

**RURAL CONNECT LTD.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2025**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of Rural Connect Ltd. is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. The responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Board of Directors of Rural Connect Ltd. is composed entirely of individuals who are neither management nor employees of the Company. The Board of Directors have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Board of Directors are also responsible for the appointment of the Company's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them. The external auditors have full and free access to and meet periodically and separately with the Board and management to discuss their audit findings.

Signed by:

*Darren Young*

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Darren Young  
General Manager

Signed by:

*Elyse Krause*

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Elyse Krause  
Vice President, Business Services

Innisfail, Alberta  
March 26, 2026

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of Rural Connect Ltd.

### *Opinion*

We have audited the financial statements of Rural Connect Ltd. (the Company), which comprise the statement of financial position as at December 31, 2025 and the statement of net income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

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

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

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

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

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

### *Auditors' Responsibility for the Audit of the Financial Statements*

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

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Independent Auditors' Report to the Board of Directors of Rural Connect Ltd. *(continued)*

*Auditors' Responsibility for the Audit of the Financial Statements (continued)*

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

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

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

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta

March 26, 2026

**RURAL CONNECT LTD.**  
**Statement of Financial Position**  
**As at December 31, 2025**

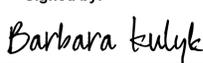
	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ -	\$ 554,064
Trade and other receivables (Note 4)	701,449	142,344
Current portion of loan receivable (Note 5)	32,148	-
Prepaid expenses	<u>44,221</u>	<u>20,432</u>
	<u>777,818</u>	<u>716,840</u>
<b>Non-current</b>		
Loan receivable (Note 5)	1,800,248	-
Intangible assets (Note 6)	12,870	21,450
Property and equipment (Note 7, Schedules 3 - 6)	<u>40,943,133</u>	<u>2,835,261</u>
	<u>42,756,251</u>	<u>2,856,711</u>
	<u>\$ 43,534,069</u>	<u>\$ 3,573,551</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness (Note 9)	\$ 2,100,482	\$ -
Accounts payable and accrued liabilities (Note 11)	1,349,357	1,181,518
Deferred revenue (Note 12)	300,113	-
Development facility borrowings (Note 13)	1,832,396	-
Working capital facility (Note 14)	<u>2,000,000</u>	<u>2,000,000</u>
	<u>7,582,348</u>	<u>3,181,518</u>
<b>EQUITY</b>		
Share capital (Note 15)	38,923,266	710,960
Retained earnings (deficit)	<u>(2,971,545)</u>	<u>(318,927)</u>
	<u>35,951,721</u>	<u>392,033</u>
	<u>\$ 43,534,069</u>	<u>\$ 3,573,551</u>

Commitments (Note 17)

**ON BEHALF OF THE BOARD:**

  
 \_\_\_\_\_  
 Board Chair

Signed by:

  
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 Director

**RURAL CONNECT LTD.****Statement of Net Income and Other Comprehensive Income (Loss)**

For The Year Ended December 31, 2025

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	<u>2025</u>	<u>2024</u>
<b>REVENUE</b>		
Construction	\$ 1,416,872	\$ -
Wholesale	595,278	2,343
Municipal cost recovery	27,533	16,260
Interest	25,440	23,984
Customer connections	8,892	-
Incident proceeds	-	38,340
Gain (loss) on foreign exchange	(3,942)	-
	<u>2,070,073</u>	<u>80,927</u>
<b>DIRECT COSTS</b>	<u>246,985</u>	<u>605</u>
<b>GROSS PROFIT</b>	<u>1,823,088</u>	<u>80,322</u>
<b>EXPENSES</b>		
UBF construction	1,416,872	-
Salaries, wages and benefits	923,256	208,074
Depreciation of property and equipment	847,103	2,596
Sub-contracts	505,325	16,102
Network maintenance	177,450	-
IT licenses, fees and non-capital equipment	176,300	3,615
Board	95,227	26,776
Interest and bank charges	89,411	486
Professional fees	66,455	66,519
Rent	28,512	14,876
Insurance	28,125	4,747
Advertising and promotion	24,577	16,646
Interest on development facility borrowings (Note 13)	23,339	-
Telephone and utilities	22,433	-
Building maintenance	22,065	-
Training	9,580	599
Amortization of intangible assets	8,580	4,290
Office and administration	7,152	719
Travel	3,944	4,156
Incident expenses	-	37,350
	<u>4,475,706</u>	<u>407,551</u>
<b>NET INCOME AND COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ (2,652,618)</u>	<u>\$ (327,229)</u>

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

**RURAL CONNECT LTD.**  
**Statement of Changes in Equity**  
**For The Year Ended December 31, 2025**

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	<u>Share Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
<b>Balance, December 31, 2023</b>	<u>-</u>	<u>8,302</u>	<u>8,302</u>
Total comprehensive income (loss)	-	(327,229)	(327,229)
Issuance of common shares ( <i>Note 15</i> )	100	-	100
Issuance of preferred shares ( <i>Note 15</i> )	<u>710,860</u>	<u>-</u>	<u>710,860</u>
<b>Balance, December 31, 2024</b>	<b><u>\$ 710,960</u></b>	<b><u>\$ (318,927)</u></b>	<b><u>\$ 392,033</u></b>
Total comprehensive income (loss)	-	(2,652,618)	(2,652,618)
Issuance of preferred shares ( <i>Note 15</i> )	<u>38,212,306</u>	<u>-</u>	<u>38,212,306</u>
<b>Balance, December 31, 2025</b>	<b><u>\$ 38,923,266</u></b>	<b><u>\$ (2,971,545)</u></b>	<b><u>\$ 35,951,721</u></b>

**RURAL CONNECT LTD.**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2025**

	<u>2025</u>	<u>2024</u>
<b>OPERATING ACTIVITIES</b>		
Total comprehensive income (loss)	\$ (2,652,618)	\$ (327,229)
Adjustments for:		
Depreciation of property and equipment	847,103	2,596
Amortization of intangible assets	8,580	4,290
Change in trade and other receivables	(559,105)	(141,594)
Change in prepaid expenses	(23,789)	(20,432)
Change in accounts payable and accrued liabilities	167,839	1,181,518
Change in deferred revenue	<u>300,113</u>	<u>-</u>
	<u>(1,911,877)</u>	<u>699,149</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(38,954,975)	(2,837,857)
Purchase of intangible assets	-	(25,740)
Additions to loan receivable	<u>(1,832,396)</u>	<u>-</u>
	<u>(40,787,371)</u>	<u>(2,863,597)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	1,832,396	2,000,000
Issuance of preferred shares	38,212,306	710,860
Issuance of common shares	<u>-</u>	<u>100</u>
	<u>40,044,702</u>	<u>2,710,960</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,654,546)</b>	<b>546,512</b>
<b>CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR</b>	<b><u>554,064</u></b>	<b><u>7,552</u></b>
<b>CASH (BANK INDEBTEDNESS), END OF YEAR</b>	<b><u>\$ (2,100,482)</u></b>	<b><u>\$ 554,064</u></b>

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

**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

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**1. NATURE OF OPERATIONS**

Rural Connect Ltd. (the "Company") is incorporated under the *Business Corporation Act* of the Province of Alberta. The Company's primary line of business is retailing digital services to businesses and households primarily in central Alberta, specifically in Red Deer County, the Village of Delburne and the County of Paintearth No. 18 (the "Municipalities").

The Company's registered office and principal place of business is:

5815 42 Street  
Innisfail, Alberta, T4G 1S8

The common shares of the Company are owned by Red Deer County, the Village of Delburne, the County of Paintearth No. 18 and EQUUS REA Ltd.

**2. BASIS OF PRESENTATION**

**a) *Statement of Compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The financial statements were authorized for issue by the Board of Directors on March 26, 2026.

**b) *Basis of Measurement***

The financial statements have been prepared using the historical cost basis. The significant accounting policies are set out in Note 3.

**c) *Functional Currency***

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

**d) *Use of judgments and estimates***

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

**i. *Judgments***

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in notes:

- Note 3a) - Revenue Recognition

*(Continues)*

## 2. BASIS OF PRESENTATION (CONTINUED)

### d) *Use of judgments and estimates (continued)*

#### ii. Estimates

The Company reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgment in making these estimates and assumptions. Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### Useful lives

The estimated useful lives, residual values and depreciation method for property and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives, residual values and amortization method for intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

#### Fair value measurement

Certain accounting measures such as determining asset impairment and recording certain financial and non-financial assets and liabilities, require the Company to estimate an item's fair value. Estimates of fair value may be based on readily determinable market values or on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies have been applied consistently to all periods presented in these financial statements.

### a) *Revenue Recognition*

Revenue is measured based on the value of the expected consideration in a contract with a customer and excludes sales taxes and other amounts collected on behalf of third parties. Revenue is recognized when control of a product or service is transferred to a customer. When the right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, revenue is recognized in the amount to which the Company has the right to invoice.

#### **Wholesale**

Wholesale revenue is recognized from the sale of broadband services upon payment from the customer.

#### **Construction**

Construction revenue represents the recovery of costs incurred in constructing a network for Red Deer County. Revenue is recognized over time using a cost-based input method. Where the outcome of the contract cannot be reliably estimated, revenue is recognized only to the extent of costs incurred that are expected to be recoverable, with costs expensed as incurred.

(Continues)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a) *Revenue Recognition (continued)*

##### ***Incident proceeds***

Incident proceed revenue is recognized when the related service is provided which includes recovery of third party incidents during construction of property and equipment.

##### ***Municipal cost recovery***

Municipal cost recovery relates to non-property and equipment expenditures incurred by the Company in Red Deer County, the Village of Delburne and the County of Paintearth No. 18.

##### ***Interest revenue***

Interest revenue consists of interest earned on the cash account and interest on the development facility borrowings that was recovered by the Company from Red Deer County.

##### ***Infrastructure adjustment fee***

Infrastructure adjustment fee is recognized in accordance with the Community Commercial Reconciliation Agreements ("CCRA") between the Company and Red Deer County, the Village of Delburne and the County of Paintearth No.18 (the "Municipalities"). This revenue is recognized when the annual allocation of expenses and expenditures exceed the annual operating revenues to the specific Municipality and are further detailed in Note 21 and Schedules 1 & 2.

##### ***Customer connections***

Customer connections revenue is recognized when the Company recovers the connection costs related to physically connecting customers to the network system.

##### ***Gain (loss) on foreign exchange***

Gain (loss) on foreign exchange revenue is recognized when the revenues and expenses related to the foreign exchange transactions are incurred and received or paid.

#### b) *Income Taxes*

Under the Income Tax Act, ITA 149 (1) (d.5), a Company is exempt from income taxes when more than 90% of the ownership of said Company is a municipality in Canada. In addition, the income from activities carried on outside of the geographical boundary of the municipality must not exceed 10% of the total income for the period.

The Company is 90% owned by Red Deer County, the Village of Delburne and the County of Paintearth No. 18 and the income from outside the geographical boundaries of those municipalities does not exceed 10% of the total income of the Company. Due to the above listed reasoning the Company is tax exempt for the fiscal year ended December 31, 2025.

Income tax expense was not recorded for the fiscal years ended December 31, 2025 or 2024 as the Company is considered tax exempt under ITA 149 (1) (d.5).

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Property and Equipment**

Property and equipment (P&E) is recorded at cost, net of accumulated depreciation and accumulated impairment loss, if any. Depreciation of property and equipment are calculated at the following annual rates and methods:

Cables, conduits, towers, design and engineering	35 years	Straight-line basis
Indefeasible Right of Use (IRU)	Life of contract	Straight-line basis
Radios and electronics	3 years	Straight-line basis
Furniture and computer equipment	3 - 10 years	Straight-line basis
Buildings and seacans	20 - 30 years	Straight-line basis

Gains and losses on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of net income and other comprehensive income within other income.

P&E is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**d) Intangible Assets**

Intangible assets with finite lives are stated at cost, net of accumulated amortization and impairment losses, if any.

Intangible assets consist of website development costs and are amortized on a 3 year straight-line basis. Website development costs are initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in other income on the statement of net income and other comprehensive income.

**e) Financial Instruments**

**Recognition and derecognition**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) *Financial Instruments (continued)*

##### ***Classification and initial measurement of financial assets***

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- Amortized cost
- Fair value through profit or loss (FVTPL), or
- Fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- The entity's business model for managing the financial asset, and
- The contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

##### ***Subsequent measurement of financial assets***

###### *Financial assets at amortized cost*

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

###### *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(Continues)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) *Financial Instruments (continued)*

##### ***Subsequent measurement of financial assets (continued)***

##### *Financial assets at fair value through other comprehensive income (FVOCI)*

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective is “hold to collect” the associated cash flows and sell, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

##### ***Impairment of financial assets***

##### *Trade and other receivables and contract assets*

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

##### Classification and initial measurement of financial liabilities

The Company's financial liabilities include bank indebtedness, trade payable and other accrued liabilities and development facility borrowings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transactions unless the Company designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains and losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***f) Provisions, contingent assets and contingent liabilities***

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

***g) Standards and interpretations not yet applied***

A number of new standards, amendments to standards and interpretations of standards have been issued by the have been issued by the IASB and the IFRIC, the application of which is effective for periods beginning on or after January 1, 2026 which are not effective for these financial statements. The Company does not expect the implementation of these new accounting pronouncements to have a material impact on its accounting policies.

**4. TRADE AND OTHER RECEIVABLES**

	<u>2025</u>	<u>2024</u>
Trades receivable	\$ 542,015	\$ 71,387
Holdbacks receivable	137,299	-
Goods and Services Tax recoverable	<u>22,135</u>	<u>70,957</u>
	<u>\$ 701,449</u>	<u>\$ 142,344</u>

**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

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**5. LOAN RECEIVABLE**

	<u>2025</u>	<u>2024</u>
Loan to Red Deer County	\$ 1,832,396	\$ -
Amounts payable within one year	<u>(32,148)</u>	<u>-</u>
	<u>\$ 1,800,248</u>	<u>\$ -</u>

In 2025, the Company entered into an agreement with Red Deer County to provide funds for the construction of additional network assets. This loan is related to the development facility borrowings detailed in Note 13. The Company borrowed the funds on behalf of Red Deer County. This loan bears interest at the daily compounded Canadian Overnight Repo Rate Average ("CORRA") plus 2%. CORRA as at December 31, 2025 was 2.29% (2024 - 3.31%). The repayment terms are interest only payments until September 17, 2026; then monthly instalments of \$8,037 plus any interest owing on the loan are required. The principal repayments are as follows:

	<u>Principal</u>
2026	\$ 32,148
2027	96,444
2028	96,444
2029	96,444
2030	96,444
Thereafter	<u>1,414,472</u>
	<u>\$ 1,832,396</u>

**6. INTANGIBLE ASSETS**

	<u>Website Costs</u>
<b>COST:</b>	
Balance at December 31, 2024	\$ 25,740
Additions, separately acquired	<u>-</u>
Balance at December 31, 2025	<u>25,740</u>
<b>ACCUMULATED AMORTIZATION:</b>	
Balance at December 31, 2024	4,290
Amortization	<u>8,580</u>
Balance at December 31, 2025	<u>12,870</u>
Net Book Value at December 31, 2025	<u>\$ 12,870</u>
Net Book Value at December 31, 2024	<u>\$ 21,450</u>

RURAL CONNECT LTD.  
Notes to the Financial Statements  
Year ended December 31, 2025

7. PROPERTY AND EQUIPMENT

	Cables, conduits, towers, design and engineering	Indefeasible Right of Use (IRUs)	Radios and electronics	Furniture and computer equipment	Buildings and seacans	<b>Total</b>
<b>COST:</b>						
Balance at December 31, 2024	\$ 2,651,817	\$ -	\$ 186,040	\$ -	\$ -	\$ 2,837,857
Additions	<u>35,672,782</u>	<u>1,976,024</u>	<u>397,900</u>	<u>36,774</u>	<u>871,495</u>	<u>38,954,975</u>
<b>Balance at December 31, 2025</b>	<b><u>38,324,599</u></b>	<b><u>1,976,024</u></b>	<b><u>583,940</u></b>	<b><u>36,774</u></b>	<b><u>871,495</u></b>	<b><u>41,792,832</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2024	2,596	-	-	-	-	2,596
Depreciation	<u>474,620</u>	<u>270,145</u>	<u>81,517</u>	<u>5,852</u>	<u>14,969</u>	<u>847,103</u>
Balance at December 31, 2025	<b><u>477,216</u></b>	<b><u>270,145</u></b>	<b><u>81,517</u></b>	<b><u>5,852</u></b>	<b><u>14,969</u></b>	<b><u>849,699</u></b>
<b>Net Book Value at December 31, 2025</b>	<b><u>\$ 37,847,383</u></b>	<b><u>\$ 1,705,879</u></b>	<b><u>\$ 502,423</u></b>	<b><u>\$ 30,922</u></b>	<b><u>\$ 856,526</u></b>	<b><u>\$ 40,943,133</u></b>
<b>COST:</b>						
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>2,651,817</u>	<u>-</u>	<u>186,040</u>	<u>-</u>	<u>-</u>	<u>2,837,857</u>
<b>Balance at December 31, 2024</b>	<b><u>2,651,817</u></b>	<b><u>-</u></b>	<b><u>186,040</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,837,857</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2023	-	-	-	-	-	-
Depreciation	<u>2,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,596</u>
<b>Balance at December 31, 2024</b>	<b><u>2,596</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,596</u></b>
<b>Net Book Value at December 31, 2024</b>	<b><u>\$ 2,649,221</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 186,040</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,835,261</u></b>

(Continues)

**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

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**7. PROPERTY AND EQUIPMENT (CONTINUED)**

Included in cables, conduits, towers, design and engineering is \$4,726,619 (2024 - \$2,240,347) of work in progress for which no depreciation has been recorded.

Included in radios and electronics is \$163,339 (2024 - \$186,040) of work in progress for which no depreciation has been recorded.

During the year, there were non-cash transfers of assets in cables, conduits, towers, design and engineering of \$30,756,041; in radios and electronics of \$274,572; in buildings of \$851,121 and in IRUs of \$1,976,024 totaling \$33,857,758 (2024 - \$NIL). Red Deer County transferred \$32,287,758 (2024 - \$NIL) in exchange for preferred shares and the Village of Delburne transferred \$1,570,000 (2024 - \$NIL) in exchange for preferred shares.

**8. LEASES**

Right-of-Use Assets

Changes in the net book value of the Company's right-of-use (ROU) assets are as follows:

The Company leases several Indefeasible Right of Use (IRUs) assets to access certain network infrastructure. The IRUs require an up front lump sum payment with no further lease charges, other than maintenance, so no liability is incurred with these leases. The average term remaining on leases is 10 years (2024 - N/A).

	Indefeasible Right of Use (IRUs)	Total
<b>COST:</b>		
Balance at December 31, 2024	\$ -	\$ -
Additions	<u>1,976,024</u>	<u>1,976,024</u>
Balance at December 31, 2025	<u><b>1,976,024</b></u>	<u><b>1,976,024</b></u>
<b>ACCUMULATED AMORTIZATION:</b>		
Balance at December 31, 2024	-	-
Depreciation	<u>270,145</u>	<u>270,145</u>
Balance at December 31, 2025	<u><b>270,145</b></u>	<u><b>270,145</b></u>
Net Book Value at December 31, 2025	<u><b>\$ 1,705,879</b></u>	<u><b>\$ 1,705,879</b></u>

The Company has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

In 2025, the Company recorded \$28,512 (2024 - \$NIL) in lease expenses related to short-term leases and low value leases.

**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

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**9. FACILITY OVERDRAFT**

The Company has access to an operating facility overdraft with the Canadian Imperial Bank of Commerce ("CIBC") which is secured by a general security agreement, an assignment of all material contracts, a certificate of insurance and an unlimited guarantee and a guarantee from EQUUS REA Ltd. The authorized limit on the operating facility is \$2,500,000 (2024 - \$2,500,000) and bears interest at prime (2024 - prime). At December 31, 2025, the Company had balance drawn of \$2,100,482 (2024 - \$NIL) outstanding. Prime rate as at December 31, 2025 was 4.45% (2024 - 5.45%).

**10. CREDIT CARD FACILITY**

The Company has access to a credit card facility overdraft with the Canadian Imperial Bank of Commerce ("CIBC") which is secured by a general security agreement, an assignment of all material contracts, a certificate of insurance and an unlimited guarantee and a guarantee from EQUUS REA Ltd. The authorized limit on the operating facility is \$50,000 (2024 - \$50,000) and bears interest at 19.99% (2024 - 19.99%) per annum on regular purchases and 22.99% (2024 - 22.99%) per annum on cash advances. At December 31, 2025, the Company had balance drawn of \$6,715 (2024 - \$NIL) outstanding.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2025</u>	<u>2024</u>
Trade payable	\$ 1,205,343	\$ 1,024,977
Holdback payable	137,299	156,541
Credit card facility payable (Note 10)	<u>6,715</u>	<u>-</u>
	<u>\$ 1,349,357</u>	<u>\$ 1,181,518</u>

**12. DEFERRED REVENUE**

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ -	\$ -
Pre-billed infrastructure adjustment fee	300,113	-
Revenue recognized	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 300,113</u>	<u>\$ -</u>

The infrastructure adjustment fee was pre-billed to Red Deer County and the County of Paintearth No. 18 to assist the Company with cashflow. The infrastructure adjustment fee is related to the Community Commercial Reconciliation detailed in Note 21. The amount of the actual infrastructure adjustment fee will be determined subsequent to year-end and will be recognized as revenue or returned to Red Deer County and the County of Paintearth No. 18.

## RURAL CONNECT LTD.

### Notes to the Financial Statements

Year ended December 31, 2025

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#### 13. DEVELOPMENT FACILITY BORROWINGS

The Company has access to a development facility with the Canadian Imperial Bank of Commerce ("CIBC") which is secured by a general security agreement, an assignment of all material contracts, a certificate of insurance and an unlimited guarantee and a guarantee from EQUUS REA Ltd. The authorized limit on the development facility is \$20,000,000 (2024 - \$20,000,000) and bears interest at either prime rate or the Canadian Overnight Repo Rate Average ("CORRA") plus 2%, depending on which interest rate the Company selects (2024 - CORRA plus 2%). At December 31, 2025, the Company had balance drawn of \$1,832,396 (2024 - \$NIL) outstanding. CORRA as at December 31, 2025 was 2.29% (2024 - 3.31%). Prime rate as at December 31, 2025 was 4.45% (2024 - 5.45%).

#### 14. WORKING CAPITAL FACILITY

EQUUS REA Ltd. provided the Company with \$2,000,000 to assist with working capital requirements. There are no set repayment terms, and currently no maturity date. The working capital facility bears interest at 5% on the balance owing as at December 31 annually only if there is a franchise fee paid to the three municipality shareholders as part of the Community Commercial Reconciliation Agreement (*Note 21 and Schedules 1 and 2*). Per the agreement, once the total interest paid from the Company to EQUUS REA Ltd. reaches \$300,000 then no additional interest is to be charged. The working capital facility is to be repaid by the maturity date, once the maturity date is agreed upon. Any principal amounts owing subsequent to the maturity date bears interest at prime rate until the working capital facility is fully repaid.

As at December 31, 2025, no franchise fee was paid to the three municipality shareholders.

As any franchise fee to be incurred as an expense will take place once the amounts are finalized subsequent to year-end, it will be determined if there is to be any interest on the working capital facility paid.

#### 15. SHARES CAPITAL

Authorized:

- Ten thousand (10,000) class "A" common voting shares
- Unlimited class "B" preferred non-voting shares
- Unlimited class "C" preferred non-voting shares

Issued:

	<u>2025</u>	<u>2024</u>
10,000 (2024 - 10,000) - Class A common voting shares	\$ 100	\$ 100
37,090,770 (2024 - 710,860) - Class B preferred non-voting shares	37,090,770	710,860
1,832,396 (2024 NIL) - Class C preferred non-voting shares	<u>1,832,396</u>	<u>-</u>
	<u>\$38,923,266</u>	<u>\$ 710,960</u>

The Class B preferred shares are issued by the Company when municipal contributions are made in the form of one preferred share for each dollar of contributions received from Red Deer County, the Village of Delburne and the County of Paintearth No. 18 ("Municipalities"). Contributions from the Municipalities are in the form of cash transferred to the Company or a transfer of property and equipment assets.

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**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

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**15. SHARES CAPITAL (CONTINUED)**

The Class C preferred shares are issued by the Company when municipal contributions are made in the form of one preferred share for each dollar of financed contributions the the Municipalities. These contributions have not been paid for by the Municipalities but instead via debentures held by the Company and a related loan receivable. Once there are payments made on the debentures and the loan receivable, the Class C preferred shares are eligible to be transferred for Class B preferred shares annually.

Common shares are based off the preferred shares held by each of the Municipalities as at March 31, 2025 (2024 - March 31, 2024) after the annual issuance of preferred shares, which occurs on or before June 1, 2025 (2024 - June 1, 2024). A common share reallocation between the Municipalities to reflect the percentage of preferred shares held by each of the Municipalities will take place on June 30, 2026 (2024 - June 30, 2025).

**16. RELATED PARTY BALANCES AND TRANSACTIONS**

The Company's related parties are the Red Deer County, the Village of Delburne, the County of Paintearth No.18, and EQUUS REA Ltd. There are various related party transactions involving those parties and the Company.

County of Paintearth No. 18

	<u>2025</u>	<u>2024</u>
Revenues <sup>1</sup>	\$ 6,735	\$ 4,665

<sup>1</sup> Included within revenues is municipal cost recovery of \$6,735 (2024 - \$4,665).

The following summarizes the Company's related party balances with the County of Paintearth No. 18:

	<u>2025</u>	<u>2024</u>
Trade receivables	\$ 320,810	\$ 2,145
Holdbacks receivable	137,299	-
Property and equipment - cost	3,268,580	1,005,461
Trade payable	-	37,050
Deferred revenue	29,379	-
Common shares	10	10
Preferred shares	3,233,012	710,860

(continues)

**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

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**16. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**

Red Deer County

	<u>2025</u>	<u>2024</u>
Revenues <sup>2</sup>	\$ 1,504,086	\$ 4,545
Expenses <sup>3</sup>	916	-

<sup>2</sup> Included within revenues is construction revenue of \$1,416,872 (2024 - \$NIL); wholesale revenue of \$31,570 (2024 - \$NIL); municipal cost recovery of \$26,413 (2024 - \$4,545); interest revenue of \$23,339 (2024 - \$NIL); and customer connections of \$5,892 (2024 - \$NIL).

<sup>3</sup> Included within expenses is network expenses of \$916 (2024 - \$NIL).

The following summarizes the Company's related party balances with Red Deer County:

	<u>2025</u>	<u>2024</u>
Trade receivables	\$ 161,469	\$ 4,545
Loan receivable	1,832,395	-
Property and equipment - cost	36,891,104	1,832,396
Deferred revenue	270,734	-
Common shares	65	65
Preferred shares	34,120,154	-

Village of Delburne

	<u>2025</u>	<u>2024</u>
Revenues <sup>4</sup>	\$ 2,700	\$ 7,050

<sup>4</sup> Included within revenues is wholesale revenue of \$2,700 (2024 - \$NIL) and municipal cost recovery of \$NIL (2024 - \$7,050).

The following summarizes the Company's related party balances with the Village of Delburne:

	<u>2025</u>	<u>2024</u>
Trade receivables	\$ 284	\$ 7,403
Property and equipment - cost	1,570,000	-
Common shares	15	15
Preferred shares	1,570,000	-

(continues)

**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

**16. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**

EQUUS REA Ltd.

	<u>2025</u>	<u>2024</u>
Expenses <sup>5</sup>	\$ 128,503	\$ 257,122
Expenditures allocated to property and equipment <sup>6</sup>	3,514	53,920
Expenditures allocated to intangible assets	-	25,740
Goods and Services Tax reimbursements	-	2,534
	<u>\$ 132,017</u>	<u>\$ 339,316</u>

<sup>5</sup> Included within expenses are salaries, wages and benefits of \$66,131 (2024 - \$206,194); IT fees of \$16,299 (2024 - \$3,031); board of \$5,461 (2024 - \$26,776); rent of \$28,512 (2024 - \$14,876); insurance of \$10,000 (2024 - \$NIL); advertising and promotion of \$NIL (2024 - \$1,120); telephone and utilities of \$486 (2024 - \$NIL); training of \$NIL (2024 - \$599); office and administration of \$904 (2024 - \$370); and travel of \$709 (2024 - \$4,156).

<sup>6</sup> Expenditures allocated to property and equipment consists of \$NIL (2024 - \$53,920) of cables, conduits, towers, design and engineering and \$3,514 (2024 - \$NIL) of furniture and computer equipment.

The following summarizes the Company's related party balances with EQUUS REA Ltd.:

	<u>2025</u>	<u>2024</u>
Trade receivables	\$ -	100
Trade payable	4,624	147,463
Working capital facility	2,000,000	2,000,000
Common shares	10	10

Compensation of key management personnel

Key management personnel (KMP) of the Company are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. The Company's KMP are members of the Board of Directors and the executive management team. In the current year, management positions were employees of the Company, whereas in the prior year, the management positions were outsourced to EQUUS REA Ltd.

	<u>2025</u>	<u>2024</u>
Salaries, wages and benefits	\$ 654,759	\$ -
Director remuneration	88,577	26,351
	<u>\$ 743,336</u>	<u>\$ 26,351</u>

**RURAL CONNECT LTD.**  
**Notes to the Financial Statements**  
**Year ended December 31, 2025**

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**17. COMMITMENTS**

***Office building***

The Company has an operating lease for its office space that commenced on February 1, 2025 and expires on January 31, 2028 at a base annual amount of \$31,104 (paid \$2,592 per month plus GST) and associated operating costs.

Future annual lease payments are as follows:

2026	\$	31,104
2027		31,104
2028		<u>2,592</u>
	\$	<u>64,800</u>

**18. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE**

The carrying amount of the Company's financial instruments by classification is as follows:

	<u>2025</u> <u>Carrying Value</u>	<u>Amortized</u> <u>Cost</u>	<u>FVTPL</u>	<u>FVTOCI</u>
<b>Non-Derivative Financial Assets</b>				
Trade and other receivables	\$ 701,449	\$ 701,449	\$ -	\$ -
Loan receivable	<u>1,832,396</u>	<u>1,832,396</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 2,533,845</u></b>	<b><u>\$ 2,533,845</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Non-Derivative Financial Liabilities</b>				
Bank indebtedness	\$ 2,100,482	\$ 2,100,482	\$ -	\$ -
Accounts payable and accrued liabilities	1,349,357	1,349,357	-	-
Development facility borrowings	<u>1,832,396</u>	<u>1,832,396</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 5,282,235</u></b>	<b><u>\$ 5,282,235</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
	<u>2024</u> <u>Carrying Value</u>	<u>Amortized</u> <u>Cost</u>	<u>FVTPL</u>	<u>FVTOCI</u>
<b>Non-Derivative Financial Assets</b>				
Cash and cash equivalents	\$ 554,064	\$ 554,064	\$ -	\$ -
Trade and other receivables	<u>142,344</u>	<u>142,344</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 696,408</u></b>	<b><u>\$ 696,408</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Accounts payable and accrued liabilities	<u>\$ 1,181,518</u>	<u>\$ 1,181,518</u>	<u>\$ -</u>	<u>\$ -</u>

## **19. CAPITAL MANAGEMENT**

The Company manages its capital to ensure that it maintains an appropriate current ratio in order to support its operations and maximize shareholder value.

## **20. RISK MANAGEMENT**

The Company is exposed to a number of different financial risks arising from business activities and its use of financial instruments, including market risk, interest rate risk, and liquidity risk. The Company's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk, which includes financial risk.

### ***Credit Risk***

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from trade and other receivables.

#### *Risk management process*

The Company manages its credit risk by performing regular credit assessments of its customers and providing allowances for potentially uncollectible accounts receivable.

Credit-impaired financial assets are identified through regular reviews of past due balances and credit assessments of customers. The Company considers past due information of its balances and information about the customer available through regular commercial dealings.

#### *Measurement of expected credit losses*

The Company measures expected credit losses for accounts receivable on a group basis. These assets are grouped on the basis of type of customer, geographic region and business or industry of the customer. Otherwise, expected credit losses are measured on an individual basis.

When measuring lifetime expected credit losses, the Company considers its past credit experience and estimates the timing, probability and magnitude of any cash shortfalls to determine the present value of expected credit losses at the reporting date. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

#### *Write-offs*

Financial assets are written off when the customer has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset remains on a list of delinquent accounts. Where information becomes available indicating the Company will receive funds such amounts are recognized at their fair value.

### ***Interest Rate Risk***

Interest rate risk is the risk that future value or future cash flows of the Company's financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through its floating interest rate facility overdraft and development facility borrowings. Other borrowings are at fixed rates. The Company's investments in guaranteed investment certificates pay fixed interest rates.

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## 20. RISK MANAGEMENT (CONTINUED)

### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its obligations to members and other liabilities. The Company manages liquidity risk through regular monitoring of cash requirements by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and financial liabilities to identify financing requirements.

## 21. COMMUNITY COMMERCIAL RECONCILIATION

In 2024, the Company signed Community Commercial Reconciliation Agreements ("CCRA") with Red Deer County, the Village of Delburne and the County of Paintearth No. 18 ("Municipalities"). The CCRAs are to provide each Municipality with a reconciliation of the annual operating revenues, expenses, property and equipment expenditures and the contribution or repayment of the working capital facility. The Company will either receive a negative balance payment from the Municipalities as an infrastructure adjustment fee to break even for the fiscal year, or pay a positive balance to the Municipalities as a franchise fee. The reconciliation and allocation of revenues, expenses, property and equipment expenditures and the contribution or repayment of the working capital facility are based off the cost of the property and equipment purchased or transferred to the Company by each of the Municipalities. EQUUS REA Ltd. is not factored into this calculation. County of Paintearth No. 18 has transferred or purchased property and equipment worth \$3,268,580 (8%) (2024 - \$1,005,461 and 35%); Red Deer County has transferred or purchased property and equipment worth \$36,891,104 (88%) (2024 - \$1,832,395 and 65%); and Village of Delburne has transferred or purchased property and equipment worth \$1,570,000 (4%) (2024 - \$NIL and 0%). Revenues, expenses, property and equipment expenditures and the contribution or repayment of the working capital facility that are attributable to the specific Municipality are allocated entirely to the Municipality and are not included as part of the common expenses.

Any infrastructure adjustment fee to be recognized as revenue, or franchise fee to be incurred as an expense will take place subsequent to year-end, once the amounts are finalized. The CCRAs are detailed on Schedules 1 & 2. Included in these Schedules are the non cash expenses of depreciation of property and equipment and the amortization of intangible assets which are allocated entirely to the Company, as the property and equipment expenditures are included as part of the Other Reconciling Items and allocated to the Municipalities as the expenditures are incurred.

During the year, the Company received an investment rider from Red Deer County for \$23,339 (2024 - \$NIL). This is part of the CCRA.

## 22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

RURAL CONNECT LTD.

Community Commercial Reconciliation

Year ended December 31, 2025

	Red Deer County	Village of Delburne	County of Paintearth No. 18	Rural Connect Ltd.	2025
<b>REVENUE</b>					
Construction	\$ 1,416,872	\$ -	\$ -	\$ -	\$ 1,416,872
Wholesale	393,392	197,488	4,398	-	595,278
Municipal cost recovery	22,819	40	4,674	-	27,533
Interest	25,196	79	165	-	25,440
Customer connections	8,892	-	-	-	8,892
Gain (loss) on foreign exchange	(3,485)	(148)	(309)	-	(3,942)
	<u>1,863,686</u>	<u>197,459</u>	<u>8,928</u>	<u>-</u>	<u>2,070,073</u>
<b>DIRECT COSTS</b>	<u>158,858</u>	<u>55,533</u>	<u>32,594</u>	<u>-</u>	<u>246,985</u>
<b>GROSS PROFIT (LOSS)</b>	<u>1,704,828</u>	<u>141,926</u>	<u>(23,666)</u>	<u>-</u>	<u>1,823,088</u>
<b>EXPENSES</b>					
UBF construction	1,416,872	-	-	-	1,416,872
Salaries, wages and benefits	816,204	34,736	72,316	-	923,256
Depreciation of property and equipment	-	-	-	847,103	847,103
Sub-contracts	457,163	15,976	32,186	-	505,325
Network maintenance	161,006	8,879	7,565	-	177,450
IT licenses, fees and non-capital equipment	155,858	6,633	13,809	-	176,300
Board	84,185	3,583	7,459	-	95,227
Interest and bank charges	86,239	1,029	2,143	-	89,411
Professional fees	58,750	2,500	5,205	-	66,455
Rent	25,206	1,073	2,233	-	28,512
Insurance	24,864	1,058	2,203	-	28,125
Advertising and promotion	17,963	2,010	4,604	-	24,577
Interest on development facility borrowings	23,339	-	-	-	23,339
Telephone and utilities	20,999	329	1,105	-	22,433
Building maintenance	19,507	830	1,728	-	22,065
Training	8,470	360	750	-	9,580
Amortization of intangible assets	-	-	-	8,580	8,580
Office and administration	6,373	188	591	-	7,152
Travel	3,487	148	309	-	3,944
	<u>3,386,485</u>	<u>79,332</u>	<u>154,206</u>	<u>855,683</u>	<u>4,475,706</u>
<b>NET INCOME AND COMPREHENSIVE INCOME (LOSS)</b>	<u>(1,681,657)</u>	<u>62,594</u>	<u>(177,872)</u>	<u>(855,683)</u>	<u>(2,652,618)</u>
<b>OTHER RECONCILING ITEMS</b>					
Property and equipment expenditures	55,654	2,432	5,062	-	63,148
Unspent working capital facility	(1,539,610)	-	(140,047)	-	(1,679,657)
	<u>(1,483,956)</u>	<u>2,432</u>	<u>(134,985)</u>	<u>-</u>	<u>(1,616,509)</u>
	<u>\$ (197,701)</u>	<u>\$ 60,162</u>	<u>\$ (42,887)</u>	<u>\$ (855,683)</u>	<u>\$ (1,036,109)</u>

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

**RURAL CONNECT LTD.**

**Community Commercial Reconciliation**

**Year ended December 31, 2024**

	Red Deer County	Village of Delburne	County of Paintearth No. 18	Rural Connect Ltd.	<u>2024</u>
<b>REVENUE</b>					
Incident proceeds	\$ -	\$ -	\$ 38,340	\$ -	\$ 38,340
Interest	17,322	3,997	2,665	-	23,984
Municipal cost recovery	4,545	7,050	4,665	-	16,260
Wholesale	2,343	-	-	-	2,343
	<u>24,210</u>	<u>11,047</u>	<u>45,670</u>	<u>-</u>	<u>80,927</u>
<b>DIRECT COSTS</b>					
	<u>605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605</u>
<b>GROSS PROFIT</b>					
	<u>23,605</u>	<u>11,047</u>	<u>45,670</u>	<u>-</u>	<u>80,322</u>
<b>EXPENSES</b>					
Salaries, wages and benefits	150,276	34,679	23,119	-	208,074
Professional fees	48,041	11,087	7,391	-	66,519
Incident expenses	-	-	37,350	-	37,350
Board	19,338	4,463	2,975	-	26,776
Advertising and promotion	12,022	2,774	1,850	-	16,646
Sub-contracts	5,472	7,758	2,872	-	16,102
Rent	10,744	2,479	1,653	-	14,876
Insurance	3,429	791	527	-	4,747
Amortization of intangible assets	-	-	-	4,290	4,290
Travel	3,001	693	462	-	4,156
IT licenses, fees and non-capital equipment	2,611	602	402	-	3,615
Depreciation of property and equipment	-	-	-	2,596	2,596
Office and administration	519	120	80	-	719
Training	432	100	67	-	599
Interest and bank charges	351	81	54	-	486
	<u>256,236</u>	<u>65,627</u>	<u>78,802</u>	<u>6,886</u>	<u>407,551</u>
<b>NET INCOME AND COMPREHENSIVE INCOME (LOSS)</b>					
	<u>(232,631)</u>	<u>(54,580)</u>	<u>(33,132)</u>	<u>(6,886)</u>	<u>(327,229)</u>
<b>OTHER RECONCILING ITEMS</b>					
Property and equipment expenditures	-	-	-	-	-
Unspent working capital facility	<u>(232,631)</u>	<u>(54,580)</u>	<u>(33,132)</u>	<u>-</u>	<u>(320,343)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,886)</u>	<u>\$ (6,886)</u>

Property and Equipment - County of Paintearth No. 18

Year ended December 31, 2025

	Cables, conduits, towers, design and engineering	Indefeasible Right of Use (IRUs)	Radios and electronics	Furniture and computer equipment	Buildings and seacans	Total
<b>COST:</b>						
Balance at December 31, 2024	\$ 1,005,461	\$ -	\$ -	\$ -	\$ -	\$ 1,005,461
Additions	<u>2,217,758</u>	<u>-</u>	<u>45,361</u>	<u>-</u>	<u>-</u>	<u>2,263,119</u>
<b>Balance at December 31, 2025</b>	<b><u>3,223,219</u></b>	<b><u>-</u></b>	<b><u>45,361</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,268,580</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2024	-	-	-	-	-	-
Depreciation	<u>8,410</u>	<u>-</u>	<u>3,989</u>	<u>-</u>	<u>-</u>	<u>12,399</u>
Balance at December 31, 2025	<u>8,410</u>	<u>-</u>	<u>3,989</u>	<u>-</u>	<u>-</u>	<u>12,399</u>
<b>Net Book Value at December 31, 2025</b>	<b><u>\$ 3,214,809</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 41,372</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,256,181</u></b>
<b>COST:</b>						
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>1,005,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005,461</u>
<b>Balance at December 31, 2024</b>	<b><u>1,005,461</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,005,461</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2023	-	-	-	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at December 31, 2024</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Book Value at December 31, 2024</b>	<b><u>\$ 1,005,461</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,005,461</u></b>

## Property and Equipment - Red Deer County

Year ended December 31, 2025

	Cables, conduits, towers, design and engineering	Indefeasible Right of Use (IRUs)	Radios and electronics	Furniture and computer equipment	Buildings and seacans	<b>Total</b>
<b>COST:</b>						
Balance at December 31, 2024	\$ 1,646,356	\$ -	\$ 186,040	\$ -	\$ -	\$ 1,832,396
Additions	<u>31,879,024</u>	<u>1,976,024</u>	<u>352,539</u>	<u>-</u>	<u>851,121</u>	<u>35,058,708</u>
<b>Balance at December 31, 2025</b>	<b><u>33,525,380</u></b>	<b><u>1,976,024</u></b>	<b><u>538,579</u></b>	<b><u>-</u></b>	<b><u>851,121</u></b>	<b><u>36,891,104</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2024	2,596	-	-	-	-	2,596
Depreciation	<u>443,781</u>	<u>270,145</u>	<u>77,528</u>	<u>-</u>	<u>14,185</u>	<u>805,639</u>
Balance at December 31, 2025	<b><u>446,377</u></b>	<b><u>270,145</u></b>	<b><u>77,528</u></b>	<b><u>-</u></b>	<b><u>14,185</u></b>	<b><u>808,235</u></b>
<b>Net Book Value at December 31, 2025</b>	<b><u>\$ 33,079,003</u></b>	<b><u>\$ 1,705,879</u></b>	<b><u>\$ 461,051</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 836,936</u></b>	<b><u>\$ 36,082,869</u></b>
<b>COST:</b>						
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>1,646,356</u>	<u>-</u>	<u>186,040</u>	<u>-</u>	<u>-</u>	<u>1,832,396</u>
<b>Balance at December 31, 2024</b>	<b><u>1,646,356</u></b>	<b><u>-</u></b>	<b><u>186,040</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,832,396</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2023	-	-	-	-	-	-
Depreciation	<u>2,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,596</u>
<b>Balance at December 31, 2024</b>	<b><u>2,596</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,596</u></b>
<b>Net Book Value at December 31, 2024</b>	<b><u>\$ 1,643,760</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 186,040</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,829,800</u></b>

Property and Equipment - Village of Delburne

Year ended December 31, 2025

	Cables, conduits, towers, design and engineering	Indefeasible Right of Use (IRUs)	Radios and electronics	Furniture and computer equipment	Buildings and seacans	<b>Total</b>
<b>COST:</b>						
Balance at December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>1,570,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,570,000</u>
<b>Balance at December 31, 2025</b>	<b><u>1,570,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,570,000</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2024	-	-	-	-	-	-
Depreciation	<u>22,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,429</u>
Balance at December 31, 2025	<u>22,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,429</u>
<b>Net Book Value at December 31, 2025</b>	<b><u>\$ 1,547,571</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,547,571</u></b>
<b>COST:</b>						
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at December 31, 2024</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2023	-	-	-	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at December 31, 2024</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Book Value at December 31, 2024</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

RURAL CONNECT LTD.

Property and Equipment - Rural Connect

Year ended December 31, 2025

	Cables, conduits, towers, design and engineering	Indefeasible Right of Use (IRUs)	Radios and electronics	Furniture and computer equipment	Buildings and seacans	Total
<b>COST:</b>						
Balance at December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>36,774</u>	<u>20,374</u>	<u>63,148</u>
<b>Balance at December 31, 2025</b>	<b><u>6,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>36,774</u></b>	<b><u>20,374</u></b>	<b><u>63,148</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2024	-	-	-	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,852</u>	<u>784</u>	<u>6,636</u>
Balance at December 31, 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,852</u>	<u>784</u>	<u>6,636</u>
<b>Net Book Value at December 31, 2025</b>	<b><u>\$ 6,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,922</u></b>	<b><u>\$ 19,590</u></b>	<b><u>\$ 56,512</u></b>
<b>COST:</b>						
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at December 31, 2024</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at December 31, 2023	-	-	-	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at December 31, 2024</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Book Value at December 31, 2024</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>