SurgeDigital

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2026 and 2025

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

Surge Digital Inc. *(formerly BIGG Digital Assets Inc.)*

TSX Venture Exchange: SRGE · OTCQX: BBKCD · WKN: A2PS9W

Notice to Reader

For the three and six months ended June 30, 2026 and 2025

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Surge Digital Inc. as at June 30, 2026 and 2025, notes to unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

Condensed Consolidated Interim Statements of Financial Position

At June 30, 2026 and December 31, 2025

(Expressed in Canadian Dollars)

As at	Note		June 30, 2026 (Unaudited)		December 31, 2025 (Audited)
Assets					
Current					
Cash and cash equivalents	4	$	8,246,371	$	6,196,553
Restricted cash	5		8,941,510		10,943,925
Accounts and other receivables			1,659,563		992,714
Digital currency inventory	6		97,879,010		165,554,187
Prepaids			541,561		357,643
Total current assets			**117,268,015**		**184,045,022**
Digital currencies	7		27,781		837,081
Investments	8		76,024		274,119
Financial asset	9		740,767		715,727
Intangible assets	10		113,094		157,187
Goodwill	10		1,071,851		1,071,851
Right-of-use asset	11		6,281		16,285
Equipment	13		84,701		105,944
Total assets		**$**	**119,388,514**	**$**	**187,223,216**
Liabilities and Equity					
Current liabilities					
Accounts payable and accrued liabilities	14, 16	$	5,834,475	$	2,828,155
Contract liability			557,949		736,817
Customer deposits – cash			8,859,010		10,861,425
Customer deposits – digital currency			94,770,604		157,332,305
Lease liability	12		16,069		22,190
Total current liabilities			**110,038,107**		**171,780,892**
Non-current liabilities					
Lease liability	12		-		3,669
Total liabilities			**110,038,107**		**171,784,561**
Equity					
Share capital	15		121,146,390		121,146,395
Equity reserves	15		17,839,138		17,725,426
Accumulated other comprehensive income			2,813,509		2,938,984
Deficit			(132,448,630)		(126,372,150)
Total equity			**9,350,407**		**15,438,655**
Total liabilities and equity		**$**	**119,388,514**	**$**	**187,223,216**

Going concern *[note 1]*

Contingent liabilities and provisions *[note 19]*

Subsequent events *[note 22]*

On behalf of the Board:

"Lance Morginn"	*"Fraser Matthews"*
Director	Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2026 and 2025

(Unaudited, expressed in Canadian Dollars)

	Notes	Three months ended		Six months ended	
		June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Revenue					
Subscription revenue		$ 361,005	$ 466,861	$ 733,345	$ 947,896
Service revenue		52,072	114,870	122,500	222,400
Transaction revenue	6	1,408,612	2,079,177	2,973,430	5,459,754
Metaverse studio and advisory revenue		-	-	-	118,768
		1,821,689	2,660,908	3,829,275	6,748,818
Cost of sales		31,733	40,540	78,240	200,176
		1,789,956	**2,620,368**	**3,751,035**	**6,548,642**
Expenses					
Advertising and promotion		114,042	201,040	245,490	414,508
Amortization and depreciation	10, 11, 13	45,913	85,524	96,632	170,992
Bad debt		(235)	12,038	2,782	29,667
Business operations expense		49,074	153,443	180,212	262,463
Consulting		149,574	94,404	308,271	188,979
Director's fees	16	31,117	27,967	59,084	54,000
Office and administration		783,631	966,788	1,584,159	2,086,227
Professional fees		820,840	592,599	1,402,139	1,013,454
Regulatory and listing fees		39,680	32,073	119,371	61,424
Research and development		146,431	488,300	351,856	1,756,104
Share-based compensation	16	39,904	18,791	113,712	41,442
Shareholder communications		24,205	10,290	33,837	38,203
Travel		29,183	14,698	44,354	23,816
Wages and benefits	16	1,385,643	1,975,503	3,069,189	4,169,826
Loss from operating activities		**(1,869,046)**	**(2,053,090)**	**(3,860,053)**	**(3,762,463)**
Other income (expenses)					
Interest income		64,722	56,944	127,409	180,224
Provision for GST assessment	19	-	(34,180)	-	(190,252)
Foreign exchange gain (loss)		993,029	(230,026)	1,043,337	(186,177)
Gain on sale of equity investment		-	151,392	-	151,392
Gain (loss) on sale of digital currencies		-	347,552	(2,063)	844,582
Gain on sale of digital currency inventory		813,682	190,363	808,804	393,714
Unrealized gain (loss) on investments	8	(208,175)	29,458	(208,175)	-
Unrealized gain on derivative financial asset	9	14,685	7,028	25,040	7,028
Unrealized loss on digital currencies		(901)	(509)	(1,011)	(1,512)
Unrealized gain (loss) on digital currency inventory		(2,243,656)	1,418,579	(3,918,183)	(1,097,442)
Impairment of intangible assets	10	(11,485)	(1,294)	7,568	(48,883)
Other		-	-	(254)	-
Loss before income taxes		**$ (2,447,145)**	**$ (117,783)**	**$ (5,977,581)**	**$ (3,709,789)**
Tax (expense) recovery		(97,807)	484	(98,899)	(26,397)
Net loss for the period		**$ (2,544,952)**	**$ (117,299)**	**$ (6,076,480)**	**$ (3,736,186)**
Basic and diluted loss per common share		**$ (0.05)**	**$ (0.00)**	**$ (0.12)**	**$ (0.07)**
Weighted average number of common shares outstanding[(1)]		50,825,782	50,825,782	50,825,782	50,825,782

(1) The weighted average number of common shares outstanding and loss per share for all periods presented have been retrospectively adjusted to reflect the 7:1 share consolidation completed subsequent to June 30, 2026 (note 22)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss *(cont'd)*

For the three and six months ended June 30, 2026 and 2025

(Unaudited, expressed in Canadian Dollars)

	Three months ended		Six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Net loss for the period	**$ (2,544,952)**	**$ (117,299)**	**$ (6,076,480)**	**$ (3,736,186)**
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss				
Unrealized gain (loss) on digital currencies	(732)	381,125	(144,756)	(555,152)
Item that may be reclassified to profit or loss				
Currency translation adjustment	(24,094)	137,318	19,281	130,687
Other comprehensive income (loss) for the period	**(24,826)**	**518,443**	**(125,475)**	**(424,465)**
Comprehensive income (loss) for the period	**$ (2,569,778)**	**$ 401,144**	**$ (6,201,955)**	**$ (4,160,651)**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2026 and 2025

(Unaudited, expressed in Canadian Dollars)

	Number of Shares	Share Capital	Equity Reserves	Revaluation Reserve	Cumulative Translation Adj.	Deficit	Total
Balance at December 31, 2024	**355,780,820**	**$ 121,146,397**	**$ 17,244,770**	**$ 4,404,878**	**$ (168,550)**	**$ (125,093,665)**	**$ 17,533,830**
Share-based compensation	-	-	41,442	-	-	-	41,442
Loss for the period	-	-	-	-	-	(3,736,186)	(3,736,186)
Other comprehensive income (loss)	-	-	-	(555,152)	130,687	-	(424,465)
Balance at June 30, 2025	**355,780,820**	**$ 121,146,397**	**$ 17,286,212**	**$ 3,849,726**	**$ (37,863)**	**$ (128,829,851)**	**$ 13,414,621**
Balance at December 31, 2025	**355,780,820**	**$ 121,146,395**	**$ 17,725,426**	**$ 3,044,095**	**$ (105,111)**	**$ (126,372,150)**	**$ 15,438,655**
Share issue costs	-	(5)	-	-	-	-	(5)
Share-based compensation	-	-	113,712	-	-	-	113,712
Income for the period	-	-	-	-	-	(6,076,480)	(6,076,480)
Other comprehensive income (loss)	-	-	-	(144,756)	19,281	-	(125,475)
Balance at June 30, 2026	**355,780,820**	**$ 121,146,390**	**$ 17,839,138**	**$ 2,899,339**	**$ (85,830)**	**$ (132,448,630)**	**$ 9,350,407**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

For the three and six months ended June 30, 2026 and 2025

(Unaudited, expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED	June 30, 2026	June 30, 2025
Cash flows used in operating activities		
Loss for the period	$ (6,076,480)	$ (3,736,186)
Restricted cash	2,002,415	5,225,668
Items not involving cash		
Amortization and depreciation	96,632	170,992
Income tax expense	98,899	26,397
Share-based compensation	113,712	41,442
Foreign exchange loss (gain)	(10,080)	14,920
Gain on the sale of equity investments	-	(151,392)
Loss (gain) on sale of digital currencies	2,063	(844,582)
Gain on the sale of digital currency inventory	(808,804)	(393,714)
Unrealized loss on equity instrument	208,175	-
Unrealized gain on financial asset	(25,040)	(7,028)
Unrealized loss on digital currencies	1,011	1,512
Unrealized loss on digital currency inventory	3,918,183	1,097,442
Impairment of digital land	(7,568)	48,883
Non-cash revenue – digital currencies received	(70,134)	-
Other	1,463	1,696
Changes in non-cash working capital items:		
Accounts and other receivables	(666,849)	(470,517)
Investment tax credits receivable	-	644,920
Prepaids	(183,918)	(52,154)
Accounts payable and accrued liabilities	3,006,320	(113,871)
Interest and penalties on tax provision	-	190,252
Contract liability	(178,868)	(153,419)
Customer deposits	(64,564,116)	(13,610,031)
Digital currency inventory	64,565,799	8,498,433
Net cash provided by (used) in operating activities	**1,422,815**	**(3,570,337)**
Cash flows used in investing activities		
Purchase of equipment	(14,978)	(21,557)
Financial asset acquisition	-	(705,000)
Purchase of digital currencies	-	(51,422)
Proceeds from sale of digital currencies	731,603	3,322,323
Proceeds from sale of digital currency inventory	-	482,539
Proceeds from sale of equipment	1,000	-
Net cash from investing activities	**717,625**	**3,026,883**
Cash flows from financing activities		
Share issue costs	(5)	-
Lease payments	(10,998)	(10,374)
Net cash used in financing activities	**(11,003)**	**(10,374)**
Change in cash and cash equivalents for the period	2,129,437	(553,828)
Cash and cash equivalents, beginning of period	6,196,553	6,250,905
Effect of foreign exchange on cash	(79,619)	104,303
Cash and cash equivalents, end of period	**$ 8,246,371**	**$ 5,801,380**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Surge Digital Inc. (the "Company" or "Surge"), formerly BIGG Digital Assets Inc., was incorporated on October 17, 2014 under the Business Corporations Act (British Columbia). The Company's shares are traded on the TSX Venture Exchange ("TSXV") under the symbol "SRGE". The Company's head office and principal place of business is Suite 220 – 1130 West Pender Street, Vancouver, BC, Canada.

The Company's principal business activity is investing in companies innovating in the digital assets space. Surge has three operating divisions which provide: blockchain search products to large enterprises with significant data requirements in the financial and ecommerce sectors globally; brokerage and exchange software to make the purchase and sale of cryptocurrency easily accessible to the mass consumer and investor with a focus on compliance and safety; and immersive metaverse experiences.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. For the period ended June 30, 2026, the Company reports net loss of $6,076,480, cash flow provided by operations of $1,422,815 and an accumulated deficit of $132,448,630.

The Company has incurred losses and has had negative cash flows from operations since inception that have primarily been funded through financing activities. The Company continues to rely on financing through equity raises or debt instruments to support its operations and expects to do so until the business operates with sufficient cash flows from operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. These factors indicate a material uncertainty and may cast a significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these financial statements. As a result, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated annual financial statements for the year ended December 31, 2025. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 3 to the audited consolidated annual financial statements for the year ended December 31, 2025.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on August 31, 2026.

b) Basis of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries Blockchain Technology Group Inc., 2140 Software Solutions Inc., BitRank Verification Services Inc., Dark Fibre Systems Inc., QLUE Forensic Systems Inc., CFC Digital Inc., BIG Blockchain Intelligence Group Inc., 1208810 B.C. Ltd., Netcoins Inc., NTC Holdings Corp., Netcoins USA, Inc., TerraZero Technologies Inc., TerraZero Technologies US Inc., as well as TerraZero Metaverse LLP (90%). The accounts of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All significant intercompany transactions and balances have been eliminated upon consolidation.

The Company holds a 90% interest in TerraZero Metaverse LLP, giving rise to a non-controlling interest of 10%. The non-controlling interest is not material to the Company's financial position or results and is therefore not presented separately within equity on the condensed consolidated interim statements of financial position, nor is profit or loss and comprehensive loss attributed separately between the owners of the Company and the non-controlling interest on the face of the primary statements. Amounts relating to the non-controlling interest are included within total equity and net loss and comprehensive loss for the period (see note 20).

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the accounting policies, critical accounting estimates and judgments adopted in the audited consolidated annual financial statements for the year ended December 31, 2025, except as otherwise noted herein.

4. CASH AND CASH EQUIVALENTS

		June 30, 2026		December 31, 2025
Cash on deposit	$	1,745,141	$	2,196,553
Guaranteed investment certificates		6,501,230		4,000,000
Cash and cash equivalents	**$**	**8,246,371**	**$**	**6,196,553**

At June 30, 2026, the Company held three short-term Guaranteed Investment Certificates ("GIC") with an aggregate carrying value of $6,501,230 (December 31, 2025 - $4,000,000), as follows:

Certificate	Interest rate	Maturity	Carrying value (CAD)
CAD $2,800,000	2.52%	July 29, 2026	$ 2,800,000
USD $600,000	3.74%	July 29, 2026	852,600
USD $2,000,000	3.75%	July 27, 2026	2,842,000
Accrued interest			6,630
Total			**$ 6,501,230**

U.S.-dollar certificates translated to Canadian dollars at the June 30, 2026 closing rate of USD $1.00 = CAD $1.4210.
GICs are measured at amortized cost, and carrying value approximates fair value given the short remaining terms to maturity.

5. RESTRICTED CASH

		June 30, 2026		December 31, 2025
TD GIC – Visa credit lines	$	82,500	$	82,500
Customer cash deposits held in trust		8,859,010		10,861,425
	$	**8,941,510**	**$**	**10,943,925**

At June 30, 2026, the Company held restricted cash of:

- $82,500 (December 31, 2025 – $82,500) in a Guaranteed Investment Certificate (GIC), at an interest rate of 1.75% with a maturity date of August 14, 2026, pursuant to a demand operating facility agreement with the Toronto-Dominion Bank, to support Visa credit lines of $75,000; and
- $8,859,010 (December 31, 2025 – $10,861,425) in customer cash deposits, which are held in trust and represent the aggregate customer cash holdings on deposit in the Netcoins App.

6. DIGITAL CURRENCY INVENTORY

The Company holds digital currencies as inventory as follows:

		June 30, 2026		December 31, 2025
BTC	$	45,127,150	$	72,768,722
ETH		14,153,147		26,710,771
XRP		26,278,634		46,327,495
USDC		1,240,977		1,398,698
LTC		820,587		3,416,294
XLM		2,177,848		2,237,744
LINK		440,733		724,865
DOGE		624,510		1,051,014
SHIB		345,056		580,930
SOL		2,415,388		3,899,958
ADA		444,017		970,313
RENDER		123,579		117,439
HBAR		900,035		1,101,732
LINK		440,733		724,865
Other digital currencies		2,346,616		3,523,347
	$	**97,879,010**	**$**	**165,554,187**

During the period ended June 30, 2026, revenue from digital currency brokerage sales was $2,952,936 (2025 – $5,423,782).

During the six months ended June 30, 2026, the Company offered digital currency inventory staking service to its customers, resulting in net staking revenue of $20,494 (2025 – $35,972). As at June 30, 2026, the total digital currency inventory staked, included in digital currency inventory, was $2,575,821 (2025 – $7,440,175).

7. DIGITAL CURRENCIES

The Company holds digital currencies as investments as follows:

			Digital currencies (units)					
		Value ($)	Bitcoin	Solarcoin	Bitcoin Gold	Bitcoin SV	USDC	XDC
Balance, December 31, 2024	**$**	**5,745,208**	**42.70**	**25,916.45**	**25.20**	**24.96**	**2,431.39**	**-**
Purchased or received (i)		113,248	0.06	-	-	-	76,306.44	-
Traded for cash or digital currencies (ii)		(3,652,312)	(35.73)	-	-	-	(77,153.54)	-
Used for research and development (iii)		(6,752)	(0.05)	-	-	-	(1,495.89)	-
Gain on sale of digital currencies (iv)		1,444,563	-	-	-	-	-	-
Revaluation of digital currencies (iv)		(2,806,875)	-	-	-	-	-	-
Balance, December 31, 2025	**$**	**837,081**	**6.98**	**25,916.45**	**25.20**	**24.96**	**88.40**	**-**
Purchased or received (i)		70,134	0.07	-	-	-	32,435.63	461,978.00
Traded for cash or digital currencies (ii)		(733,666)	(6.97)	-	-	-	(30,024.03)	-
Used for research and development (iii)		-	-	-	-	-	-	-
Gain on sale of digital currencies (iv)		(2,063)	-	-	-	-	-	-
Revaluation of digital currencies (iv)		(143,705)	-	-	-	-	-	-
Balance, June 30, 2026	**$**	**27,781**	**0.07**	**25,916.45**	**25.20**	**24.96**	**25,000**	**461,978.00**

During the period ended June 30, 2026, the Company received 0.07 Bitcoin valued at $6,088 (2025 – 0.05 Bitcoin valued at $6,360), received 32,435.63 USDC valued at $44,978 (2025 – 31,782.15 USDC valued at $45,062) and received 461,978.00 XDC valued at $19,068 (2025 – Nil).

During the period ended June 30, 2026, the Company exchanged 6.97 Bitcoin valued at $691,984 (2025 – 22.50 Bitcoin valued at $2,232,037) and 30,024.03 USDC valued at $41,682 (2025 – 24,000.00 USDC valued at $34,348) for cash or digital currencies.

During the period ended June 30, 2026, the Company did not use digital currencies for research and development purposes. In the prior year, the Company used 0.006 BTC valued at $640 and 84.89 USDC valued at $122.

7. DIGITAL CURRENCIES (*cont'd…*)

Digital currencies held are revalued each reporting period based on the fair market value of the price of the digital currencies on the reporting date. As at June 30, 2026, a revaluation loss of $143,705 (2025 – $1,401,245) was recorded. A loss of $2,063 (2025 – gain of $844,582) was realized on disposal of coins, and an unrealized loss of $1,011 (2025 – $1,512) was recorded to the condensed consolidated interim statement of comprehensive loss.

8. INVESTMENTS

At June 30, 2026 and December 31, 2025, the Company held the following equity investments:

	June 30, 2026			December 31, 2025		
	Shares #	Cost $	Fair Value $	Shares #	Cost $	Fair Value $
ZenLedger Inc.	70,062	251,859	76,024	70,062	251,859	274,119

During the period ended June 30, 2026, the Company held a total of 70,062 shares of Series A preferred stock in ZenLedger, Inc. ("ZenLedger") at a cost of $251,859 (USD $199,999). The valuation of the ZenLedger securities, which are unlisted, has been measured using the market approach which was unchanged. During the period ended June 30, 2026, a foreign exchange gain of $10,080 (2025 – loss of $14,920) was recorded. ZenLedger, Inc., a US-based company, is a cryptocurrency tax platform.

The Company records its investments as FVTPL. During the period ended June 30, 2026, the Company recorded an unrealized loss of $208,175 (2025 – $nil) on revaluation of its securities to their fair market value. As at June 30, 2026, the Company determined that historical cost was no longer representative of fair value due to a significant change in the economic and competitive environment of ZenLedger, alongside broader macroeconomic developments in fintech and digital asset compliance ecosystems. The estimated fair value of the investment was determined to be $76,024 (USD$ 53,500). This valuation is based on a probability-weighted scenario approach coupled with a liquidation-waterfall analysis framework. The fair value measurement is classified as Level 3 in the IFRS 9 fair value hierarchy due to the use of unobservable inputs (see note 17).

9. FINANCIAL ASSET

On March 31, 2025, the Company invested $705,000 (USD $500,000) in APX Inc., a private Canadian-based startup ("APX") through a Simple Agreement for Future Equity (SAFE). The SAFE is classified as a financial asset at fair value through profit or loss (FVTPL) in accordance with IFRS 9.

The SAFE entitles the Company to receive shares of common stock in APX upon:

- a liquidity event (Change of Control or IPO);
- a next equity financing (minimum USD $5 million); or
- in absence of the above, a SAFE expiration conversion on December 31, 2026.

The SAFE includes a pre-money valuation cap of USD $15 million and a 10% discount rate, which determines the conversion price of equity upon a triggering event.

The instrument does not represent equity interest, nor does it carry fixed payments or maturity. It is considered a derivative financial instrument because its value is contingent on the valuation of APX and specific future events. There is no significant influence over APX.

The SAFE is measured at fair value at each reporting date. As at June 30, 2026, the Company determined the fair value to be $740,767 (USD $521,300), reflecting an unrealized gain of $35,767 since initial recognition. This valuation is based on a probability-weighted scenario approach considering: expected timing and likelihood of conversion events; the pre-money valuation cap and discount rate; estimated liquidity price and company capitalization; and foreign exchange rate impacts (USD to CAD conversion rate).

The fair value measurement is classified as Level 3 in the IFRS 9 fair value hierarchy due to the use of unobservable inputs.

10. GOODWILL & INTANGIBLE ASSETS

	LMS Platform	Netcoins App	Netcoins.com	TerraZero domains	BIG domains	Metaverse Land	Subtotal – Intangibles	Goodwill	Total
Cost									
Dec 31, 2024, Dec 31, 2025 and June 30, 2026	$ 129,972	$ 882,000	$ 181,464	$ 299,750	$ 4,171	$ 224,009	$ 1,721,366	$ 17,155,121	$ 18,876,487
Accumulated amortization and impairment									
December 31, 2024	129,972	882,000	132,230	95,680	463	133,782	1,374,127	16,083,270	17,457,397
Additions	-	-	36,288	76,037	1,391	-	113,716	-	113,716
Impairment reallocation	-	-	-	-	-	76,336	76,336	-	76,336
December 31, 2025	129,972	882,000	168,518	171,717	1,854	210,118	1,564,179	16,083,270	17,647,449
Additions	-	-	12,946	38,018	695	-	51,659	-	51,659
Impairment	-	-	-	-	-	(7,568)	(7,568)	-	(7,568)
June 30, 2026	129,972	882,000	181,464	209,735	2,549	202,550	1,608,272	16,083,270	17,691,542
Carrying amounts									
December 31, 2025	**$ -**	**$ -**	**$ 12,946**	**$ 128,033**	**$ 2,317**	**$ 13,891**	**$ 157,187**	**$ 1,071,851**	**$ 1,229,038**
June 30, 2026	**$ -**	**$ -**	**$ -**	**$ 90,015**	**$ 1,622**	**$ 21,459**	**$ 113,094**	**$ 1,071,851**	**$ 1,184,945**

Intangible assets

During the year ended December 31, 2021, the Company recognized $181,464 as an intangible asset, comprising the Netcoins.com domain, acquired from a third-party, which is amortized on a straight-line basis over a period of five years representing the estimated useful life of the intangible asset.

During the year ended December 31, 2023, the Company recognized $299,750 as intangible assets comprising three domains upon the acquisition of TerraZero. The domains are amortized on a straight-line basis over a period of five years representing the estimated useful life of the intangible assets.

Amortization of intangible assets for the period ended June 30, 2026 was $51,659 (2025 – $56,710).

Goodwill

Goodwill of $1,071,851 was recorded in connection with the Netcoins acquisition, attributable to the workforce and the highly specialized nature of the acquired business and is not deductible for tax purposes.

Goodwill of $16,083,270 was recorded in connection with the TerraZero acquisition, attributable to the workforce and the highly specialized nature of the acquired business and is not deductible for tax purposes.

Goodwill impairment — 2025

As at December 31, 2025, the Company performed its annual impairment test on goodwill in accordance with IAS 36 Impairment of Assets on goodwill arising from the acquisition of Netcoins in 2019. The goodwill was allocated to the Netcoins CGU, the lowest level at which goodwill is monitored internally.

The recoverable amount of the Netcoins CGU was determined using a fair value less costs of disposal ("FVLCD") approach based on a market multiple methodology. The valuation applied an enterprise value to revenue multiple derived from comparable companies that exhibit similar business models, exposure to digital asset markets, and growth and risk profiles. Key assumptions used in the impairment test include Netcoins revenue of approximately $10.5 million and an Enterprise Value/Revenue multiple range of 2.0x to 4.0x, with a selected midpoint of 3.0x.

Based on this analysis, the recoverable amount of the Netcoins CGU was determined to exceed its carrying value of approximately $15.0 million, resulting in headroom of approximately $16.4 million. Accordingly, no impairment of goodwill was recognized for the year ended December 31, 2025. The valuation incorporates both observable and unobservable inputs and is classified within Level 2 and Level 3 of the fair value hierarchy. Management performed sensitivity analyses, including reductions in valuation multiples and revenue, which indicated that no reasonably possible change in key assumptions would result in impairment.

10. GOODWILL & INTANGIBLE ASSETS (*cont'd…*)

Goodwill impairment — 2024

As at December 31, 2024, the Company performed its annual impairment test on goodwill in accordance with IAS 36 Impairment of Assets. Goodwill arose from the acquisition of TerraZero in 2023 and was allocated to the TerraZero CGU, the lowest level at which goodwill is monitored internally.

During the year ended December 31, 2024, the Company recognized a full impairment of goodwill in the amount of $16,083,270. This was recorded in the consolidated statement of loss under "Other Income (Expenses) – Impairment of intangible assets".

The recoverable amount of the TerraZero CGU was determined based on value in use, using a discounted cash flow model. The key assumptions were a pre-tax discount rate of 33.5%, a terminal growth rate of 2%, and a cash flow forecast period of 5 years based on management budgets.

A number of factors impacted the review of the recoverable amount and resulted, ultimately, in the full impairment of the goodwill: given the nascent nature of the industry in which TerraZero operates, there are no comparable, publicly traded companies to support the revenue estimates and assumptions used in the 5-year cash flow forecast; and TerraZero is a young company, founded in 2021, and does not have significant historical information to support the revenue estimates and assumptions used in the 5-year forecast for Intraverse and associated product development.

11. RIGHT-OF-USE ASSET

At June 30, 2026, the right-of-use asset is an office lease, as amended, entered into by the Company commencing March 1, 2021, which terminates on February 28, 2027. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

		Office Operating Lease
Balance at December 31, 2024	**$**	**36,295**
Depreciation		(20,010)
Balance at December 31, 2025	**$**	**16,285**
Depreciation		(10,004)
Balance at June 30, 2026	**$**	**6,281**

12. LEASE LIABILITIES

The lease liability is measured at the present value of the lease payments and discounted using the Company's incremental borrowing rate of 8%. Lease liabilities are recorded as follows:

		Office Operating Lease
Balance at December 31, 2024	**$**	**45,554**
Lease payments		(23,034)
Interest expense on lease liability		3,338
Balance at December 31, 2025	**$**	**25,858**
Lease payments		(10,814)
Interest expense on lease liability		1,025
Balance at June 30, 2026	**$**	**16,069**
Current	$	16,069
Non-current	$	-

13. EQUIPMENT

		Total
Cost		
Balance at December 31, 2024	**$**	**1,929,900**
Additions		26,702
Disposals		(3,083)
Balance at December 31, 2025	**$**	**1,953,519**
Additions		14,978
Disposals		(2,100)
Balance at June 30, 2026	**$**	**1,966,397**
Accumulated depreciation		
Balance at December 31, 2024	**$**	**1,673,605**
Disposals		-
Depreciation for the year		173,970
Balance at December 31, 2025	**$**	**1,847,575**
Depreciation for the year		34,121
Balance at June 30, 2026	**$**	**1,881,696**
Carrying amounts		
At December 31, 2025	**$**	**105,944**
At June 30, 2026	**$**	**84,701**

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2026		December 31, 2025
Accounts payable	$	1,670,363	$	785,401
Accrued liabilities		3,530,750		1,451,034
Payroll liabilities		633,362		591,720
	$	**5,834,475**	**$**	**2,828,155**

At June 30, 2026, accounts payable include trade payables of $1,019,378 (December 31, 2025 – $449,817) and amounts due to Netcoins' liquidity partners of $650,985 (December 31, 2025 – $335,584). All amounts are incurred in the normal course of business.

15. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares and preferred shares, without par value.

Share issuances

During the periods ended June 30, 2026 and 2025, the Company did not issue any shares.

Share purchase warrants

The Company may issue share purchase warrants to acquire its common shares either in combination with share offerings, or on a stand-alone basis to its consultants and advisors. The terms of warrants issued are determined by the Company's Board of Directors. Share purchase warrant transactions are summarized for the six months ended June 30, 2026 and year ended December 31, 2025.

	Six months ended June 30, 2026		Year ended December 31, 2025	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	37,115,605	$ 0.30	39,564,075	$ 0.32
Expired	-	-	(2,448,470)	0.49
Ending balance	**37,115,605**	**$ 0.30**	**37,115,605**	**$ 0.30**
Warrants exercisable	**37,115,605**	**$ 0.30**	**37,115,605**	**$ 0.30**

15. SHARE CAPITAL (*cont'd…*)

As at June 30, 2026 and December 31, 2025, the following share purchase warrants were outstanding:

			Six months ended June 30, 2026		Year ended December 31, 2025		
	Expiry Date	Exercise Price	Number Outstanding	Number Exercisable	Number Outstanding	Number Exercisable	Weighted Average Remaining Life
Warrants	March 12, 2029	$ 0.30	33,333,333	33,333,333	33,333,333	33,333,333	2.70 years
Broker warrants	March 12, 2029	$ 0.30	2,151,166	2,151,166	2,151,166	2,151,166	2.70 years
Warrants	June 21, 2033	$ 0.41	1,631,106	1,631,106	1,631,106	1,631,106	6.98 years
			37,115,605	**37,115,605**	**37,115,605**	**37,115,605**	

Stock options

The Company adopted an omnibus equity incentive plan (the "Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. Stock option transactions are summarized for the six months ended June 30, 2026 and year ended December 31, 2025.

	Six months ended June 30, 2026		Year ended December 31, 2025	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	25,354,272	$ 0.43	19,791,926	$ 0.53
Exercised	-	-	7,367,000	0.14
Expired	(4,609,914)	0.77	(1,634,904)	0.39
Forfeited / cancelled	(187, 500)	0.15	(169,750)	0.30
Ending balance	**20,556,858**	**$ 0.35**	**25,354,272**	**$ 0.43**
Options exercisable	**17,619,358**	**$ 0.39**	**20,910,522**	**$ 0.49**

The following stock options were outstanding as at June 30, 2026:

Exercise Price		Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Life
$	1.40	July 13, 2026	1,420,000	1,420,000	0.04 years
$	1.60	November 2, 2026	440,000	440,000	0.34 years
$	0.09	November 12, 2026	1,477,525	1,477,525	0.37 years
$	0.24	January 28, 2027	1,046,932	1,046,932	0.58 years
$	0.50	June 8, 2027	1,270,000	1,270,000	0.94 years
$	0.41	June 8, 2027	717,655	717,655	0.94 years
$	0.45	September 1, 2027	325,000	325,000	1.17 years
$	0.32	January 18, 2028	2,945,000	2,945,000	1.55 years
$	0.41	March 17, 2028	185,746	185,746	1.72 years
$	0.30	December 4, 2028	3,662,000	3,662,000	2.43 years
$	0.15	July 29, 2030	6,125,000	3,187,500	4.08 years
$	0.08	November 27, 2030	942,000	942,000	4.41 years
			20,556,858	**17,619,358**	

15. SHARE CAPITAL (*cont'd…*)

Share-based compensation

During the six month period ended June 30, 2026, the Company recorded share-based compensation totaling $113,712 (2025 – $41,442) in relation to the stock options, which was expensed as share-based compensation in operations. The fair value of stock options was estimated on the measurement date using the Black-Scholes option-pricing model and amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value were as follows:

	Year ended December 31, 2025
Share price at measurement date	$0.075 to $0.115
Risk-free interest rate	2.72% to 3.03%
Exercise price	$0.08 to $0.15
Expected life of options	5 years
Expected volatility	114% – 117%
Forfeiture rate	12%
Dividend yield	Nil

Escrowed shares

As at the date of the TerraZero acquisition, 39,148,287 common shares of the Company were subject to an escrow and voting trust agreement dated August 25, 2023, pursuant to which 3,568,755 shares were released upon closing of the TerraZero acquisition with the remaining escrowed shares scheduled to be released over a period of 24 months. At June 30, 2026, a total of 35,579,532 (2025 – 29,880,505) common shares had been released from escrow and nil (2025 – 5,699,027) common shares remain in escrow.

16. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

		June 30, 2026		June 30, 2025
Director's fees	$	55,934	$	55,934
Consulting		-		11,000
Wages and benefits		786,599		978,565
Share-based compensation		68,423		10,887
Total	**$**	**910,956**	**$**	**1,056,386**

As at June 30, 2026, accounts payable due to related parties were $53,226 (2025 – $146,327). Deposits held on the Netcoins App by key management personnel were $nil (2025 – $905,054).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels in accordance with IFRS. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of the fair value hierarchy are: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – observable inputs other than quoted prices included in Level 1; and Level 3 – inputs that are not based on observable market data (unobservable inputs).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*cont'd…*)

The following table presents the fair value hierarchy for the Company's assets and liabilities measured at fair value by level as at June 30, 2026 and December 31, 2025:

	June 30, 2026			December 31, 2025		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Digital currency inventory	$ -	$ 97,879,010	$ -	$ -	$ 165,554,187	$ -
Digital currencies	-	27,781	-	-	837,081	-
Investments	-	-	76,024	-	-	274,119
Financial asset	-	-	740,767	-	-	715,727
Total	**$ -**	**$ 97,906,791**	**$ 816,791**	**$ -**	**$ 166,391,268**	**$ 989,846**
Liabilities						
Customer deposits – digital currency	$ -	$ 94,770,604	$ -	$ -	$ 157,332,305	$ -

Level 3 continuity

The following is a reconciliation of Level 3 assets for the six months ended June 30, 2026 and year ended December 31, 2025:

Six months ended June 30, 2026	Fair Value at December 31, 2025	Purchases	Sales	Net Realized Gain (Loss) on Investments	Net Unrealized Gain (Loss) on Investments	Transfers in/(out) of Level 3	Fair Value at June 30, 2026
Investments	$ 274,119	$ -	$ -	$ -	$ (198,095)	$ -	$ 76,024
Financial asset	715,727	-	-	-	25,040	-	740,767
	$ 989,846	**$ -**	**$ -**	**$ -**	**$ (173,055)**	**$ -**	**$ 816,791**

Year ended December 31, 2025	Fair Value at December 31, 2024	Purchases	Sales	Net Realized	Net Unrealized	Transfers	Fair Value at December 31, 2025
Investments	$ 287,779	$ -	$ -	$ -	$ (13,660)	$ -	$ 274,119
Financial asset	-	705,000	-	-	10,727	-	715,727
	$ 287,779	**$ 705,000**	**$ -**	**$ -**	**$ (2,933)**	**$ -**	**$ 989,846**

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred.

	Fair value at June 30, 2026	Valuation technique	Unobservable input	Range (weighted average)
Investments	$ 76,024	Probability-weighted expected return method with a liquidation-waterfall analysis	Probability weights with estimated exit values	15-35% (25%) USD$0 to $30M
Financial asset	$ 740,767	Probability-weighted conversion model using discount/cap terms	Probability weights Pre-money valuation assumptions Conversion pricing	5%-55% (weighted by outcome) USD$5M-20M USD$1.14 to $1.35

	Fair value at December 31, 2025	Valuation technique	Unobservable input	Range (weighted average)
Investments	$ 274,119	Market comparable companies	Discount for lack of marketability[(a)] Control premium[(a)]	10-35% (10%) 10-50% (10%)
Financial asset	$ 715,727	Probability-weighted conversion model using discount/cap terms	Probability weights Pre-money valuation assumptions Conversion pricing	5%-55% (weighted by outcome) USD$5M-20M USD$1.14 to $1.35

(a) Represents amounts used when the Company has determined that market participants would take into account these discounts and premiums when pricing the investments.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*cont'd…*)

Level 3 Fair-Value – Sensitivity of Unobservable Inputs

The Company's Level 3 instruments comprise a private equity investment in ZenLedger and a SAFE financial derivative in APX Inc. Both instruments rely on unobservable inputs; changes to those inputs could result in significantly higher or lower fair value measurements.

1. ZenLedger – Private Equity Investment ($76,024)

Valuation technique: The fair value of the investment was determined using a Probability-Weighted Expected Return Method (PWERM) combined with a liquidation-waterfall analysis. Four exit outcomes were modelled: wind-down/no sale, distressed sale/acqui-hire, moderate strategic sale and strong strategic sale. All exit equity values, preference amounts and recoveries in the model are denominated in United States dollars, with resulting fair values translated to Canadian dollars at the period-end rate. Recoveries were calculated under two alternative preference structures - Series B senior to Series A and pari passu - each assigned a 50% weighting. The estimated fair value is the midpoint of the probability-weighted recoveries under those two structures.

Unobservable inputs:

Exit equity values and scenario probabilities: Exit values range from nil–USD$1 million for wind-down to USD$30 million for a strong strategic sale. The assigned probabilities are 20% wind-down/no sale, 35% distressed sale/acqui-hire, 30% moderate strategic sale and 15% strong strategic sale. Higher exit values or greater weighting toward moderate and strong outcomes increase fair value; greater weighting toward wind-down or distressed outcomes decreases fair value.

Liquidation preference and seniority: The model assumes approximately USD$15.0 million of Series B preference and an aggregate preferred preference stack of approximately USD$26.85 million, with BIGG's Series A recovery capped at its approximately USD$200,000 liquidation preference. The Series B-senior and pari passu structures are each weighted 50%. Greater Series B seniority or preference claims reduce the Company's recovery; pari passu treatment increases recovery in under-water exit outcomes.

Interrelationship of inputs: The unobservable inputs are interdependent. Higher exit values increase the amount available to the preference stack, but the Company's recovery remains constrained by the Series B layer and the assumed distribution structure. A higher probability of a strong exit has a larger positive effect under pari passu treatment than under a Series B-senior structure. Conversely, increasing the probability of wind-down or distressed outcomes magnifies the negative effect of Series B seniority because little or no value reaches the Company's Series A layer.

Sensitivity: Under the base probability set, estimated fair value is $76,024 (USD$53,500), approximately 26.75% of cost. The valuation is most sensitive to the probability assigned to severe downside outcomes and to the assumed liquidation-waterfall structure. A 10% increase in the probability assigned to the wind-down/liquidation outcome, holding exit values constant, would reduce estimated fair value by approximately $23,472 (USD$16,518), from the base estimate of $76,024 (USD$53,500) to approximately $52,552 (USD$36,982). This represents an approximately 31% reduction from the base fair value and demonstrates that reasonably possible shift toward severe downside outcomes would materially reduce fair value, while a shift toward stronger strategic outcomes would increase fair value.

Change in valuation technique: The prior-period market comparable companies approach has been replaced by PWERM with a liquidation-waterfall analysis. Management determined that the previous comparable-company information was no longer sufficiently representative because there is no directly comparable listed entity or recent priced transaction in ZenLedger, and current operating performance, liquidity constraints and the conditional exit process are more appropriately reflected through probability-weighted outcomes and the contractual preference stack.

At December 31, 2025, the carrying amount of the investment was $274,119. During the six months ended June 30, 2026, movement in the USD/CAD exchange rate generated a $10,080 foreign-exchange gain. The underlying remeasurement from historical cost of USD$199,999 to estimated fair value of USD$53,500 generated a $208,175 fair-value loss. The foreign exchange gain partially offset the valuation loss, resulting in a net decrease in the carrying amount of CAD$198,095 to CAD$76,023. As the investment is classified as FVTPL, both components are recognized in profit or loss.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*cont'd…*)

Level 3 Fair-Value – Sensitivity of Unobservable Inputs

2. APX SAFE – Financial Derivative Asset ($740,767)

Valuation technique: Probability-Weighted Expected Return Model (PWERM), discounting the probability-weighted SAFE payoff under four scenarios (down round, up round, IPO, dissolution) to present value using a risk-adjusted rate.

SAFE terms: USD $500,000 invested; pre-money valuation cap of USD $15M; 10% discount to next financing round; conversion triggered by a qualifying equity financing (minimum USD $5M), liquidity event, or expiration (December 31, 2026). Conversion price is the lower of the cap price (USD $1.35) or the discounted round price (round price × 90%).

Scenario probabilities - Base case: Scenario A ($5M down round): 55%; Scenario B ($7.5M up round): 30%; Scenario C ($20M IPO): 10%; Scenario D (dissolution): 5%. These are the dominant unobservable input. A shift in probability weighting toward higher-valuation scenarios increases fair value; a shift toward lower-valuation scenarios decreases it.

Sensitivity: A 10% relative shift in probabilities toward higher-valuation scenarios increases fair value by approximately USD$0.018 per unit, or approximately $1,565 (USD$1,101) in total. A corresponding shift toward lower-valuation scenarios decreases fair value by approximately USD$0.017 per unit, or approximately $1,519 (USD $1,069). These shifts are relatively modest at the current weighting because the payoff values across Scenarios A, B, and C are reasonably close (USD $550,000, $554,000 and $667,000, respectively); the wider the dispersion of scenario payoffs, the more sensitive fair value would be to probability reallocation.

Pre-money valuation cap (USD $15M) and conversion pricing (USD $1.35 cap price). These terms are fixed by the SAFE agreement and currently determine the cap price used in Scenario C (IPO), where the cap price governs conversion rather than the discount price. A sensitivity test replacing the IPO pre-money valuation assumption with USD $14M (vs. the base USD $20M) decreases fair value by approximately $15,789 (USD $11,111) - a materially larger impact than the probability shift sensitivity, demonstrating that the assumed round valuation in the IPO scenario carries significant weight.

Interrelationships among inputs: The three inputs are mutually reinforcing within each scenario. The probability weights determine each scenario's influence on the weighted-average fair value, while the conversion price - the lower of the valuation cap (USD $1.35) or the discounted round price, whichever yields more shares - determines the payoff within each scenario. Shifting probability toward higher-valuation scenarios compounds upward, as those scenarios also benefit from the cap-price conversion mechanism; shifting weight toward the down-round scenario suppresses fair value both through lower probability-weighted payoffs and a lower conversion price ($0.41). The dissolution scenario (5%, nil recovery) acts as a floor-suppressing input; even a modest increase in this probability directly reduces the probability-weighted payoff with no offsetting upside.

At June 30, 2026, management made no changes to the scenario probabilities from prior periods. The fair value increase of $25,040 was driven entirely by a favourable foreign exchange movement of $26,284, partially offset by a decrease in the discounted expected value of $1,244 (USD$900), reflecting movement in the risk-free discount rate during the period.

The fair value of Level 3 assets and liabilities is inherently subjective. Specifically, because of the uncertainty of determining the fair value of investments that do not have readily ascertainable market values, the Company's conclusion of fair value for an investment on a date may differ significantly from (1) the fair value conclusions of other knowledgeable market participants and/or (2) prior or subsequently observed transaction prices, including the price paid to acquire, or received to sell, the investment itself.

As at June 30, 2026 and December 31, 2026, the fair value of cash and cash equivalents, restricted cash and customer deposits-cash held by the Company approximates carrying value and was based on level 1 of the fair value hierarchy. The carrying values of accounts and other receivables, accounts payable and accrued liabilities are based on level 2 inputs and approximate fair value due to their short-term maturities. The carrying value of the Company's lease liability is measured as the present value of the discounted future cash flows.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk arising from operations. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents, restricted cash and accounts receivable. Credit risk associated with digital currencies proceeds collected by vendors on behalf of the Company is limited as transactions are usually settled within 1 to 15 days. The Company also utilizes third-party liquidity providers in the execution of customer trades; management believes the credit risk with respect to its use of liquidity partners to be remote.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*cont'd…*)

Credit risk (cont'd…)

The Company also utilizes third-party liquidity providers in the execution of customer trades. Trade execution and settlement is typically completed within milliseconds of the customer's execution of a trade order; however, there is credit risk that a liquidity provider will not fulfill its obligation or be delayed in fulfilling its obligation. Management believes the credit risk with respect to its use of liquidity partners to be remote. In the remote case of a liquidity partner not fulfilling its obligation, the Company expects to use its cash and/or digital currencies to complete the trade.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short-term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met by accessing financing through public equity offerings and private placements.

Accounts payable and accrued liabilities, other than accrued compensation, generally have maturities of 30 days or less or are due on demand.

		For the Period Ended June 30, 2026	For the Year Ended December 31, 2025	
Commitments — operational		**2026**	**2026**	**2027**
Lease payments	$	16,069	$ 22,190	$ 3,669
Accounts payable		1,670,363	785,401	-
Accrued liabilities		4,164,112	2,042,754	-
Customer deposits – cash		8,859,010	10,861,425	-
Customer deposits – digital currency		94,770,604	157,332,305	-
Total contractual obligations	**$**	**109,480,158**	**$ 171,044,075**	**$ 3,669**

There is no public market for the Company's financial asset investment. Liquidity is contingent upon a successful equity financing, IPO, or sale of APX. The Company considers this risk in its investment horizon and maintains a liquidity buffer.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as commodity and equity price risk.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has investment assets, some liabilities and revenue or expenses denominated in a foreign currency, so is exposed to foreign currency risk. The Company does not currently hedge its exposure to foreign currency cash flows as management has determined that currency risk is not significant. The Company's main risk is associated with fluctuations in US dollars. The following amounts are presented in to demonstrate the effect on net income or loss of changes in foreign exchange rates:

			June 30, 2026	December 31, 2025
Cash held	USD	$	3,899,048	$ 1,099,272
Accounts and other receivables	USD		63,847	155,844
Accounts payable	USD		(774,495)	(735,196)
Effect of +/- 5% change in exchange rate		**$**	**335,306**	**$ 135,874**

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*cont'd…*)

Digital currencies risk

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Further, digital currencies have no underlying backing or contracts to enforce recovery of invested amounts.

At June 30, 2026, the Company held digital currency inventory valued at $97,879,010 (December 31, 2025 - $165,554,187) with custodians and self-custodied through wallet providers. Digital currency investments were $27,781 (December 31, 2025 - $837,081). At June 30, 2026, had the market price of the Company's digital currency assets changed by 10% with all other variables remaining constant, the corresponding digital asset value change would be approximately $9,800,000 (December 31, 2025 - $16,600,000).

The profitability of the Company is directly related to the current and future market price of digital assets. In addition, the Company may not be able liquidate its digital currency inventory at its desired price if required. Investing in digital currencies 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. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets. Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance.

There is a risk that some or all of the Company's holdings of cryptocurrencies could be lost, stolen, destroyed or inaccessible, potentially by the loss or theft of the private keys held by the primary custodian with the public addresses that hold the Company's cryptocurrencies including customers crypto assets and/or destruction of storage hardware. Multiple thefts of cryptocurrencies and other digital assets from other holders have occurred in the past. Because of the decentralized process for transferring cryptocurrencies, thefts can be difficult to trace, which may make cryptocurrencies a particularly attractive target for theft.

The Company utilizes BitGo Trust Company, Inc. ("BitGo") as its primary custodian for the majority of its digital currency inventory holdings (cold wallet solution). The Company also utilizes BitGo and Fireblocks Ltd.'s ("Fireblocks") self-custody technology (hot wallet solution) for the remaining digital currency inventory. As at June 30, 2026 approximately 90% (December 31, 2025 – ~90%) of total digital currency inventory was held in custody with BitGo. BitGo maintains a comprehensive insurance policy for digital assets covering $250 million in losses for crypto assets held in custody. The Company also maintains a separate insurance policy with CoinCover covering up to $3.35 million in aggregated losses for crypto asset transactions through the Fireblocks hot wallet solution.

18. CAPITAL MANAGEMENT

The Company includes all components of equity in the definition of capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its blockchain technology and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash and investments on hand. The Company is not currently subject to any externally imposed capital requirements.

The Company has been dependent upon external financings to fund activities. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in interest bearing Canadian chartered bank accounts. Some cash is kept on deposit with fiat to cryptocurrency exchanges in order to facilitate the Company's business. There have been no significant changes to the Company's approach to capital management during the periods ended June 30, 2026 and 2025.

19. CONTINGENT LIABILITIES AND PROVISIONS

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the Company.

On October 28, 2019, the Company received Notice of Civil Claim in the Supreme Court of British Columbia by a former employee, alleging constructive dismissal. The claimant has claimed $450,000 in damages.

A former consultant of TerraZero has initiated a claim in each the Supreme Court of British Columbia and Ontario's Superior Court of Justice Small Claims Court for breach of contract and misrepresentation, amongst other complaints. The plaintiff is seeking unspecified damages.

The Company is contesting the above-noted claims, which it believes are without merit, and intends to defend against them vigorously. No provision has been recorded in relation to these matters, as no present obligation has been identified and the probability of settlement cannot be determined.

2025 provision — CRA reassessment

During the year ended December 31, 2024, the Company received a notice of reassessment from Canada Revenue Agency ("CRA") in relation to Netcoins Inc.'s ("Netcoins") 2018 tax year. The CRA assessed GST/HST of $6,071,388, plus interest and penalties of $2,286,731, on the basis that crypto asset sales prior to May 18, 2019 constituted supplies of intangible personal property ("IPP"), with tax determined by customer location. The Company recognized a provision of $8,455,745 as at December 31, 2024. During the period ended June 30, 2025, the Company made a provision of $190,253 for interest and penalties.

During the year ended December 31, 2025, the CRA issued a revised reassessment reducing GST/HST by $3,864,681 and interest and penalties by $1,778,331, for a total reduction of $5,643,012. Netcoins paid the revised balance of $2,206,707, plus interest and penalties of $1,035,163, a total of $3,241,870. Accordingly, the provision was reduced to $nil as at December 31, 2025.

Netcoins continues to dispute the reassessment and is pursuing its appeal rights under applicable Canadian tax legislation.

20. NON-CONTROLLING INTERESTS

The Company's only non-controlling interest arises from its 90% interest in TerraZero Metaverse LLP. At June 30, 2026, the non-controlling interest represented equity of $5,716 (2025 – $5,716). These amounts are not material to the Company's consolidated financial position or results of operations.

Accordingly, in accordance with the aggregation and materiality provisions of IAS 1, Presentation of Financial Statements, the non-controlling interest is not presented as a separate component of equity on the condensed consolidated interim statements of financial position, profit or loss and comprehensive loss is not attributed separately on the face of the primary statements, and the summarized financial information otherwise contemplated by IFRS 12, Disclosure of Interests in Other Entities, has not been presented. The non-controlling interest is included within total equity and within net loss and comprehensive loss for the period. Summarized financial information for TerraZero Metaverse LLP, before intercompany eliminations, is set out below.

TerraZero Metaverse LLP		**June 30, 2026**		**June 30, 2025**
Ownership interest held by the Company		90%		90%
Sales – Intraverse	$	71,760	$	71,760
Cost of goods sold		(14,604)		(14,604)
Non-controlling interests (10%)		5,716		5,716
Equity attributable to Surge Digital Inc.	**$**	**51,440**	**$**	**51,440**

21. SEGMENTED INFORMATION

The Company operates three business segments: blockchain technology development, digital currency sales via the Netcoins App and immersive metaverse experiences. The parent entity manages the business segments and activities associated with the Company being a public company. The summarized financial information for the Company's business segments is as follows:

For the period ended June 30, 2026					
	Parent	Blockchain	Netcoins	TerraZero	Total
Total assets	$ 2,438,828	$ 499,928	$ 116,094,060	$ 355,698	$ 119,388,514
Total liabilities	1,512,504	659,147	107,783,311	83,145	110,038,107
Total revenue	-	855,845	2,973,430	-	3,829,275
Net loss	(2,017,483)	(58,235)	(3,483,532)	(517,230)	(6,076,480)

For the year ended December 31, 2025					
	Parent	Blockchain	Netcoins	TerraZero	Total
Total assets	$ 2,239,096	$ 717,658	$ 183,840,045	$ 426,417	$ 187,223,216
Total liabilities	1,585,184	903,667	169,122,963	172,747	171,784,561
Total revenue	-	2,265,741	10,476,448	118,768	12,860,957
Net (loss) income	(1,766,080)	(602,962)	5,105,712	(4,015,155)	(1,278,485)

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers. The following table sets forth external revenue and non-current assets by geographic area:

	June 30, 2026		June 30, 2025	
	Revenues	Non-current Assets	Revenues	Non-current Assets
Canada	$ 3,069,727	$ 1,275,927	$ 5,365,346	$ 5,249,839
USA	338,892	-	554,205	272,859
Europe	125,767	-	238,883	-
Other	294,889	-	590,384	-
	$ 3,829,275	**$ 1,275,927**	**$ 6,748,818**	**$ 5,522,698**

22. SUBSEQUENT EVENTS

Subsequent to June 30, 2026, the Company completed the following corporate actions:

a) Name change — Effective August 19, 2026, the Company changed its name from "BIGG Digital Assets Inc." to "Surge Digital Inc." The name change was authorized by a resolution of the board of directors and accepted by the TSX Venture Exchange (the "TSXV"). The Company's common shares commenced trading on the TSXV under the new name and the trading symbol "SRGE" on August 26, 2026. The name change did not affect the rights of the Company's shareholders or its authorized or issued share structure.

b) Share consolidation — Effective August 26, 2026, the Company consolidated its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every seven (7) pre-consolidation common shares (the "Consolidation"). The Consolidation was authorized by a resolution of the board of directors pursuant to the Company's Articles and the *Business Corporations Act* (British Columbia), and did not require the approval of the Company's shareholders. As a result of the Consolidation, the Company's issued and outstanding common shares were reduced from 355,780,820 to 50,825,782. No fractional common shares were issued in connection with the Consolidation. Where the Consolidation would otherwise have resulted in a fractional common share, the number of post-consolidation common shares received was rounded down to the nearest whole number if the fractional interest was less than one-half of a common share, and rounded up to the nearest whole number if the fractional interest was one-half of a common share or greater. No cash consideration was paid in respect of any fractional interest. The number of common shares issuable under, and the exercise prices of, the Company's outstanding stock options and share purchase warrants were proportionately adjusted in accordance with their respective terms.

   In accordance with IAS 33, Earnings per Share, the Consolidation has been applied retrospectively; accordingly, the weighted average number of common shares outstanding and the basic and diluted loss per share figures presented in these condensed consolidated interim financial statements have been adjusted to reflect the Consolidation for all periods presented.