for the period ended March 31, 2026

Principal payments	25,676
Interest expense	7,218
Lease payments	$32,894

Contractual lease payments by fiscal year

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

Right-of-Use Assets

Cost	**Property**	**Vehicles**	**Total**
Balance at January 1, 2025	205,991	336,438	542,429
Additions/Acquistions	-	-	-
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

IBR of 10% used for lease liability additions. The stated contractual lease payments are undiscounted.

7. GOODWILL AND INTANGIBLE ASSETS

Cost	Goodwill	Product Development	Brand Names	Customer Relationships	Intellectual Property	Patents	Total Intangible Assets
Balance at January 1, 2026	1,207,123	2,755,170	245,400	2,816,766	1,427,260	195,056	7,439,652
Additions	-	7,500	-	-	-	-	7,500
Disposals	-	-	-	-	-	-	-
Balance at March 31, 2026	1,207,123	2,762,670	245,400	2,816,766	1,427,260	195,056	7,447,152
Accumulated amortization							
Balance at January 1, 2026	-	2,504,126	144,164	1,662,981	1,016,368	178,032	5,505,671
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Amortization	-	69,139	6,654	56,114	24,411	876	157,194
Balance at March 31, 2026	-	2,573,265	150,818	1,719,095	1,040,779	178,908	5,662,865
Carrying value							
At March 31, 2026	$1,207,123	$189,405	$94,582	$1,097,671	$386,481	$16,148	$1,784,287

Cost	**Goodwill**	**Product Development**	**Brand Names**	**Customer Relationships**	**Intellectual Property**	**Patents**	**Total Intangible Assets**
Balance at January 1, 2025	2,435,486	2,727,670	245,400	2,816,766	1,427,260	195,056	7,412,152
Additions	-	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

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 for 2025 were 5% and 3% for SmartSite and Efficiency Engineering respectively.
- 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 for 2025 was 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.

8. HOLDBACK

	March 31, 2026	December 31, 2025
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 March 31, 2026. The full amount is under legal dispute.

VENDOR TAKE BACK ("VTB")

	March 31, 2026	December 31, 2025
VTB relating to Global acquisition	3,500,000	3,500,000

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

9. COMMON SHARES

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

During the year ended December 31, 2025, 2,132,000 shares were repurchased under the Company's normal course issuer bid.

10. STOCK OPTIONS

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

The following is a summary of the changes in the Company's stock option plan for the three months ended March 31, 2026 and 2025:

Options Outstanding	March 31, 2026		March 31, 2025	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening	3,360,000	$0.37	3,857,500	$0.44
Granted	-	-	-	-
Expired	-	-	(25,000)	$0.60
Forfeited	-	-	(412,500)	$0.77
Closing	3,360,000	$0.37	3,240,000	$0.40

The fair value of stock options is determined using the Black-Scholes Model. Volatility is calculated by using the historical volatility. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. There were no options issued during the three months ended March 31, 2026 and March 31,2025.

11. RESERVES

As at March 31, 2026, the outstanding warrants may be exercised for a quantity of 8,907,340 common shares (December 31, 2025 – 9,307,340).

Warrant expiration dates: 8,907,340 on February 22, 2028.

12. RELATED PARTY TRANSACTIONS

Key Management Compensation

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors. 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 three months ended March 31, 2026 and 2025.

	March 31, 2026	March 31, 2025
Salaries, benefits and consulting	38,100	104,800
Share-based compensation	50,700	35,702
	$88,800	$140,502

13. CONTINGENT LIABILITIES

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

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

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

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

14. FINANCIAL INSTRUMENTS

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

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the liquidity of its cash, accounts receivable and certain marketable securities. The Company limits exposure to credit risk by maintaining its cash with large Canadian financial institutions. To mitigate credit risk with respect to accounts receivable the Company subjects all major customer accounts to its credit evaluation process. The Company's maximum exposure to credit risk as at March 31, 2026 is the carrying value of cash held with financial institutions, marketable securities and accounts receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements after taking into account cash flows from operations, the Company's holdings of cash, available credit facilities, and by initiating new debt or equity financings. The Company manages liquidity risk through the management of its capital structure.

(c) Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities:
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2026 and December 31, 2025, both the carrying and fair value amounts of all the Company's financial instruments was approximately equivalent. The Company's marketable securities are measured at fair value and are classified as level 1 within the fair value hierarchy.

(d) Foreign currency risk

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

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

(e) Market price risk

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

15. MANAGEMENT OF CAPITAL RISK

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

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

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

To maximize the ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term marketable securities. The Company's approach to managing capital remains unchanged from the year ended December 31, 2025.