UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2026
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. **001-39669**

Z Squared Inc.
(Exact name of registrant as specified in its charter)

Delaware	**98-1465952**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

550 South Andrews Ave., Suite #700
Fort Lauderdale, Florida 33301
(Address of principal executive offices) (Zip Code)
(305) 697-0792
(Registrant's telephone number, including area code)
zsquaredinc.com

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**ZSQR**	**Nasdaq Global Market**

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☒	Smaller Reporting Company ☒
	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

The number of shares outstanding of the registrant’s common stock as of the latest practicable date was: 53,231,351 shares of $0.0001 par value common stock outstanding as of November 20, 2026.

Z Squared Inc.

FORM 10-Q

For the Quarter Ended September 30, 2026

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PART I - FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

Z SQUARED INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	September 30, 2026 (unaudited)	December 31, 2025
ASSETS		
CURRENT ASSETS		
Cash	$ 12,388,896	$ 1,402
Crypto assets	3,430	-
Security deposit	55,000	-
Prepaid assets	64,000	-
TOTAL CURRENT ASSETS	12,511,326	1,402
PROPERTY AND EQUIPMENT		
Land	1,007,559	-
Building, net	9,610,334	-
Mining equipment, net	6,301,990	-
TOTAL PROPERTY AND EQUIPMENT	16,919,883	-
OTHER ASSETS		
Co-development rights, net	393,095	-
Investments	320,543	-
Land purchase option	1,226,130	-
TOTAL OTHER ASSETS	1,939,768	-
TOTAL ASSETS	$ 31,370,977	$ 1,402
LIABILITIES, TEMPORARY EQUITY, AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	562,168	-
Accrued expenses	602,938	-
Below market lease - related party	60,000	-
Other current liabilities	120	120
TOTAL CURRENT LIABILITIES	1,225,226	120
LONG TERM LIABILITIES		
Milestone obligation - related party	6,000,000	-
Below market lease - related party	42,400	-
Accrued relocation liability - related party	397,814	-
Derivative liability warrants	-	-
TOTAL LONG TERM LIABILITIES	6,440,214	-
TOTAL LIABILITIES	7,665,440	120
COMMITMENTS AND CONTINGENCIES (NOTE 17)		
TEMPORARY EQUITY		
Series A Convertible Preferred Stock, $0.0001 par value, 25,000 shares designated, 5,000 and zero shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively	5,075,556	-
TOTAL TEMPORARY EQUITY	5,075,556	-
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized, zero shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively (other than Series A above)	-	-
Common stock, $0.0001 par value, 150,000,000 shares authorized, 53,187,721 and 43,877,497 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively	5,319	4,388
Additional paid-in capital	150,054,322	(2,663)
Accumulated deficit	(131,419,986)	(443)
TOTAL STOCKHOLDERS' EQUITY - CONTROLLING INTERESTS	18,639,655	1,282
TOTAL STOCKHOLDERS' EQUITY - NONCONTROLLING INTERESTS	(9,674)	-
TOTAL STOCKHOLDERS' EQUITY	18,629,981	1,282
TOTAL LIABILITIES, TEMPORARY EQUITY, AND STOCKHOLDERS' EQUITY	$ 31,370,977	$ 1,402

See the accompanying notes to the condensed consolidated financial statements.

Z SQUARED INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2026	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
REVENUE				
DOGE mining	$ 2,278	$ -	$ 1,395,288	$ -
LTC mining	368	-	190,843	-
Rental income - related party	5,000	-	5,000	-
Total revenue	7,646	-	1,591,131	-
COST OF REVENUE				
Cost of revenue (exclusive of depreciation shown separately below)	316,350	-	2,508,273	-
Depreciation	1,575,372	-	2,732,881	-
Total cost of revenue	1,891,722	-	5,241,154	-
GROSS LOSS	**(1,884,076)**	**-**	**(3,650,023)**	**-**
COST OF OPERATIONS				
Salary expense	426,351	-	699,203	-
Professional services expense	1,080,086	-	5,875,674	-
(Gain) loss on exchange of crypto assets	(1,479)	-	73,132	-
Unrealized (gain) loss on crypto assets	(443)	-	(398)	-
Amortization expense	56,905	-	175,569	-
Impairment loss	3,424,539	-	3,730,875	-
Goodwill impairment	106,932,241	-	106,932,241	-
Stock based compensation expense	2,991,070	-	10,025,009	-
General and administrative expenses	163,179	-	180,088	-
Selling and marketing expense	194,992	-	204,731	-
Total cost of operations	115,267,441	-	127,896,124	-
LOSS FROM OPERATIONS	**(117,151,517)**	**-**	**(131,546,147)**	**-**
OTHER INCOME (EXPENSE)				
Interest expense	(2,821)	-	(3,047)	-
Interest income	47,340	-	47,340	-
Other income, net	306	-	387	-
Total other income (expense), net	44,825	-	44,680	-
LOSS BEFORE INCOME TAXES	(117,106,692)	-	(131,501,467)	-
Income tax benefit	-	-	-	-
NET LOSS	**(117,106,692)**	**-**	**(131,501,467)**	**-**
Less: Net loss attributable to non-controlling interests	(9,674)	-	(81,924)	-
NET LOSS ATTRIBUTABLE TO Z SQUARED INC.	**(117,097,018)**	**-**	**(131,419,543)**	**-**
Less: Accrued dividends on Series A Convertible Preferred Stock	25,556	-	25,556	-
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ **(117,122,574)**	$ **-**	$ **(131,445,099)**	$ **-**
Net loss per share attributable to common stockholders - basic and diluted	$ (2.21)	$ -	$ (2.69)	$ -
Weighted average number of common shares outstanding	53,021,105	43,877,497	48,919,273	43,877,497

See the accompanying notes to the condensed consolidated financial statements.

Z SQUARED INC.
CONDENSED CONSOLIDATED STATEMENTS OF TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY
(Unaudited)

	TEMPORARY EQUITY: SERIES A PREFERRED SHARES		PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL CONTROLLING INTEREST	NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT					
BALANCE AT DECEMBER 31, 2024	-	-	-	-	43,877,497	4,388	(4,388)	(120)	(120)	-	(120)
Net loss	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2025	-	-	-	-	43,877,497	4,388	(4,388)	(120)	(120)	-	(120)
Net loss	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT JUNE 30, 2025	-	-	-	-	43,877,497	4,388	(4,388)	(120)	(120)	-	(120)
Net loss	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT SEPTEMBER 30, 2025	-	-	-	-	43,877,497	4,388	(4,388)	(120)	(120)	-	(120)
BALANCE AT DECEMBER 31, 2025	-	-	-	-	43,877,497	4,388	(2,663)	(443)	1,282	-	1,282
Net loss	-	-	-	-	-	-	-	(30)	(30)	-	(30)
BALANCE AT MARCH 31, 2026	-	-	-	-	43,877,497	4,388	(2,663)	(473)	1,252	-	1,252
Business combination with Coeptis Therapeutics Holdings, Inc.	-	-	-	-	6,553,996	656	107,484,878	-	107,485,534	72,250	107,557,784
Spin-Out share distribution	-	-	-	-	1,000,000	100	(100)	-	-	-	-
Capital contribution - mining equipment	-	-	-	-	-	-	12,438,900	-	12,438,900	-	12,438,900
Shares issued for standby equity purchase agreement ("SEPA")	-	-	-	-	1,302,806	130	15,418,709	-	15,418,839	-	15,418,839
Shares issued for services	-	-	-	-	242,514	24	3,552,189	-	3,552,213	-	3,552,213
Shares issued for conversion of note payable and accrued interest	-	-	-	-	23,584	2	275,224	-	275,226	-	275,226
Stock based compensation	-	-	-	-	-	-	7,033,939	-	7,033,939	-	7,033,939
Net loss, as revised	-	-	-	-	-	-	-	(14,322,495)	(14,322,495)	(72,250)	(14,394,745)
BALANCE AT JUNE 30, 2026, as revised	-	-	-	-	53,000,397	5,300	146,201,076	(14,322,968)	131,883,408	-	131,883,408
Series A Convertible Preferred Stock issued for asset acquisition	5,000	5,050,000	-	-	-	-	-	-	-	-	-
Accrued dividends on Series A Convertible Preferred Stock	-	25,556	-	-	-	-	(25,556)	-	(25,556)	-	(25,556)
Shares issued for services	-	-	-	-	127,305	13	887,738	-	887,751	-	887,751
Stock based compensation	-	-	-	-	60,019	6	2,991,064	-	2,991,070	-	2,991,070
Net loss	-	-	-	-	-	-	-	(117,097,018)	(117,097,018)	(9,674)	(117,106,692)
BALANCE AT SEPTEMBER 30, 2026	5,000	5,075,556	-	-	53,187,721	5,319	150,054,322	(131,419,986)	18,639,655	(9,674)	18,629,981

See the accompanying notes to the condensed consolidated financial statements.

Z SQUARED INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	September 30, 2026	**September 30, 2025**
OPERATING ACTIVITIES		
Net loss	$ (131,501,467)	$ -
Adjustments to reconcile net loss to net cash used in operating activities		
Noncash crypto assets received as revenue	(1,586,131)	-
Noncash rental income	(5,000)	-
Operating expenses paid with crypto assets	1,509,967	-
Depreciation of mining equipment	2,712,371	-
Impairment of mining equipment	3,424,539	-
Depreciation of building	20,510	-
Amortization of co-development rights	175,569	-
Impairment of co-development rights	306,336	-
Impairment of goodwill	106,932,241	-
Accretion of relocation liability	2,814	-
Stock based compensation	10,025,009	-
Shares issued for non-employee services	4,439,964	-
Shares issued for accrued interest	226	-
(Gain) loss on exchange of crypto assets	73,132	-
Unrealized (gain) loss on crypto assets	(398)	-
Changes in assets and liabilities, net of effects of reverse acquisition:		
Prepaid assets	(64,000)	-
Security deposit	(55,000)	-
Accounts payable	97,807	-
Accrued expenses	602,938	-
NET CASH USED IN OPERATING ACTIVITIES	(2,888,573)	-
INVESTING ACTIVITIES		
Asset acquisition costs	(297,772)	-
NET CASH USED IN INVESTING ACTIVITIES	(297,772)	-
FINANCING ACTIVITIES		
Proceeds from shares issued for SEPA	15,418,839	-
Payment of financing fee	(120,000)	-
Proceeds from note payable	275,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	15,573,839	-
NET INCREASE IN CASH	12,387,494	-
CASH AT BEGINNING OF PERIOD	1,402	-
CASH AT END OF PERIOD	$ 12,388,896	$ -
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid	$ -	$ -
Taxes paid	$ -	$ -
SUPPLEMENTAL NON-CASH DISCLOSURES		
Series A Convertible Preferred Stock issued as consideration in asset acquisition	$ 5,050,000	$ -
Milestone obligation recognized in asset acquisition	$ 6,000,000	$ -
Relocation liability recognized in asset acquisition	$ 395,000	$ -
Asset acquisition costs included in accounts payable	$ 14,361	$ -
Below market lease liability recognized in asset acquisition	$ 107,400	$ -
Accrued dividends on Series A Convertible Preferred Stock	$ 25,556	$ -
Common stock issued as consideration in reverse acquisition	$ 107,485,534	$ -
Capital contribution of mining equipment	$ 12,438,900	$ -
Common stock issued for conversion of note payable and accrued interest	$ 275,226	$ -
Goodwill recognized in reverse acquisition	$ 106,932,241	$ -
Investment and Co-Development Rights recognized in reverse acquisition	$ 745,543	$ -
Financing Fee Payable assumed in reverse acquisition	$ 120,000	$ -
Noncontrolling interest recognized in reverse acquisition	$ 72,250	$ -
Milestone fee for license acquisition and included in accounts payable	$ 450,000	$ -

See the accompanying notes to the condensed consolidated financial statements.

Z SQUARED INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2026 (unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

General. On April 24, 2026 (the "Closing" or the "Closing Date"), Z Squared Inc. (the "Company"), formerly known as Coeptis Therapeutics Holdings, Inc., completed the business combination contemplated by the Agreement and Plan of Merger, dated as of April 25, 2025 (the "Merger Agreement"), by and among the Company, CP Merger Sub Inc., a Wyoming corporation and wholly owned subsidiary of the Company ("Merger Sub"), and Z Squared, Inc., a Wyoming corporation. At the effective time of the merger (the "Effective Time"), Merger Sub merged with and into Z Squared, Inc., which survived the merger as a wholly owned subsidiary of the Company and was renamed Z Squared OpCo Inc. ("OpCo") (the "Merger"). In connection with the Closing, the Company changed its corporate name from "Coeptis Therapeutics Holdings, Inc." to "Z Squared Inc."

Nature of Business During the Period Covered. Following the Closing on April 24, 2026, the Company's principal operations consisted of crypto asset mining conducted through OpCo, focused on the generation of Dogecoin and Litecoin through merged mining using Scrypt-algorithm ASIC hardware across facilities in North Carolina and Iowa. The Company's mining fleet was directed to be powered down on June 16, 2026, and the Company does not expect to resume mining operations. The Company is in a dispute with Minting Dome Inc., the hosting provider for its mining fleet, regarding the Company's access to and recovery of its miners (see Notes 18 and 20). The Company is also pursuing an expansion into artificial intelligence ("AI") and high-density compute infrastructure and data center development, which activities were in a development stage during the period. Prior to the Closing, the Company's operations consisted primarily of biopharmaceutical activities. The Company also continues to hold its interest in GEAR Therapeutics, Inc. ("GEAR"), which conducts the residual biopharmaceutical operations retained by the Company following the closing of the Merger.

Acquisition of Paradox Data, LLC. On September 8, 2026, the Company acquired 100% of the membership interests of Paradox Data, LLC ("Paradox Data"), a Florida limited liability company, from Paradox Infrastructure LLC (the "Seller"). Paradox Data's principal asset is the Union County Campus, a data center development site in El Dorado, Arkansas (the "Union County Campus"). The campus consists of approximately three acres of land and an existing building, with access to up to approximately 8.0 MW of interruptible electric service from Entergy Arkansas, LLC, and a contract to acquire approximately ten acres of adjacent land. The Union County Campus is the Company's first owned site for its planned AI colocation business. Pending the transition of electric service and operational control to Paradox Data, the existing building is leased to the Seller for continued operation of the Seller's bitcoin mining facility. The site has not generated revenue from data center operations. Its development will require additional power arrangements, customer commitments, financing, permitting and construction. The Company accounted for the transaction as an asset acquisition. See Note 5.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, they include all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations, and cash flows. The interim results are not necessarily indicative of the results that may occur for the full fiscal year. Certain information and footnote disclosure normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules of the United States Securities and Exchange Commission (the "SEC"). Because the Merger was accounted for as a reverse acquisition, the accompanying condensed consolidated financial statements represent a continuation of the financial statements of OpCo. Accordingly, the assets and liabilities of the legal acquiree, Coeptis Therapeutics Holdings, Inc., were recognized at their acquisition-date fair values as of the Closing Date, while the historical assets, liabilities, and results of operations and cash flows prior to the Closing Date are those of OpCo. The historical equity of OpCo has been retroactively adjusted to reflect the shares of the Company's common stock issued to the former securityholders of OpCo in the Merger, and share and per-share amounts for periods prior to the Closing have been restated accordingly. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of OpCo as of and for the year ended December 31, 2025 and the notes thereto included in the Company's Current Report on Form 8-K/A filed with the SEC on June 1, 2026, rather than the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. The condensed consolidated balance sheet as of December 31, 2025 was derived from OpCo's audited financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The condensed consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries, OpCo, Paradox Data (from September 8, 2026, the date of acquisition) and GEAR. All material intercompany balances and transactions have been eliminated in consolidation. Noncontrolling interests represent the portion of the equity and results of GEAR not attributable to the Company and are presented separately within stockholders' equity and in the condensed consolidated statements of operations.

Revision of Previously Issued Financial Statements - Subsequent to the issuance of the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2026, the Company identified an error in the timing of recognition of $600,000 of performance bonuses earned by a consultant upon the achievement of trading-volume milestones in June 2026. The bonuses were payable in cash or, at the Company's election, in shares of common stock, and were subsequently settled in shares of common stock. The related liability and professional services expense should have been recognized in the three months ended June 30, 2026, rather than upon issuance of the shares. The Company evaluated the error under SEC Staff Accounting Bulletin Nos. 99 and 108 and concluded that it was not material to any previously issued financial statements. The error had no effect on the Company's revenue, cash, or cash flows. The Company has revised the three months ended June 30, 2026 in the accompanying condensed consolidated statements of temporary equity and stockholders' equity. The revision increased net loss attributable to Z Squared Inc. for the three months ended June 30, 2026 from $13,722,495 to $14,322,495 and net loss per share from $(0.28) to $(0.29); increased net loss attributable to Z Squared Inc. for the six months ended June 30, 2026 from $13,722,525 to $14,322,525 and net loss per share from $(0.29) to $(0.31); and decreased total stockholders' equity at June 30, 2026 by $600,000. The Company will revise the comparative periods in future filings as applicable.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates. Significant estimates include the fair values used to measure and allocate the cost of the Paradox Data asset acquisition, including the fair value of the Series A Convertible Preferred Stock issued as consideration, the fair value of the milestone obligation liability, and the useful life of the acquired building and related infrastructure.

Asset Acquisitions – The Company evaluates each acquisition to determine whether the acquired set of assets and activities is a business under ASC 805, Business Combinations. A set is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. A set is also not a business if it does not include an input and a substantive process that together significantly contribute to the ability to create outputs. Acquisitions that are not businesses are accounted for as asset acquisitions under ASC 805-50. In an asset acquisition, the cost of the acquisition, including direct transaction costs, is allocated to the identifiable assets acquired and liabilities assumed on a relative fair value basis. The exception is assets and liabilities that GAAP measures on another basis, such as financial instruments, which are recorded at that basis. Goodwill is not recognized. Non-cash consideration is measured at the more reliably determinable of the fair value of the consideration given and the fair value of the assets acquired.

Contingent consideration in an asset acquisition that is a financial instrument within the scope of ASC 480, Distinguishing Liabilities from Equity, is recognized at fair value at the acquisition date as part of the cost of the assets acquired. It is remeasured at fair value at each reporting date, with changes in fair value recognized in earnings and not as an adjustment to the cost of the assets acquired.

Cash and Cash Equivalents – The Company considers all highly liquid, short-term investments with original maturities of three months or less when purchased to be cash equivalents. As of September 30, 2026 and December 31, 2025, the Company held $12,388,896 and $1,402 of cash and cash equivalents, respectively.

Crypto Assets – The Company's crypto assets consist of Dogecoin and Litecoin received as consideration from its crypto asset mining operations and are accounted for in accordance with Accounting Standards Codification ("ASC") 350-60, *Crypto Assets*. Crypto assets meet the criteria in ASC 350-60 for measurement at fair value, and accordingly are measured at fair value as of each reporting date, with changes in fair value recognized in the condensed consolidated statements of operations. Fair value is determined using the quoted closing price of the respective crypto asset in the Company's principal market as of the reporting date and is classified as a Level 1 measurement under ASC 820, *Fair Value Measurement*.

Revenue Recognition – The Company recognizes revenue from crypto asset mining from the provision of transaction verification services within crypto asset networks, commonly termed "cryptocurrency mining." As consideration for these services, the Company receives crypto assets from each specific network in which it participates ("coins"). In accordance with ASC 606, mining proceeds are recognized as revenue when the mining activity is complete and the associated crypto assets are added to the blockchain, as the Company has transferred control of the validated transactions to the network. Revenue from crypto asset mining is measured based on the fair value of the coins received. Fair value is determined using the quoted price of the respective crypto asset in the Company's principal market at the time of recognition and is classified as a Level 1 measurement under ASC 820, *Fair Value Measurement*. The coins are recorded on the condensed consolidated balance sheets as crypto assets at their fair value and re-measured at each reporting date. Revaluation gains and losses are included in the condensed consolidated statements of operations.

Cost of Revenue – Cost of revenue includes the direct costs associated with cryptocurrency mining operations, including electricity and power usage, hosting fees, depreciation of mining equipment, mining pool fees, and other costs directly attributable to the generation of cryptocurrency rewards, as well as depreciation of the building at the Union County Campus, which is leased to the Seller.

Employee and Non-Employee Share-Based Compensation – The Company applies ASC 718-10, *Share-Based Payment*, which requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors including employee stock options, restricted stock units ("RSUs"), and other equity awards issued to employees and non-employees based on estimated fair values.

ASC 718-10 requires companies to estimate the fair value of equity-based option awards on the date of grant using an option-pricing model. The fair value of the award is recognized as an expense on a straight-line basis over the requisite service periods in the Company's unaudited condensed consolidated statements of operations. The Company recognizes share-based award forfeitures as they occur.

The Company estimates the fair value of granted option equity awards using a Black-Scholes option pricing model or, for awards containing market-based vesting conditions, a Monte Carlo simulation model. The option-pricing model requires a number of assumptions, of which the most significant are share price, exercise price, expected volatility, the risk-free interest rate, and the expected term. For awards with market-based vesting conditions, a Monte Carlo simulation is used to estimate fair value by simulating potential future share-price paths to determine the probability and timing of the vesting condition being satisfied. Expected volatility is estimated based on volatility of the Company. The Company has historically not paid dividends on its common stock and has no foreseeable plans to do so. The risk-free interest rate is based on the yield from governmental zero-coupon bonds with an equivalent term. The expected option term is calculated for options granted to employees and directors using the "simplified" method. Changes in the determination of each of the inputs can affect the fair value of the options granted and the results of operations of the Company. The fair value of restricted stock units is determined based on the fair value of the Company's common stock on the grant date.

Property and Equipment – Property and equipment are stated at cost, less accumulated depreciation. The mining equipment contributed by BSG Series CM, LLC in the common control transfer described in Note 4 was recorded at the transferor's carrying amount as of the date of transfer, determined in accordance with U.S. GAAP, which represents its cost basis for purposes of subsequent depreciation. Land is not depreciated. The building, including its integral electrical infrastructure (substation, transformers, switchgear and distribution), is depreciated on a straight-line basis over its estimated remaining useful life of 30 years from the date of acquisition. Access to utility power under the Power Access Agreement described in Note 5 is not recognized as a separate asset and is included in the carrying amount of the building.

Land Purchase Option – The Company's contractual right to acquire land adjacent to the Union County Campus is recorded at cost and included in other assets. Its cost was determined by allocating the cost of the Paradox Data acquisition on a relative fair value basis (see Note 5).

Goodwill and Intangible Assets – In accordance with ASC 350, *Intangibles - Goodwill and Other*, goodwill is not amortized and is tested for impairment annually and upon the occurrence of a triggering event. Finite-lived intangible assets are amortized over their estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. During the second quarter of 2026, the Company identified a triggering event requiring an interim goodwill impairment test, and no impairment was recognized. During the third quarter of 2026, the Company identified further triggering events, performed an interim goodwill impairment test as of September 30, 2026, and recognized a goodwill impairment of $106,932,241, reducing goodwill to zero. See Note 4.

Investments – The Company classifies its investments in accordance with ASC 321, *Investments – Equity Securities*. Investments in equity securities with readily determinable fair values are measured at fair value, with unrealized gains and losses recognized in net income. For equity securities without readily determinable fair values, the Company applies the measurement alternative, recording these investments at cost, adjusted for impairments or observable price changes from transactions involving similar securities.

Redeemable Convertible Preferred Stock – The Company classifies its Series A Convertible Preferred Stock outside of permanent equity (temporary equity) in accordance with ASC 480-10-S99-3A, because the shares contain a contingent cash redemption feature that is not solely within the Company's control. The Series A Convertible Preferred Stock was initially recorded at fair value on the date of issuance. The carrying amount is not adjusted to the redemption amount unless it becomes probable that the shares will become redeemable. If redemption becomes probable, the Company will accrete the carrying amount to the redemption value over the period to the earliest redemption date. Cumulative dividends are recognized as they accrue as an increase in the carrying amount of the Series A Convertible Preferred Stock. Because the Company has an accumulated deficit, the offsetting charge is to additional paid-in capital. See Note 12.

Milestone Obligation Liability – The Company's obligations to issue additional shares of Series A Convertible Preferred Stock upon achievement of development milestones under the Paradox Data acquisition are freestanding financial instruments. They are classified as liabilities under ASC 480-10-25-8 because the shares, once issued, may be required to be redeemed for cash upon events not solely within the Company's control. The obligations are measured at fair value at each reporting date, with changes in fair value recognized in the condensed consolidated statements of operations as change in fair value of milestone obligation. When milestone shares are issued, the fair value of the related liability on the issuance date will be reclassified to Series A Convertible Preferred Stock in temporary equity. See Note 5.

Leases – Lessor – Paradox Data leases its building to the Seller under an operating lease. Rental income is recognized on a straight-line basis over the lease term. The below market lease liability recognized in the acquisition is amortized to rental income on a straight-line basis over the remaining lease term. If the lease terminates early, any unamortized balance is recognized in rental income at that date. Rental income is included in revenue.

Fair Value Measurements – The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 - inputs that are unobservable (for example, cash flow modeling inputs based on assumptions)

The Company's financial instruments measured at fair value on a recurring basis using Level 3 inputs include the derivative liability warrants (Note 10), the Series A Convertible Preferred Stock (Note 5), and the milestone obligation liability (Note 5). The fair values used to measure and allocate the cost of the Paradox Data acquisition were nonrecurring measurements that used Level 3 inputs (Note 5). The carrying amounts of the Company’s financial instruments, such as cash, accounts payable and other current liabilities approximate fair values due to the short-term nature of these instruments.

Earnings Per Share – The Company follows ASC 260 when reporting Earnings Per Share (“EPS”) resulting in the presentation of basic and diluted earnings per share. Basic net (loss) income per common share is computed by dividing net (loss) income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net (loss) income per common share is computed by dividing net (loss) income attributable to common stockholders by the weighted average number of common shares outstanding, plus the effect of potentially dilutive securities, if any, using the treasury stock method. In periods when losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive.

The Series A Convertible Preferred Stock participates in dividends on the common stock on an as-converted basis and is therefore a participating security. The Company applies the two-class method in computing basic loss per share. Cumulative dividends on the Series A Convertible Preferred Stock are deducted from net loss to arrive at net loss attributable to common stockholders, whether or not declared or paid. Net losses are not allocated to the Series A Convertible Preferred Stock because the holders have no contractual obligation to share in the Company's losses. Diluted loss per share applies the if-converted method to the Series A Convertible Preferred Stock. Shares issuable upon achievement of the Paradox Data milestones are treated as contingently issuable shares.

Recently Adopted Accounting Pronouncements:

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose significant segment expenses and other segment items on an interim and annual basis, and provide in interim periods all disclosures about a reportable segment’s profit or loss and assets that are currently required annually. The ASU does not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative threshold to determine its reportable segments. The new disclosure requirements are also applicable to entities that account and report as a single operating segment entity. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. The Company adopted the guidance for the annual reporting period ended December 31, 2024. There was no impact on the Company’s reportable segments identified and additional required disclosures have been included in Note 19, Segment Reporting in the Notes to Financial Statements.

In December 2023, the FASB also issued ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets, which requires public entities to measure in-scope cryptocurrency assets at fair value in the statement of financial position, and to recognize gains and losses from changes in the fair value of cryptocurrency in net income each reporting period. ASU 2023-08 will also require entities to provide certain interim and annual disclosures with respect to their cryptocurrency holdings. The standard is effective for our interim and annual periods beginning January 1, 2025, with a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period in which the Company adopts the guidance. The Company adopted ASU 2023-08 on January 1, 2025. Because the Company did not acquire cryptocurrency assets until the second quarter of 2026, there was no cumulative-effect adjustment upon adoption; however, the guidance changed the Company’s accounting for such assets on a prospective basis.

Recent Accounting Pronouncements Not Yet Adopted:

The following standards have been issued by the Financial Accounting Standards Board ("FASB") but have not yet been adopted by the Company. The Company is evaluating each standard's applicability to its operations and the potential impact, if any, on its consolidated financial statements.

ASU 2024-03 – Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses – In November 2024, the FASB issued ASU 2024-03, which requires public business entities to disclose, in a tabular presentation within the notes to the financial statements, disaggregated information about specified categories of expense - purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion - included within each relevant expense caption presented on the face of the income statement. The amendments also require disclosure of the total amount of selling expenses and, in annual reporting periods, the entity's definition of selling expenses. Amounts not separately disaggregated must be described qualitatively. The effective date was subsequently clarified by ASU 2025-01. The amendments are applicable to all public business entities for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027, and the Company expects to adopt beginning with its annual period ending December 31, 2027 and its interim periods commencing in the first quarter of 2028.

ASU 2025-04 – Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer – In May 2025, the FASB issued ASU 2025-04, which clarifies the accounting for share-based payment awards granted by an entity as consideration payable to a customer in conjunction with the sale of goods or services. The amendments revise the definition of "performance condition" to explicitly address vesting conditions based on a customer's volume or monetary amount of purchases, eliminate the policy election to account for forfeitures as they occur for service conditions, and clarify that the variable consideration constraint under Topic 606 does not apply to share-based consideration payable to a customer measured under Topic 718. The ASU is applicable for smaller reporting entities for fiscal years beginning after December 15, 2026 and should be adopted, if applicable, beginning the first quarter of 2027.

NOTE 3 – GOING CONCERN

In accordance with ASC 205-40, *Presentation of Financial Statements-Going Concern*, management evaluates at each reporting period whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the condensed consolidated financial statements are issued.

The Company has incurred net losses and has not achieved profitable operations. For the three and nine months ended September 30, 2026, the Company incurred net losses attributable to Z Squared Inc. of $117,097,018 and $131,419,543, respectively, and as of September 30, 2026 had an accumulated deficit of $131,419,986. Following the Closing of the Merger on April 24, 2026, the Company commenced digital asset mining operations through OpCo utilizing approximately 9,800 mining machines contributed by its then-controlling shareholder in a common-control transaction. During the second quarter of 2026, the Company shifted its business strategy away from digital asset mining toward artificial intelligence and data center infrastructure, and on September 8, 2026, it acquired Paradox Data, LLC, which owns the Union County Campus in El Dorado, Arkansas (see Note 5). The Company directed Minting Dome Inc. ("MDI") to power down the mining fleet on June 16, 2026, the Company has not generated meaningful revenue since that date, and the Company does not expect to resume mining operations. See Note 20 for a discussion of the Company's dispute with MDI.

As of September 30, 2026, the Company had cash and cash equivalents of $12,388,896. Management's assessment of the Company's liquidity is based on its cash flow projections for the twelve months following the date these condensed consolidated financial statements are issued, which reflect the cessation of digital asset mining operations and include (i) the Company's corporate and public company operating costs, (ii) the costs of holding and maintaining the Union County Campus in its current pre-development state, and (iii) the Company's contractual obligations and commitments as of the date of issuance, including amounts accrued as of September 30, 2026. The assessment does not include capital expenditures to develop the Union County Campus or any other site, operating costs of development phases that have not been constructed, debt service on financing that has not been obtained, or the costs of any future powered land transaction. The Company will incur each of these only if it obtains the financing for them, as described below. The assessment also does not assume proceeds from any future equity or debt financing. Based on this assessment, management concluded that the Company's existing cash and cash equivalents are sufficient to fund its existing operations and contractual commitments for at least twelve months from the date these condensed consolidated financial statements are issued. Accordingly, management concluded that the conditions described above do not raise substantial doubt about the Company's ability to continue as a going concern.

The Company's growth strategy includes the evaluation, and potential execution, of transactions to acquire powered land and data center capacity, and potential acquisitions of interests in businesses operating in this space, to support its artificial intelligence and high-density compute infrastructure initiatives, as well as the development of the Union County Campus. This strategy will require substantial additional capital beyond the Company's current cash resources. The amount and timing of such capital requirements will depend on the pace and scope of execution of this strategy, including the timing of site development and conversions, equipment procurement, and the closing of any future acquisitions. Management expects that it will need to raise additional capital through equity or debt financing, or a combination thereof, to fund the full execution of this strategy. There can be no assurance that such additional capital will be available on favorable terms, or at all. Because the development expenditures described above will be incurred only if financing is obtained, the Company's inability to raise sufficient capital could result in delaying, scaling back, or discontinuing aspects of its planned artificial intelligence and high-density compute infrastructure initiatives, but is not expected to affect the Company's ability to fund its existing operations and contractual commitments over the next twelve months.

NOTE 4 – BUSINESS COMBINATION

On April 24, 2026, the Company completed the Merger. Immediately prior to the Merger, the Company completed a spin-off of substantially all of its legacy biopharmaceutical operations (the "Spin-Out") to its stockholders of record, other than GEAR Therapeutics, Inc., which remained a subsidiary of the Company. In connection with GEAR Therapeutics remaining a subsidiary of the Company, the Spin-Out subsidiary received 1,000,000 shares of Company common stock and an option to acquire GEAR Therapeutics in the future at its then-fair market value.

Accounting Treatment

The Merger was accounted for as a business combination under ASC 805, *Business Combinations*, with OpCo treated as the accounting acquirer and the Company treated as the legal acquirer and accounting acquiree for financial reporting purposes. This determination was based on the following facts, each of which was confirmed as of the Closing:

- OpCo's former stockholders hold the largest voting interest in the combined company;
- OpCo's former stockholders have the ability to control the election and removal of the combined company's directors and officers;
- OpCo's business comprises substantially all of the ongoing operations of the combined company following the Spin-Out; and
- OpCo's former Chief Executive Officer is the Chief Executive Officer of the combined company.

Because the assets retained by the Company following the Spin-Out met the definition of a business under ASC 805-10, the Merger was accounted for as a business combination, with the assets acquired and liabilities assumed recorded at fair value and any excess of consideration over net identifiable assets acquired recorded as goodwill. The contribution of cryptocurrency mining machines by BSG Series CM, LLC, which occurred contemporaneously with the Merger, was evaluated separately from the business combination and accounted for in accordance with ASC 805-50, as described below.

Merger Consideration

At Closing, in exchange for their OpCo securities, OpCo securityholders received, in the aggregate, 43,877,497 shares of Company common stock, representing approximately 85% of the Company's issued and outstanding common stock (the "Merger Consideration").

The Merger Consideration is measured as the fair value of the Company's common stock retained by the Company's stockholders of record immediately prior to the Merger. Because OpCo was determined to be the accounting acquirer and the Company was determined to be the legal acquirer, the consideration transferred is measured based on the number of shares of Company common stock held by the Company's pre-Merger stockholders, multiplied by the fair value per share of Company common stock as of the Closing Date. This approach was used because the fair value of the Company's publicly quoted stock is more reliably measurable than the fair value of OpCo's privately held stock. On this basis, the consolidated financial statements reflect total consideration transferred of $107,485,534.

Because the Merger was accounted for as a reverse acquisition under ASC 805, the accounting consideration transferred differs from the legal form of the transaction. Although the Company legally issued shares to the former OpCo stockholders, for accounting purposes the consideration transferred is measured based on the fair value of the equity interests that OpCo is deemed to have issued to obtain control of the Company. Because the Company's publicly traded common stock provided a more reliable measure of fair value than OpCo's privately held equity, the Company used the quoted market price of its common stock on the Closing Date to measure the consideration transferred, which totaled $107,485,534.

Substantially all of the Company's legacy operating assets and liabilities were distributed in the Spin-Out immediately prior to the Merger. Accordingly, the identifiable assets acquired and liabilities assumed in the business combination primarily consisted of the assets and liabilities presented below.

The following table summarizes the acquisition-date fair values of the identifiable assets acquired, liabilities assumed and noncontrolling interest recognized in the business combination. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recognized as goodwill.

Investments	$	320,543
Co-development rights		425,000
Total assets acquired		745,543
Financing fee payable		120,000
Derivative liability warrants		-
Total liabilities assumed		120,000
Non-controlling interest		72,250
Goodwill		106,932,241
Total consideration	$	107,485,534

Goodwill Impairment Assessment

During the third quarter of 2026, the Company identified events and circumstances indicating that it was more likely than not that the fair value of the reporting unit to which goodwill was assigned was below its carrying amount. These events and circumstances included:

- the continued curtailment of the Company's cryptocurrency mining operations, which were directed to be powered down on June 16, 2026, and generated mining revenue of $2,646 during the third quarter;
- Dogecoin prices below the Company's breakeven level, with no reasonable and supportable forecast of a recovery;
- the Company's strategic shift away from cryptocurrency mining toward artificial intelligence and data center infrastructure, including the acquisition of Paradox Data on September 8, 2026 (Note 5);
- the departure in May 2026 of the Company's former Co-Chief Executive Officer, who led its mining operations;
- the Company's inability to access or operate its mining fleet, and its dispute with its hosting provider (see Notes 17, 18, and 20);
- the impairment of the Company's mining equipment (Note 7); and
- a sustained decline in the Company's share price.

As described in Note 19, effective in the third quarter of 2026 the Company has two operating segments, which are also its reporting units for goodwill impairment testing: Digital Asset Mining and AI and Data Center Infrastructure. All goodwill arose from the Merger and is assigned to the Digital Asset Mining reporting unit. At the Merger date, cryptocurrency mining was the combined company's only operating business. The AI and Data Center Infrastructure reporting unit was formed through the acquisition of Paradox Data, which was accounted for as an asset acquisition, and carries no goodwill.

Consistent with ASC 350-20-35-31, the Company first tested its mining equipment for recoverability under ASC 360 and recognized an impairment of $3,424,539 (Note 7). It then compared the fair value of the Digital Asset Mining reporting unit with its carrying amount. The reporting unit has no expected revenue or operating cash flows. Its fair value was therefore determined to equal the fair value of its identifiable net assets, principally its mining equipment measured at fair value using secondary-market pricing for comparable equipment. This is a Level 2 fair value measurement. The reporting unit's carrying amount exceeded its fair value by more than its goodwill balance. Accordingly, the Company recognized a goodwill impairment of $106,932,241 for the three and nine months ended September 30, 2026, which is included in goodwill impairment in the condensed consolidated statements of operations. The impairment has no income tax effect.

The following table presents the changes in the carrying amount of goodwill, all of which arose from the Merger, for the nine months ended September 30, 2026:

	Amount
Goodwill recognized in reverse acquisition, April 24, 2026	$ 106,932,241
Impairment, three months ended September 30, 2026	(106,932,241)
Balance, September 30, 2026	$ -

Mining Machines

On June 24, 2025, the Company entered into an Asset-for-Share Exchange Agreement (the “Exchange Agreement”) with BSG Series CM, LLC (“Transferor”), a South Carolina limited liability company. Pursuant to the terms of the Exchange Agreement, Transferor agreed to contribute certain computer equipment consisting of cryptocurrency mining machines (the “Assets”) to the Company upon the Closing of the Merger.

The Assets consisted of approximately 9,800 cryptocurrency mining machines. The mining machines did not constitute a business under ASC 805-10 and, accordingly, the transfer was accounted for separately from the Merger. Because the Transferor was controlled by the same controlling shareholder before and after the transfer, the transaction was accounted for as a transfer of assets between entities under common control in accordance with ASC 805-50. Accordingly, the Company recognized the mining machines at the Transferor’s historical carrying amount on the date of transfer as contributed capital.

During the third quarter of 2026, the Company recognized an impairment loss of $3,424,539 on the mining equipment, reducing its carrying amount to its estimated fair value of $6,301,990 as of September 30, 2026. See Note 7.

1,000,000 shares issued (Spin-Out)

In connection with the Spin-Out, GEAR Therapeutics, Inc., in which the Company holds an 83% ownership interest, remained a subsidiary of the Company rather than being distributed with the Company’s other legacy biopharmaceutical operations. GEAR Therapeutics’ sole asset consists of certain co-development rights, which were independently fair valued at $425,000 in the aggregate. The remaining 17% non-controlling interest in GEAR Therapeutics was initially recorded at $72,250.

As consideration for the Spin-Out subsidiary's forgone interest in GEAR Therapeutics, the Company issued 1,000,000 shares of Company common stock to the Spin-Out subsidiary and granted the Spin-Out subsidiary an option to acquire GEAR Therapeutics in the future for its fair market value at the time of exercise (the "GEAR Option"). The 1,000,000 shares were measured at fair value of $16,400,000, based on the Company's closing stock price of $16.40 per share on the Closing Date.

Because the shares were issued to the Spin-Out subsidiary as part of the overall Spin-Out distribution to the Company's pre-Merger stockholders, the issuance was accounted for as a distribution to owners rather than as consideration for the retained ownership interest in GEAR Therapeutics. Accordingly, the Company recorded the issuance as a reduction of additional paid-in capital (after giving effect to the par value of the common stock issued).

The fair value of the shares issued was determined based on the Company's closing market price on the Closing Date. However, because the issuance represented a distribution to owners in connection with the Spin-Out, the fair value of the shares issued was not required to equal, and does not correspond to, the fair value of GEAR Therapeutics' underlying net assets or co-development rights.

NOTE 5 – ASSET ACQUISITION – PARADOX DATA, LLC

Transaction Overview

On July 31, 2026, the Company entered into a Membership Interest Purchase Agreement (the "MIPA") with Paradox Infrastructure LLC (the "Seller"), Paradox Data, LLC ("Paradox Data") and the owner parties named therein, to acquire 100% of the outstanding membership interests of Paradox Data. The MIPA superseded the binding letter of intent entered into on June 18, 2026. On September 8, 2026 (the "Paradox Closing Date"), the Company completed the acquisition, and Paradox Data became a wholly owned subsidiary of the Company.

As consideration, the Company issued to the Seller 5,000 shares of its newly designated Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"), with an aggregate stated value of $5,000,000 (the "Closing Shares"). No cash consideration was paid and no debt was incurred to fund the acquisition. The terms of the Series A Preferred Stock are described in Note 12.

Paradox Data's principal asset is the Union County Campus in El Dorado, Arkansas. The campus consists of approximately three acres of land, an existing building of approximately 10,000 square feet with electrical infrastructure, and a contract to acquire approximately ten acres of adjacent land. The site is served by an electric service agreement with Entergy Arkansas, LLC ("Entergy") for up to 8,000 kVA (approximately 8.0 MW) of interruptible capacity. That agreement is held by the Seller. Paradox Data's rights to the capacity arise under the Power Access Agreement described below. Assignment of the Entergy agreement to Paradox Data requires Entergy's consent, which had not been obtained as of September 30, 2026.

Agreements Entered Into at Closing

Triple Net Lease and Relocation Agreement. At closing, Paradox Data (as landlord), the Seller (as tenant) and the Company entered into a Triple Net Lease and Relocation Agreement (the "Lease"). Under the Lease, the Seller may continue to operate its bitcoin mining facility at the Union County Campus until notice to vacate is delivered and operational control is transferred to Paradox Data. Base rent is $1.00 per year, and the Lease expires no later than September 8, 2028. The Company is a party solely with respect to a one-time relocation payment of $500,000 to the Seller (the "Relocation Payment"). The payment is due upon the earliest of specified trigger events, which include the Company's notice to vacate, the outside expiration date of the Lease, and certain losses of power capacity or lease terminations. The Company's aggregate monetary liability under the Lease is capped at $500,000.

Intercompany Power Access and Cost-Sharing Agreement. At closing, Paradox Data and the Seller entered into an Intercompany Power Access and Cost-Sharing Agreement (the "Power Access Agreement"). The agreement governs the transition to Paradox Data of the Seller's electric service arrangement with Entergy. The Company is not a party to the Power Access Agreement. Its material terms are as follows:

- *Consideration.* Neither party paid or will pay any consideration for the access rights under the agreement.
- *Access and control.* Until the Changeover Date, the Seller keeps operational control of the electric capacity. From the Changeover Date, Paradox Data has exclusive use of the full 8,000 kVA of capacity. The Changeover Date occurs on the Company's notice that the Seller must vacate under the Lease.
- *Cost sharing.* The Seller reimburses Paradox Data for the Entergy charges for the Seller's own metered consumption. The reimbursement is at net cost, with no markup, and is due within 30 days after invoice. Late amounts accrue interest at the lesser of 1.0% per month or the maximum rate permitted by law. The agreement provides access and cost-sharing rights only. It does not provide for a resale of electricity.
- *Duration.* The cost-sharing arrangement ends on the earlier of the Changeover Date and the expiration of the current term of the Entergy service agreement in June 2027.

Paradox Data passes through the Seller's share of the Entergy charges at cost, and the Seller controls the capacity until the Changeover Date. Accordingly, Paradox Data records these charges as a receivable from the Seller, a related party, and not as revenue or expense. For the period from the Paradox Closing Date through September 30, 2026, the reimbursed charges were $243,740.

No separate asset or liability was recognized for the Power Access Agreement in the acquisition. Its cost-sharing terms are at cost, so they are neither favorable nor unfavorable compared with market terms. The right to the site's electric capacity cannot be transferred separately from the land and building, so its value is reflected in the amounts allocated to the building.

Milestone Obligation

In addition to the Closing Shares, the MIPA requires the Company to issue up to 20,000 additional shares of Series A Preferred Stock (the "Milestone Shares"), with an aggregate stated value of up to $20,000,000, upon achievement of the following development milestones at the Union County Campus:

Milestone	**Trigger**	**Shares of Series A Preferred Stock (stated value)**	**Recipient**
1	Earlier of (i) energization of the site's existing utility power (up to approximately 8 MW) to supply an AI data center, or (ii) the Company's request that the Seller vacate the existing building	5,000 ($5.0 million)	Seller
2	(a) AI client request for service bringing the site to 50 MW; (b) energization to 50 MW	2,500 + 2,500 ($5.0 million)	Paradox Energy LLC
3	Same two steps, to 100 MW	2,500 + 2,500 ($5.0 million)	Paradox Energy LLC
4	Same two steps, to 150 MW	2,500 + 2,500 ($5.0 million)	Paradox Energy LLC

The milestones have no expiration date and are subject to an anti-avoidance covenant. Achievement of each milestone is subject to review by the Audit Committee. The conversion price of each tranche of Milestone Shares will be set when that tranche is earned, at the Nasdaq "Minimum Price" (as defined in Nasdaq Listing Rule 5635(d)) as of that date, rather than at the $7.45 conversion price of the Closing Shares. Paradox Energy LLC is an affiliate of the Seller and a related party of the Company (see Note 18). As of September 30, 2026 and the date these condensed consolidated financial statements were issued, no milestone had been achieved and no Milestone Shares had been issued. If all milestones are achieved, aggregate consideration under the MIPA would total $25,000,000 in stated value.

As of September 30, 2026, the Company determined that achievement of Milestone 1 was probable and recognized a liability for the associated contingent consideration based on its estimated fair value. The remaining milestones were not considered probable of achievement as of September 30, 2026. See the discussion below for additional information regarding the valuation and accounting treatment of the milestone consideration.

Accounting for the Acquisition

The Company concluded that Paradox Data does not meet the definition of a business under ASC 805. It therefore accounted for the transaction as an asset acquisition under ASC 805-50. Paradox Data has no employees or organized workforce, has never generated revenue, and had conducted minimal business activity before the acquisition. Its contracts, including the Lease and the Power Access Agreement, provide access to inputs and not to a substantive process. Because the acquired set includes no substantive process, it is not a business. Accordingly, the cost of the acquisition, including direct transaction costs, was allocated to the assets acquired, and no goodwill was recognized.

The cost of the acquisition consisted of the following:

	Amount
Fair value of 5,000 Closing Shares of Series A Preferred Stock	$ 5,050,000
Fair value of milestone obligation liability – Milestone 1	6,000,000
Fair value of milestone obligation liability – Milestones 2–4	—
Relocation payment obligation, at present value	395,000
Below market lease granted to the Seller	107,400
Direct transaction costs	312,133
Total cost of the acquisition	$ 11,864,533

The cost of the acquisition was allocated as follows:

	Amount
Land	$ 1,007,559
Building and electrical infrastructure	9,630,844
Land purchase option	1,226,130
Total assets acquired	$ 11,864,533

The relocation obligation, the below market lease liability and the milestone obligation liability are recognized as liabilities in the condensed consolidated balance sheet. The Closing Shares are recognized in temporary equity. The total cost of the acquisition, $11,864,533, was allocated to the land, building, and land purchase option based on their relative fair values.

Measurement of Consideration and Assets Acquired

Series A Preferred Stock. The Closing Shares were measured at their fair value of $5,050,000 on the Paradox Closing Date, not at their $5,000,000 stated value. The Company concluded that the fair value of the Series A Preferred Stock was more reliably determinable than the fair value of the undeveloped site. Fair value was determined with the assistance of a third-party valuation firm. The valuation used the average of three option pricing models, a Black-Scholes model, a Monte Carlo simulation and a binomial model, each run under both a cash dividend and a paid-in-kind dividend scenario, with the results of the two scenarios averaged. This is a Level 3 measurement.

Milestone obligation liability. Each obligation to issue Milestone Shares is a freestanding financial instrument classified as a liability under ASC 480-10-25-8, because the Milestone Shares, once issued, will be subject to the same contingent cash redemption feature as the Closing Shares (Note 12). Accordingly, each milestone obligation was recognized at its fair value on the Paradox Closing Date, with the probability of achievement reflected in the fair value measurement rather than applied as a recognition threshold. At the Paradox Closing Date, management determined that achievement of Milestone 1 was expected based on the Company's development plans, which include requiring the Seller to vacate the building. Accordingly, management assumed a 100% probability of achievement in determining the fair value of the Milestone 1 obligation. The Milestone 1 obligation was measured at a fair value of $6,000,000, determined with the assistance of a third-party valuation firm. The Milestone 1 obligation has different features from the Closing Shares. The Closing Shares are outstanding and convertible at a fixed conversion price of $7.45 per share. The Milestone 1 Shares have not been issued, and their conversion price will not be set until Milestone 1 is achieved, at the market price of the Company's common stock on that date. Accordingly, the Milestone 1 obligation is valued using the Company's common stock price as of each measurement date, rather than the fixed conversion price that applies to the Closing Shares. Management assessed achievement of Milestones 2 through 4 as remote at the Paradox Closing Date and at September 30, 2026. Those milestones require an AI client request for service, new Entergy capacity, financing and construction, none of which was in place. Because achievement was remote, management estimated the fair value of the Milestone 2 through 4 obligations to be de minimis at each date, and no amount was recognized for them.

The fair value of the Milestone 1 obligation at the Paradox Closing Date was estimated using the average of three option pricing models: a Black-Scholes model, a Monte Carlo simulation and a binomial model. Each model was run under both a cash dividend and a paid-in-kind dividend scenario, and the results of the two scenarios were averaged. Because the Company may redeem the Series A Preferred Stock at any time at 120% of its Accreted Stated Value (see Note 12), the fair value was limited to the redemption price of the 5,000 Milestone 1 Shares, or $6,000,000. The following table presents the significant inputs used in the valuation as of September 8, 2026:

	Paradox Closing Date
Stock price	$ 3.09
Conversion price	$ 3.09
Expected term (years)	10
Expected volatility	10.00%
Risk-free interest rate	4.80%
Dividend rate (cash or PIK)	8%
Expected time to achieve Milestone 1 (years)	2
Probability of achieving Milestone 1	100%

Below market lease liability. The $1.00 annual rent under the Lease was negotiated as part of the acquisition, so the rent forgone was treated as additional consideration to the Seller. The below market lease liability of $107,400 equals the present value of the difference between estimated market rent of $5,000 per month and contractual rent over the 24-month lease term, discounted at a rate of 12.50% per annum, determined by management based on the Company's credit risk, asset base, and cash flow outlook. The liability is amortized to rental income on a straight-line basis over the remaining lease term.

Relocation Payment. The Relocation Payment is deferred consideration, not contingent consideration, because payment is required no later than the outside expiration date of the Lease. The obligation was recorded at its present value of $395,000. This assumes payment on September 8, 2028, discounted at 12.50% per annum, determined by management based on the Company's credit risk, asset base, and cash flow outlook. The obligation accretes to $500,000 through interest expense.

Land, building, and land purchase option. The fair values of the land, building, and land purchase option used in the relative fair value allocation were Level 3 measurements determined by management. The building includes the site's electrical infrastructure and access to Entergy utility power, which was not a material factor in determining the fair value allocation with respect to the building.

Transaction costs. Direct, incremental costs of the acquisition, consisting of legal, valuation and due diligence fees, of $312,133 were capitalized as part of the cost of the assets acquired.

Milestone Obligation Liability

The following table presents the changes in the fair value of the milestone obligation liability, a Level 3 measurement, for the period from the Paradox Closing Date through September 30, 2026:

	Milestone 1	Milestones 2–4	Total
Recognized at the Paradox Closing Date	$ 6,000,000	$ —	$ 6,000,000
Change in fair value	—	—	—
Fair value at September 30, 2026	$ 6,000,000	$ —	$ 6,000,000

There was no change in the fair value of the milestone obligation liability for the period from the Paradox Closing Date to September 30, 2026, because its fair value remained limited to the $6,000,000 redemption price. The liability is classified as a long-term liability in the condensed consolidated balance sheet. Management reassesses the probability and fair value of each milestone at each reporting date. In doing so it considers AI client request-for-service activity, Entergy applications and capacity commitments, the status of financing, and construction plans. Achievement of Milestones 2 through 4 remained remote at September 30, 2026.

The fair value of the Milestone 1 obligation at September 30, 2026 was estimated using the same models, scenarios and $6,000,000 cap as at the Paradox Closing Date. The value indicated by the models continued to exceed the cap. The following table presents the significant inputs used in the valuation as of September 30, 2026:

	September 30, 2026
Stock price	$ 4.16
Conversion price	$ 4.16
Expected term (years)	10
Expected volatility	10.00%
Risk-free interest rate	4.80%
Dividend rate (cash or PIK)	8%
Expected time to achieve Milestone 1 (years)	2
Probability of achieving Milestone 1	100%

Lease – Paradox Data as Lessor

The Lease is an operating lease. For the period from the Paradox Closing Date through September 30, 2026, the Company recognized rental income of $5,000, consisting almost entirely of amortization of the below market lease liability. As of September 30, 2026, the below market lease liability was $102,400, of which $60,000 is classified as current. Undiscounted contractual lease payments receivable are $1.00 per year through the end of the lease term. The Lease will end earlier if the Company requests that the Seller vacate, which would also trigger Milestone 1 and the Relocation Payment. In that case, the unamortized below market lease liability will be recognized in rental income at that date.

Results of Paradox Data

For the period from the Paradox Closing Date through September 30, 2026, Paradox Data contributed rental income of $5,000, depreciation expense of $20,510, and accretion of the relocation obligation of $2,814.

NOTE 6 – CRYPTO ASSETS

The Company receives Dogecoin (“DOGE”) and Litecoin (“LTC”) as revenue from its crypto asset mining operations, which commenced on the Closing Date. The Company’s crypto assets are accounted for in accordance with ASC 350-60, *Crypto Assets*, and are measured at fair value as of each reporting date, with changes in fair value recognized within cost of operations as unrealized (gain) loss on crypto assets. The fair value of the Company’s crypto assets is measured using the period-end closing price from the Company’s pricing source, CryptoCompare, in accordance with ASC 820, *Fair Value Measurement*, based on quoted prices in active markets (Level 1 inputs). The Company’s realized gains and losses on sales or exchanges are measured as the difference between the value of consideration received and the cost basis of the crypto assets sold or exchanged. The Company maintains custody of its crypto assets with Anchorage Digital, which also serves as the Company’s principal market and brokerage for crypto asset transactions.

The Company’s crypto asset holdings as of September 30, 2026 were as follows:

	Units	Cost Basis	Fair Value
Dogecoin	30,923	$ 2,655	$ 2,960
Litecoin	7	$ 377	$ 470
Total		$ 3,032	$ 3,430

The following table summarizes the activity in the Company's crypto assets from the Closing Date through September 30, 2026:

Balance as of December 31, 2025	$ -
Revenue from mining activities	1,586,131
Operating expenses paid with crypto assets	(1,509,967)
Loss on exchange of crypto assets	(73,132)
Change in fair value of crypto assets	398
Balance as of September 30, 2026	$ 3,430

For the three and nine months ended September 30, 2026, the Company recognized a gain of $1,479 and a loss of $73,132 on dispositions of crypto assets, respectively. For the three and nine months ended September 30, 2026, the Company recognized a gain of $443 and a gain of $398 from changes in fair value of crypto assets, respectively.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Land	Building	Mining Equipment	Total
Cost				
Balance, December 31, 2025	$ -	$ -	$ -	$ -
Additions	1,007,559	9,630,844	12,438,900	23,077,303
Disposals	-	-	-	-
Balance, September 30, 2026	1,007,559	9,630,844	12,438,900	23,077,303
Accumulated Depreciation and Impairment				
Balance, December 31, 2025	-	-	-	-
Depreciation	-	(20,510)	(2,712,371)	(2,732,881)
Impairment	-	-	(3,424,539)	(3,424,539)
Disposals	-	-	-	-
Balance, September 30, 2026	-	(20,510)	(6,136,910)	(6,157,420)
Net book value, September 30, 2026	$ 1,007,559	$ 9,610,334	$ 6,301,990	$ 16,919,883

On the Closing Date, the Company acquired approximately 9,800 cryptocurrency mining machines from BSG Series CM, LLC in the asset exchange described in Note 4. The mining equipment was recorded at the Transferor's carrying amount as of the date of transfer, determined in accordance with U.S. GAAP, which represents its cost basis for purposes of subsequent depreciation. Depreciation commences when the assets are placed in service and is computed on a straight-line basis over the estimated useful lives of the assets, which the Company has determined to be two years for mining equipment. The determination of the useful life of computing equipment requires assumptions about a range of computing industry market and economic factors, including required hashrates, technological changes, the availability of hardware and other inputs, and production costs. The Company reassesses the estimated useful lives of its mining equipment when indicators suggest that the productive life of the assets is longer or shorter than previously estimated. For the three and nine months ended September 30, 2026, depreciation expense on mining equipment was $1,554,862 and $2,712,371, respectively, and is included in cost of revenue in the condensed consolidated statements of operations.

On September 8, 2026, the Company acquired land and a building at the Union County Campus in the Paradox Data asset acquisition described in Note 5. Land is not depreciated. The building, including its integral electrical infrastructure, is depreciated on a straight-line basis over an estimated remaining useful life of 30 years. The building is leased to the Seller under the operating lease described in Note 5. Depreciation of the building for the three and nine months ended September 30, 2026 was $20,510 and is included in cost of revenue in the accompanying condensed consolidated statements of operations.

For the three and nine months ended September 30, 2026, total depreciation expense was $1,575,372 and $2,732,881, respectively. The Company held no property and equipment as of December 31, 2025.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment exists when the carrying value of an asset group exceeds the estimated undiscounted future cash flows expected to be derived from it, in which case the carrying value is reduced to fair value.

During the second quarter of 2026, the Company identified a triggering event with respect to its mining equipment asset group, resulting from the temporary curtailment of mining operations. Because the estimated fair value exceeded the carrying value at June 30, 2026, no impairment loss was recognized for that period.

During the third quarter of 2026, mining operations remained curtailed. The Company also determined that it had no reasonable and supportable forecast of mining cash flows, and that it does not expect to realize the value of the fleet through operation. The Company's access to the fleet is also limited by a dispute with Minting Dome Inc., the Company's hosting provider under its Master Services Agreement (see Notes 18 and 20), regarding the Company's access to its miners and amounts invoiced by Minting Dome. Based on these circumstances, the Company evaluated whether the carrying value of the mining equipment could be recovered through future operations or an eventual sale. The Company determined that the estimated undiscounted cash flows from future use and disposition were insufficient to recover the equipment's carrying value. The Company measured its fair value using secondary-market pricing for comparable mining equipment, considering the equipment's condition and other relevant factors, a Level 2 fair value measurement, and recognized an impairment loss of $3,424,539 for the three and nine months ended September 30, 2026. The loss is included in impairment loss in the condensed consolidated statements of operations.

Following the impairment, mining equipment, net, was $6,301,990 at September 30, 2026. The Company has not committed to a plan to sell the mining equipment, is not actively marketing it, and cannot make it available for immediate sale in its present condition while it remains in Minting Dome's possession. Accordingly, the equipment does not meet the criteria for classification as held for sale and continues to be classified as held and used. The adjusted carrying amount is the new cost basis and is depreciated over the equipment's remaining estimated useful life. The Company does not expect to resume mining operations, and will reassess the classification, remaining useful life and salvage value of the equipment as the dispute is resolved and the Company regains possession of the equipment.

NOTE 8 – INVESTMENTS

The Company holds equity investments in five privately held biotechnology companies that do not have readily determinable fair values. The Company has elected to measure these investments using the measurement alternative under ASC 321, under which the investments are carried at cost, less impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. These investments were initially recorded at their acquisition-date fair values in connection with the Merger (see Note 4).

As of September 30, 2026, the aggregate carrying amount of these investments was $320,543. During the period from the Closing Date through September 30, 2026, the Company recognized no observable price changes requiring adjustment and no impairment with respect to these investments.

NOTE 9 – CO-DEVELOPMENT RIGHTS

The Company holds co-development rights relating to the GEAR™ Cell Therapy Platform and two associated product candidates, pursuant to an arrangement with Vy-Gen-Bio, Inc. ("Vy-Gen"). The platform and related product candidates are being developed for the treatment and diagnosis of certain hematologic cancers, including multiple myeloma, chronic lymphocytic leukemia, and acute myeloid leukemia. Vy-Gen is responsible for development activities under the direction of a joint steering committee, and the arrangement provides for a profit share between the parties upon commercialization.

In March 2025, the Company licensed the exclusive worldwide development and commercialization rights to the GEAR platform from Vy-Gen, having previously held limited co-development rights. Under the license agreement, the Company is obligated to pay performance-based fees, milestone payments, and royalties in future periods. During the second quarter of 2026, the Company capitalized a milestone fee in the amount of $450,000 in connection with the transfer of the license. The milestone fee is included in the carrying amount of the Company's rights relating to the GEAR platform and is amortized over the estimated remaining useful life of those rights.

The co-development rights were acquired in the Merger and, in accordance with ASC 805, were recorded at their acquisition-date fair value of $425,000 as of the Closing Date. The carrying amounts and accumulated amortization recognized by the accounting acquiree, Coeptis Therapeutics Holdings, Inc., prior to the Closing Date are not reflected in the accompanying condensed consolidated financial statements. The co-development rights are amortized on a straight-line basis over their estimated useful life of two years.

Co-development rights consisted of the following as of September 30, 2026:

Co-development rights, at acquisition-date fair value	$	425,000
Milestone fee capitalized upon license transfer		450,000
Less: accumulated amortization		(175,569)
Less: accumulated impairment		(306,336)
Co-development rights, net, as of September 30, 2026	$	393,095

For the three and nine months ended September 30, 2026, amortization expense related to the co-development rights was $56,905 and $175,569, respectively. In June 2026, the Company determined that continued investment in development activities related to the co-development rights was not warranted at that time. This determination constituted a triggering event under ASC 360-10-35, *Property, Plant, and Equipment – Subsequent Measurement*, requiring the Company to test the co-development rights for recoverability. Management determined that the carrying amount of the GEAR-related rights was not fully recoverable and estimated the fair value of the rights to be approximately $450,000 based on the amount management expects to recover through a sale or licensing transaction. Accordingly, the Company recognized an impairment loss of $306,336 during the nine months ended September 30, 2026.

NOTE 10 – DERIVATIVE LIABILITY WARRANTS

At September 30, 2026, there were (i) 375,000 warrants (the "former Public Warrants") outstanding that were issued as part of Bull Horn Holdings Corp.'s November 2020 initial public offering, exercisable in the aggregate to acquire 187,500 shares of the Company's common stock at an exercise price of $230.00 per share, and (ii) 187,500 private placement warrants (the "Private Placement Warrants," and together with the former Public Warrants, the "Warrants") outstanding that were issued to the sponsor (the "Sponsor") and the underwriters (the "Underwriters") in that initial public offering, exercisable in the aggregate to acquire 187,500 shares of the Company's common stock at an exercise price of $230.00 per share. The number of Warrants and the related exercise price were adjusted for the Company's 1-20 reverse stock split effective December 31, 2024. The Warrants were assumed in connection with the Merger and are accounted for as a continuation of the accounting acquiree's instruments from the Closing Date. The Warrants expire on October 31, 2027.

Within ASC 815, *Derivatives and Hedging*, Section 815-40 addresses equity versus liability classification of equity-linked financial instruments and provides that such an instrument may be classified as a component of equity only if, among other criteria, it is indexed to the issuer's own stock and the settlement amount does not vary based on the characteristics of the holder. The Private Placement Warrants are non-redeemable and are exercisable on a cashless basis for so long as they are held by the Sponsor, the Underwriters, or their permitted transferees; however, if a Private Placement Warrant is transferred to a holder other than the Sponsor, the Underwriters, or their permitted transferees, it becomes redeemable by the Company and exercisable only on the same basis as the former Public Warrants. Because the redemption and exercise terms of the instrument therefore differ depending on the identity of the holder, notwithstanding that the Warrants themselves are freely transferable, the Company concluded that the Warrants are not indexed to the Company's common stock in the manner contemplated by ASC 815-40, and are accordingly precluded from equity classification and required to be classified as liabilities in accordance with ASC 815-40.

The Warrants were assumed by the Company on the Closing Date and were measured at their acquisition-date fair value. As a result of the exercise price of the Warrants substantially exceeding the price of the Company's common stock, the Warrants were valued at $- as of the Closing Date. During the period, the former Public Warrants ceased to meet the requirements for continued listing and are no longer publicly traded. As a result, a quoted market price for the former Public Warrants is no longer available, and their fair value was determined using a Black-Scholes valuation model. The former Public Warrants are valued using a Black-Scholes model that incorporates the $330.00 issuer call provision, and the Private Placement Warrants are valued using a Black-Scholes model that excludes the call provision, as the Private Placement Warrants are not subject to the call provision while held by their initial holders. Because the fair value of the former Public Warrants is determined using unobservable inputs, they were transferred from Level 1 to Level 3 of the fair value hierarchy during the period. The Private Placement Warrants were classified within Level 3 in all periods presented.

The following table provides quantitative information regarding the significant unobservable inputs used in the fair value measurement of the Warrants as of September 30, 2026:

		September 30, 2026
Stock price	$	4.16
Exercise price	$	230.00
Price threshold (former Public Warrants)	$	330.00
Expected term (years)		1.09
Expected volatility		32.5%
Risk-free interest rate		4.54%

The following table presents the changes in the fair value of the Warrants for the period from the Closing Date through September 30, 2026:

	Former Public Warrants	Private Placement Warrants	Total
Fair value at the Closing Date	$ -	$ -	$ -
Change in fair value	-	-	-
Fair value at September 30, 2026	$ -	$ -	$ -

As a result of the exercise price of the Warrants substantially exceeding the price of the Company's common stock at both the Closing Date and September 30, 2026, the Warrants were fair valued at $- at each date. Accordingly, the Company recognized no gain or loss in respect of the change in fair value of the Warrants for the three and nine months ended September 30, 2026.

NOTE 11 – CONVERTIBLE NOTE PAYABLE

On June 1, 2026, the Company issued a convertible promissory note (the "Note") in the original principal amount of $275,000 to an unrelated third party. The Note bore interest at 1.0% per annum, calculated on the basis of a 365-day year and the actual number of days elapsed, and was scheduled to mature on July 1, 2026. The Company was permitted to prepay the Note in whole or in part at any time without premium or penalty.

At any time prior to payment in full, the holder could elect to convert all or any portion of the outstanding principal balance, together with all accrued and unpaid interest (the "Conversion Amount"), into shares of the Company's common stock, and the Company could elect to convert the entire outstanding balance into shares of common stock upon written notice to the holder. The conversion price was equal to the lowest Nasdaq Official Closing Price of the Company's common stock on any of the three trading days immediately preceding the conversion date. The number of shares issuable upon conversion equaled the Conversion Amount divided by the conversion price, with no fractional shares issued and the value of any fractional share paid in cash. Shares issuable upon conversion were not registered under the Securities Act and were issued as restricted securities.

The Company evaluated the conversion feature under ASC 815, *Derivatives and Hedging*. Because the Note required physical settlement of the conversion feature through the issuance of unregistered, restricted shares of the Company's common stock and did not provide for cash or net settlement, the Company concluded that the conversion feature did not meet the definition of a derivative and was not required to be bifurcated from the Note.

On June 30, 2026, the holder converted the entire outstanding balance of the Note. The Conversion Amount consisted of $275,000 of principal and $226 of accrued and unpaid interest, totaling $275,226, which converted at a conversion price of $11.67 per share into 23,584 shares of the Company's common stock. Upon conversion, the Note was deemed satisfied and discharged in full, and no amounts remained outstanding.

For the nine months ended September 30, 2026, the Company recognized interest expense of $226 with respect to the Note. The conversion of the Note into common stock was a non-cash financing activity and is presented as a supplemental non-cash disclosure in the condensed consolidated statements of cash flows.

NOTE 12 – TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY

Authorized Capital. The Company is authorized to issue 160,000,000 shares of capital stock, consisting of 150,000,000 shares of common stock, par value $0.0001 per share, and 10,000,000 shares of preferred stock, par value $0.0001 per share. Of the preferred stock, 25,000 shares have been designated as Series A Convertible Preferred Stock. As of September 30, 2026, the Company had 53,187,721 shares of common stock and 5,000 shares of Series A Preferred Stock issued and outstanding. As of December 31, 2025, the Company had 43,877,497 shares of common stock and no shares of preferred stock issued and outstanding. As described in Note 1, the number of shares of common stock outstanding for periods prior to the Closing Date has been retroactively adjusted to reflect the shares of the Company's common stock issued to the former securityholders of OpCo in the Merger.

Series A Convertible Preferred Stock. On September 8, 2026, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of the Series A Convertible Preferred Stock (the "Certificate of Designation") with the Secretary of State of the State of Delaware. The Certificate of Designation designated 25,000 shares of Series A Preferred Stock with a stated value of $1,000 per share. On that date, the Company issued 5,000 shares of Series A Preferred Stock to the Seller as the Closing Shares in the Paradox Data acquisition (Note 5). Up to an additional 20,000 shares are issuable as Milestone Shares. Milestone Shares, once issued, will have the same rights as the Closing Shares, except for their conversion price. The principal terms of the Series A Preferred Stock are as follows:

Dividends - Holders are entitled to cumulative dividends at a rate of 8.0% per annum on the stated value of each share plus all dividends previously paid in kind (the “Accreted Stated Value”). Dividends accrue daily from the original issue date, whether or not declared, and are calculated on the basis of a 360-day year. They are payable quarterly in arrears on January 1, April 1, July 1 and October 1, beginning October 1, 2026. At the Company's election, dividends are paid in cash or in kind by adding the dividend to the Accreted Stated Value, in which case they compound quarterly. If the Company does not timely elect, or fails to pay a cash dividend in full, the dividend is deemed paid in kind. Holders also participate, on an as-converted basis, in any dividends or distributions on the common stock. The Company may not pay dividends on or repurchase junior securities, subject to limited exceptions, unless all accrued dividends on the Series A Preferred Stock have been paid in cash or added to the Accreted Stated Value.

Conversion - Each share is convertible at the holder's option at any time into the number of shares of common stock equal to the Conversion Amount (the Accreted Stated Value plus accrued and unpaid dividends) divided by the conversion price. The conversion price is $7.45 per share for the Closing Shares. For each tranche of Milestone Shares, it is the Nasdaq "Minimum Price" as of the date that tranche is earned. The conversion price adjusts only for stock splits, stock dividends, combinations, reclassifications and similar events. It contains no price-based anti-dilution adjustment. A holder may not convert to the extent it would beneficially own more than 4.99% of the outstanding common stock (or 9.99% upon notice by the holder). As of September 30, 2026, the Closing Shares were convertible into 674,572 shares of common stock.

Forced conversion - If the closing price of the common stock equals or exceeds 250% of the conversion price for 20 consecutive trading days, the Company may require conversion of the Series A Preferred Stock, subject to the beneficial ownership limitation and the Exchange Cap.

Exchange Cap and contingent cash settlement - Until stockholder approval is obtained under Nasdaq Listing Rule 5635, the number of shares of common stock issuable on conversion of the Series A Preferred Stock may not exceed 10,329,634 shares (the "Exchange Cap"). This limit applies in aggregate with shares issuable on conversion of any Milestone Shares and any other issuances required to be aggregated under Rule 5635. A conversion might exceed the Exchange Cap or otherwise require stockholder approval under Rule 5635. In that case, the Company will issue shares up to the permitted amount and submit the excess issuance to its stockholders, with the Board recommending approval. If stockholder approval is not obtained within 90 days, the Company must pay the holder, within five business days, cash equal to the Accreted Stated Value of each share that cannot be converted, and those shares will be cancelled.

Optional redemption - The Company may redeem all or any portion of the Series A Preferred Stock at any time, on at least ten business days' notice, at 120% of the Accreted Stated Value. Holders may convert before the redemption date. The Series A Preferred Stock has no maturity date and is not otherwise mandatorily redeemable or redeemable at the option of the holder.

Voting - Holders vote with the common stock as a single class on an as-converted basis. Under Nasdaq Listing Rule 5640, the number of votes per share is based on the greater of the conversion price and a voting floor price of $5.08. Holders also have customary class voting rights over specified actions that would adversely affect the Series A Preferred Stock.

Liquidation - Upon liquidation, dissolution or winding up of the Company, holders are entitled to receive, before any distribution to holders of common stock, an amount per share equal to the Conversion Amount. Holders are not entitled to participate in any further distribution. A fundamental transaction, such as a merger or change in control, is not a liquidation. In a fundamental transaction, holders are entitled on later conversion to receive the same consideration received by holders of common stock, and the successor must assume the Company's obligations under the Certificate of Designation.

Classification and Measurement. Management evaluated each provision of the Certificate of Designation that could require the Company to transfer cash or other assets to a holder. These provisions are the liquidation preference (Section 5(b)), the Fundamental Transaction provision (Section 7(c)), the Company's optional redemption right and the holder's election of the form of redemption payment (Sections 9(b) and 9(d)), the buy-in provision (Section 6(c)(iii)) and the Exchange Cap cash settlement provision (Section 6(g)).

The Series A Preferred Stock is not a liability under ASC 480. It has no mandatory redemption date and no holder put (Section 9(a)), and it does not require settlement in a variable number of shares for a fixed monetary amount. The Exchange Cap provision could require the Company to pay cash equal to the Accreted Stated Value of any shares that cannot be converted. That would happen if a conversion would exceed the Exchange Cap or otherwise require stockholder approval under Nasdaq Listing Rule 5635, and stockholder approval is not obtained within 90 days after the matter is submitted to stockholders. Because this obligation is conditional on events that have not occurred, the Series A Preferred Stock is not mandatorily redeemable. If those events occur, the affected shares would become mandatorily redeemable and would be reclassified to a liability at their then fair value.

The Company evaluated the embedded features of the Series A Preferred Stock under ASC 815 and concluded that the host contract is more akin to equity. No feature requires separate accounting as a derivative.

Because the Exchange Cap provision could require redemption for cash upon an event not solely within the Company's control (the failure to obtain stockholder approval), the Series A Preferred Stock is classified in temporary equity, outside of permanent stockholders' equity, under ASC 480-10-S99-3A. Classification is determined without regard to the probability of that event. None of the other provisions requires temporary equity classification:

- The liquidation preference is payable only upon an actual liquidation.
- A Fundamental Transaction entitles the holders only to the same form of consideration as holders of common stock.
- Optional redemption is solely at the Company's election.
- The buy-in payment arises only from the Company's own failure to deliver shares.

The Series A Preferred Stock was initially recorded at its fair value of $5,050,000 on the date of issuance. As of September 30, 2026, the Series A Preferred Stock was not redeemable, and the Company concluded that it was not probable that it would become redeemable. Accordingly, the carrying amount has not been adjusted to the redemption amount. As of September 30, 2026, the redemption amount under the Exchange Cap cash settlement feature (Accreted Stated Value plus accrued dividends) was $5,025,556, which is below the carrying amount.

The following table presents the changes in the Series A Preferred Stock classified in temporary equity:

	Shares		Amount
Balance, June 30, 2026	—	$	—
Issuance of Closing Shares in Paradox Data acquisition	5,000		5,050,000
Cumulative dividends accrued	—		25,556
Balance, September 30, 2026	5,000	$	5,075,556

During the three and nine months ended September 30, 2026, the Company accrued cumulative dividends of $25,556 on the Series A Preferred Stock. The accrual increased the carrying amount of the Series A Preferred Stock, with a corresponding charge to additional paid-in capital. No dividends were paid during the period. As of September 30, 2026, the liquidation preference of the Series A Preferred Stock was $5,025,556.

The Company's obligation to issue Milestone Shares is classified as a liability and is described in Note 5. Milestone Shares issued in the future are expected to be classified in temporary equity on the same basis.

Preferred Stock. Other than the Series A Preferred Stock described above, no shares of preferred stock were issued or outstanding as of September 30, 2026 or December 31, 2025. Other than the cumulative dividends on the Series A Preferred Stock, no dividends were declared or paid on any class of the Company's capital stock during the periods presented.

Common Stock Issued in Connection with the Merger. At the Closing Date, the shares of the Company's common stock held by the Company's pre-Merger stockholders (representing the equity interests deemed acquired by OpCo for accounting purposes in the reverse acquisition), totaling 6,553,996 shares, were recognized in stockholders' equity at their acquisition-date fair value of $107,485,534, representing the consideration deemed transferred in the reverse acquisition described in Note 4.

Spin-Out Share Distribution. In connection with the Spin-Out, the Company issued 1,000,000 shares of common stock to the Spin-Out subsidiary as consideration for its forgone interest in GEAR. Because the shares were issued as part of the overall Spin-Out distribution to the Company's pre-Merger stockholders, the issuance was recorded as a distribution, resulting in a reduction to additional paid-in capital equal to the par value of the shares issued and no net effect on total stockholders' equity. See Note 4.

Capital Contribution – Mining Equipment. In connection with the transfer of assets between entities under common control described in Note 4, the Company recognized the cryptocurrency mining machines contributed by BSG Series CM, LLC at the Transferor's carrying amount of $12,438,900, with a corresponding increase to additional paid-in capital. No shares of common stock were issued on the date of contribution.

Standby Equity Purchase Agreement. In connection with the Merger, the Company assumed the Standby Equity Purchase Agreement (the "SEPA") originally entered into on November 1, 2024 with YA II PN, Ltd. ("Yorkville"), pursuant to which the Company had the right to sell to Yorkville up to $20,000,000 of shares of its common stock, subject to the terms and conditions set forth therein. During the second quarter of 2026, the Company issued 1,302,806 shares of common stock under the SEPA for aggregate gross proceeds of $15,418,839. Following such issuance, the SEPA was terminated, and no shares remained issuable and no amounts were outstanding thereunder as of September 30, 2026.

Committed Equity Forward Purchase Agreement. On May 29, 2026, the Company entered into a Committed Equity Forward Purchase Agreement (the "Forward Purchase Agreement") with LucentHash / Data Part Capital, a trading name of Translucent Matter Inc. ("Translucent Matter"), pursuant to which the Company had the right, but not the obligation, to require Translucent Matter to purchase up to $50,000,000 of shares of the Company's common stock from time to time over an 18-month commitment period. The purchase price for each draw was 95% of the volume-weighted average price of the Company's common stock over a five-trading-day pricing period, subject to a floor price of $5.00 per share, and aggregate issuances would have been limited by an exchange cap of 19.99% of the shares of common stock outstanding immediately prior to execution, unless stockholder approval was obtained under the applicable Nasdaq listing rules. The Company agreed to pay a commitment fee of $500,000, payable in shares of common stock in five equal installments at the closing of each of the first five draws, and was required to reserve 10,000,000 shares of common stock for issuance under the Forward Purchase Agreement. No draw notices were delivered and no shares of common stock were issued under the Forward Purchase Agreement, and no amounts were outstanding thereunder, as of September 30, 2026. During the third quarter of 2026, the Company delivered written notice terminating the Forward Purchase Agreement.

Common Stock Warrants. The following table summarizes the Company's common stock warrants outstanding, exclusive of the derivative liability warrants discussed in Note 10:

Warrants assumed in reverse acquisition	570,106
Warrants expired subsequent to Closing Date	(26,908)
Warrants outstanding at September 30, 2026	543,198

At September 30, 2026, the Company had 543,198 equity-classified warrants outstanding. The exercise prices of these warrants range from $12.00 to $59.40, with expiration dates ranging from December 2026 to January 2030.

Shares Issued for Services. During the period from the Closing Date through September 30, 2026, the Company issued 369,819 shares of common stock to non-employees in exchange for services rendered. The shares were measured at their fair value on the respective issuance dates, totaling $4,439,964, which was recognized in professional services expense in the condensed consolidated statements of operations.

Shares Issued Upon Conversion of Convertible Note. On June 30, 2026, the Company issued 23,584 shares of common stock upon the conversion of the outstanding principal balance of, and accrued interest on, a convertible promissory note, in the aggregate amount of $275,226. See Note 11.

Stock Based Compensation. During the period from the Closing Date through September 30, 2026, the Company recognized $10,025,009 of stock based compensation expense, which was credited to additional paid-in capital, and issued 60,019 shares of common stock upon the vesting and settlement of restricted stock units. Upon issuance, the par value of the shares was reclassified from additional paid-in capital to common stock, with no net effect on total stockholders' equity. See Note 13.

Noncontrolling Interests. Changes in noncontrolling interests during the period are described in Note 14.

NOTE 13 – STOCK BASED COMPENSATION

2025 Incentive Compensation Plan.

The Z Squared Inc. 2025 Incentive Compensation Plan (the "2025 Plan") was approved by the stockholders of the Company at the special meeting of stockholders held on January 30, 2026, and became effective on April 27, 2026. The 2025 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units, deferred stock awards, dividend equivalents, performance bonus awards, and other stock based awards to employees, directors, non-employee directors, and consultants of the Company and its affiliates and subsidiaries. The 2025 Plan is administered by the Compensation Committee of the Board. The aggregate number of shares of common stock that may be issued or transferred pursuant to awards under the 2025 Plan may not exceed 15% of the number of shares of common stock issued and outstanding from time to time; the maximum number of shares deliverable upon exercise of incentive stock options is 300,000, subject to adjustment as provided in the 2025 Plan.

In connection with the adoption of the 2025 Plan, the Board approved forms of Stock Option Award Agreement, Restricted Stock Unit Award Agreement, and Restricted Stock Award Agreement to be used in connection with awards granted under the 2025 Plan.

RSUs:

	Number of shares	Weighted average grant date fair value
Non-vested as of January 1, 2026	-	$ -
Granted	378,905	$ 12.23
Vested	(60,019)	$ 11.70
Forfeited	(49,341)	$ 15.20
Non-vested as of September 30, 2026	269,545	$ 11.80

For the three and nine months ended September 30, 2026, the Company recognized $495,338 and $1,072,009 of expense related to restricted stock units, respectively. As of September 30, 2026, unrecognized compensation cost related to unvested service-based restricted stock units was $1,611,176, expected to be recognized over a weighted-average period of 1.11 years. Unrecognized compensation cost related to performance-based restricted stock units for which achievement of the performance condition was not considered probable as of September 30, 2026 was $1,199,994. As of September 30, 2026, non-vested restricted stock units consisted of 190,598 service-based RSUs and 78,947 performance-based RSUs. The performance-based RSUs vest only if the Company maintains operational uptime of its mining equipment of at least 95% during fiscal year 2026. If the performance condition is satisfied, the RSUs vest in full on December 31, 2027, the first anniversary of the end of fiscal year 2026. Compensation cost for these awards is recognized only when achievement of the performance condition becomes probable. Because the Company directed the mining fleet to be powered down since June 16, 2026, achievement of the performance condition was not considered probable as of September 30, 2026, and no compensation cost has been recognized for these awards.

Options:

	Number of options	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual life	Aggregate intrinsic value
Options outstanding as of January 1, 2026	-	$ -	$ -	-	$ -
Granted	700,000	$ 15.20	$ 12.79	10.00	$ -
Forfeited	-	$ -	-	-	-
Options outstanding as of September 30, 2026	700,000	$ 15.20	$ 12.79	9.58	$ -
Options vested as of September 30, 2026	-	$ -	$ -	-	$ -
Options exercisable as of September 30, 2026	-	$ -	$ -	-	$ -

For the three and nine months ended September 30, 2026, the Company recognized $2,495,732 and $8,953,000 of expense related to stock options, respectively. As of September 30, 2026, there was no remaining unrecognized compensation cost related to unvested stock options. The options were granted on April 27, 2026 to the Company's Chief Executive Officer, Chief Financial Officer and Chief Marketing Officer under their employment agreements. Each option has an exercise price of $15.20 per share, the closing price of the Company's common stock on the grant date, and a ten-year term. Each option vests in full on the date the fair market value of the Company's common stock reaches 150% of its grant-date value, or $22.80 per share. The grant-date fair value of $12.79 per option, or $8,953,000 in total, was determined with the assistance of a third-party valuation firm. The valuation used a Monte Carlo simulation of the Company's stock price to estimate the median period until the vesting condition is satisfied, or derived service period, of 0.25 years and the median expected exercise term of 5.13 years. The significant assumptions were expected volatility of 119.0%, based on the historical volatility of the Company and comparable public companies; a risk-free interest rate of 4.35%; an expected term of 5.13 years; and an expected dividend yield of 0%. Because vesting depends on a market condition, the compensation cost was recognized over the derived service period of approximately three months. Under ASC 718, compensation cost for an award with a market condition is recognized if the requisite service is rendered, regardless of whether the market condition is ever satisfied. As of September 30, 2026, the market condition had not been satisfied, and none of the options had vested or were exercisable.

NOTE 14 – NONCONTROLLING INTERESTS

The Company holds an 83% controlling interest in GEAR Therapeutics, Inc., and the remaining 17% is held by noncontrolling interests. The Company acquired its interest in GEAR on the Closing Date in connection with the Merger; accordingly, GEAR's results are included in the condensed consolidated financial statements from April 24, 2026. GEAR is consolidated, and the portion of GEAR's net loss and equity attributable to the noncontrolling interests is presented separately in the condensed consolidated statements of operations and within stockholders' equity.

In connection with the Merger, the noncontrolling interest in GEAR was measured at its acquisition-date fair value of $72,250. See Note 4.

From the Closing Date through September 30, 2026, net loss attributable to the noncontrolling interests was $81,924, representing the noncontrolling interests' 17% share of GEAR's net loss for that period. The following table summarizes the changes in the noncontrolling interests for the period from the Closing Date to September 30, 2026:

Noncontrolling interests recognized at acquisition-date fair value	$	72,250
Net loss attributable to noncontrolling interests		(81,924)
Noncontrolling interests, September 30, 2026	$	(9,674)

NOTE 15 – LOSS PER SHARE

Basic loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The Series A Preferred Stock is a participating security. The Company computes basic loss per share using the two-class method. Cumulative dividends on the Series A Preferred Stock are deducted from net loss in arriving at net loss attributable to common stockholders. Net losses are not allocated to the Series A Preferred Stock because its holders are not contractually obligated to share in losses. Diluted loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, plus common stock equivalents outstanding during the period. Because the Company reported a net loss for the periods presented, the computation of diluted loss per share excludes the effect of common stock equivalents, as their effect would be anti-dilutive. Accordingly, diluted loss per share is equal to basic loss per share for all periods presented.

As described in Note 1, the Merger was accounted for as a reverse acquisition, and the weighted-average number of shares outstanding for periods prior to the Closing Date has been retroactively adjusted to reflect the share-exchange ratio established in the Merger Agreement.

The following table sets forth the computation of basic and diluted loss per share attributable to common stockholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Numerator:				
Net loss	$ (117,106,692)	$ -	$ (131,501,467)	$ -
Less: net loss attributable to noncontrolling interests	(9,674)	-	(81,924)	-
Net loss attributable to Z Squared Inc.	(117,097,018)	-	(131,419,543)	-
Less: Accrued dividends on Series A Convertible Preferred Stock	25,556	-	25,556	-
Net loss attributable to common stockholders	(117,122,574)	-	(131,445,099)	-
Denominator:				
Weighted-average shares outstanding – basic and diluted	53,021,105	43,877,497	48,919,273	43,877,497
Net loss per share – basic and diluted	$ (2.21)	$ -	$ (2.69)	$ -

In periods with a reported net loss, the effect of stock options, warrants, unvested restricted stock units, and other potentially dilutive securities is excluded from the computation of diluted loss per share. There were no potentially dilutive securities outstanding as of September 30, 2025. Accordingly, only potentially dilutive securities outstanding as of September 30, 2026 are presented below. The following potentially dilutive securities were outstanding as of September 30, 2026 and were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive:

	September 30, 2026	September 30, 2025
Stock options	700,000	-
Unvested restricted stock units	190,598	-
Series A Preferred Stock (as converted)	674,572	-
Warrants	918,198	-
Total	2,483,368	-

Shares of common stock issuable upon conversion of Milestone Shares are excluded from the computation of diluted loss per share. They are contingently issuable shares whose conditions had not been met as of September 30, 2026, and their inclusion would be anti-dilutive. The number of shares of common stock issuable upon conversion of Milestone Shares will depend on the conversion price determined when each milestone is achieved.

NOTE 16 – INCOME TAXES

The Company computes its interim income tax provision using an estimated annual effective tax rate applied to year-to-date pre-tax results, adjusted for discrete items recognized in the period. For the three and nine months ended September 30, 2026 and 2025, the Company recognized no income tax expense or benefit, primarily due to the full valuation allowance maintained against its deferred tax assets.

The Company’s deferred tax assets consist primarily of net operating loss carryforwards. The Company maintains a full valuation allowance against its deferred tax assets because, based on available evidence, it is more likely than not that those assets will not be realized in light of the Company’s history of losses and lack of sustained profitable operations. As a result, no income tax benefit has been recognized for the periods presented. The Company is evaluating the income tax effects of its September 8, 2026 acquisition of Paradox Data and does not expect them to be material, given the full valuation allowance on its net deferred tax assets.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Paradox Data, LLC – Milestone Obligation. In connection with the Paradox Data acquisition, the Company is obligated to issue up to 20,000 additional shares of Series A Preferred Stock, with an aggregate stated value of up to $20,000,000, upon achievement of specified development milestones. The obligations are recognized as a liability at fair value. See Note 5.

Relocation Payment. Under the Lease, the Company is obligated to make a one-time $500,000 Relocation Payment to the Seller upon the earliest of specified trigger events, and in any event no later than September 8, 2028. The Company's aggregate monetary liability under the Lease is capped at $500,000. As of September 30, 2026, the Company had not given the Seller notice to vacate, and the obligation was recorded at its accreted present value of $397,814.

Land Purchase Contract. Paradox Data holds a contract (the “Land Contract”) to acquire approximately ten acres adjacent to the Union County Campus at $20,000 per acre, or approximately $200,000 in the aggregate. Under the Land Contract, a binding letter of intent with Lerro Energy Group L.L.C., the deadline to close the purchase is December 23, 2026. As of September 30, 2026, the purchase had not closed. On November 11, 2026, the Land Contract was superseded by the Option Assignment described in Note 20.

Entergy Electric Service. The Seller holds the electric service agreement with Entergy that serves the Union County Campus. Paradox Data’s rights to the site’s existing capacity of approximately 8.0 MW of interruptible service arise under the Power Access Agreement with the Seller (see Note 5). Those rights are enforceable against the Seller but not against Entergy. Paradox Data’s access to the capacity therefore depends on the Seller keeping the Entergy agreement in force until the agreement is assigned to Paradox Data. Assignment requires Entergy’s consent, which had not been obtained as of September 30, 2026. The current term of the Entergy agreement expires in June 2027. Until the Changeover Date, the Seller keeps operational control of the capacity. From the Changeover Date, Paradox Data has exclusive use of the full capacity.

Paradox Infrastructure is the account holder with Entergy and is responsible for all charges under the account. The Seller reimburses Paradox Data at cost for charges attributable to its own consumption, within 30 days after invoice. As of September 30, 2026, $243,740 was received from the Seller under this arrangement.

Development of capacity beyond the existing service will require new utility arrangements or on-site generation.

Minting Dome Inc. – Disputed Invoices. The Company's mining fleet was hosted by Minting Dome Inc. ("Minting Dome"), a related party (see Note 18), under a Master Services Agreement (the "MSA"). In October 2026, Minting Dome delivered invoices totaling approximately $6 million for the period from June 22, 2026 through September 30, 2026. The invoices consist principally of hosting fees calculated on a deemed power draw for 8,100 miners during a period in which the Company's fleet was directed to be powered down. The Company disputes the invoices. As of September 30, 2026, the Company accrued $303,750, representing the minimum management fee under the MSA for the three months ended September 30, 2026, which is included in accrued expenses. The accrual is not an admission of liability. The Company believes a loss in excess of the amount accrued is reasonably possible but not probable. It estimates the range of reasonably possible loss in excess of the accrual to be from $0 to approximately $5.7 million. Under the MSA, late payments may also bear interest and collection costs, which the Company cannot currently estimate. The Company terminated the MSA effective as of November 17, 2026 (see Note 20).

Series A Preferred Stock – Contingent Cash Settlement. Under the Exchange Cap provisions of the Series A Preferred Stock, the Company could be required to pay cash equal to the Accreted Stated Value of shares that cannot be converted if required stockholder approval is not obtained within 90 days of submission. See Note 12.

Skycore Digital LLC – On April 28, 2026, the Company entered into a binding letter of intent to acquire 100% of the membership interests of Skycore Digital LLC, a North Carolina limited liability company, with the sellers of Skycore Digital LLC, an entity affiliated with Michelle Burke, the Company's former Co-Chief Executive Officer. On July 9, 2026, the parties amended the letter of intent, effective as of June 30, 2026, to convert it to a non-binding expression of the parties' present intentions, eliminate the Company's $500,000 break-up fee exposure, and extend the drop-dead date to January 15, 2027. This matter is disclosed for transparency regarding a potential future related party transaction. See Note 18 for further related party disclosure.

GEAR Therapeutics Option – In connection with the Spin-Out described in Note 4, and in exchange for the Company retaining its subsidiary GEAR Therapeutics, Inc. on a post-Merger basis, the Company issued to Coeptis Holdings, Inc. ("CHI"), the entity to which the Company's other biopharmaceutical operations were contributed in the Spin-Out and the equity of which was distributed to the Company's pre-Merger stockholders, 1,000,000 shares of the Company's common stock and executed and delivered to CHI an option agreement granting CHI a limited-time option, exercisable in its discretion, to acquire GEAR for the fair market value of GEAR at the time of exercise. The option becomes exercisable on October 24, 2026 and remains exercisable for a period of twenty-four months from that date. If CHI exercises the option, CHI is required to pay the Company the fair market value of GEAR determined at the time of exercise. Accordingly, the option does not provide CHI with the right to acquire GEAR at a discount to its fair market value. The Company concluded that no liability was required to be recognized for the option as of September 30, 2026.

Legal Matters – The Company is currently not a defendant in any litigation or threatened litigation that could have a material effect on the Company's condensed consolidated financial statements.

NOTE 18 – RELATED PARTY TRANSACTIONS

The Company's related parties during the nine months ended September 30, 2026 and the year ended December 31, 2025 are described below.

BSG Series CM, LLC - Asset-for-Share Exchange Agreement. In connection with the Merger, which closed on April 24, 2026, BSG Series CM, LLC ("BSG"), a South Carolina limited liability company, contributed a fleet of 9,800 ASIC miners to OpCo pursuant to the Second Amendment to the Amended and Restated Asset-for-Share Exchange Agreement, dated April 23, 2026.

BSG Distribution - Termination of Related Party Status. Immediately following the Closing, BSG held approximately 80% of the Company's outstanding common stock. On April 30, 2026, BSG completed a pro rata distribution of 41,521,276 shares of the Company's common stock to its members, for no monetary consideration. As a result of this distribution, BSG ceased to beneficially own any shares of the Company's common stock. None of BSG's managers, officers or controlling managers served as a director, officer or employee of the Company and, based on the Company's evaluation, BSG ceased to be a related party of the Company effective April 30, 2026.

Accordingly, the Company's related party disclosures for the nine months ended September 30, 2026 reflect BSG as a related party only for the period from April 24, 2026 (Closing) through April 30, 2026.

SMSC Capital Holdings LLC - Chief Executive Officer's Pre-Merger Equity Holding. David Halabu, the Company's Chief Executive Officer, holds an interest in the Company's common stock through SMSC Capital Holdings LLC ("SMSC"), an entity affiliated with Mr. Halabu. SMSC was a stockholder of OpCo prior to the Merger and, upon the Closing, received shares of the Company's common stock in exchange for its OpCo shares on the same pro rata terms applicable to all other OpCo stockholders. The Company discloses this holding because of Mr. Halabu's status as an executive officer and director.

Minting Dome, Inc. - Master Services Agreement. The Company's ASIC mining fleet was hosted by Minting Dome, Inc. ("MDI") pursuant to a Master Services Agreement (the "MSA"), under which Minting Dome provided hosting, electrical power (at $0.088 per kWh), internet connectivity, and on-site operational and maintenance services for the Company's mining operations. The Company incurred $2,508,273 of hosting, maintenance, and other service fees related to the MSA during the period from the Closing Date to September 30, 2026, which is included in cost of revenue (exclusive of depreciation) in the accompanying condensed consolidated statements of operations. Of this amount, $303,750 was recorded in accrued expenses and is outstanding as of September 30, 2026. The Company is in a dispute with MDI regarding the Company's access to its miners and amounts invoiced by MDI under the MSA. The Company terminated the MSA effective as of November 17, 2026 (see Note 20). Given the Company's shift in business focus to AI and data center infrastructure and the current cryptocurrency mining environment, the Company no longer believes that it needs the MSA and does not expect to resume mining operations.

Michelle Burke served as Co-Chief Executive Officer and a director of the Company from the Closing (April 24, 2026) through her resignation effective May 22, 2026. Prior to that period, Ms. Burke served as Chief Executive Officer of Minting Dome (July 2024 to April 2026). Ms. Burke's overlapping executive roles with the Company and MDI cause MDI to be evaluated as a related party of the Company under ASC 850 for the periods during which that overlap existed. Following Ms. Burke's resignation, the MSA remained in effect in accordance with its existing terms until the Company terminated the MSA effective as of November 17, 2026 (see Note 20), and the Company continues to disclose the relationship given MDI's role as the Company's hosting provider under the MSA and Ms. Burke's history with both organizations.

Paradox Data, LLC. Jeffery Harris, the Company's Chief Technology Officer, holds an indirect minority ownership interest of approximately 20% in the Seller, through a 40% interest in Xero Labs LLC. He also holds a 24% membership interest in Paradox Energy LLC, an affiliate of the Seller. The Seller received the Closing Shares and is entitled to the Milestone 1 Shares. Paradox Energy LLC is entitled to the Milestone Shares issuable upon achievement of Milestones 2 through 4. The MIPA and the transaction were reviewed and approved by the Audit Committee and approved by the Board of Directors as a related person transaction, in accordance with the Company's related person transaction policy. Achievement of each milestone is subject to Audit Committee review.

Mr. Harris does not control the Seller, Paradox Energy LLC or the Company. Accordingly, the acquisition was not a transaction between entities under common control. The Milestone Shares payable to Paradox Energy LLC are accounted for as consideration for the assets acquired, not as compensation. No payment depends on Mr. Harris's continued employment, Paradox Energy LLC provides no services to the Company, and the milestones relate to the development of the acquired site.

In connection with the acquisition, Paradox Data entered into the Lease and the Power Access Agreement with the Seller, and the Company is party to the Lease solely with respect to the Relocation Payment (see Note 5). For the period from September 8, 2026 through September 30, 2026, the Company recognized rental income of $5,000 under the Lease. As of September 30, 2026, the Milestone 1 obligation to the Seller was $6,000,000, the Relocation Payment obligation was $397,814 and the below market lease liability was $102,400. For the period, the Company recognized $2,814 of accretion on the Relocation Payment obligation.

Skycore Digital LLC. MN Data Centers JV LLC, a party to the proposed acquisition of Skycore Digital LLC, is indirectly wholly owned by Minting Dome, Inc., a related party of the Company as described above. Accordingly, the Skycore Sellers are being evaluated as related parties of the Company in connection with the proposed transaction. See Note 17, Commitments and Contingencies, for a description of the proposed transaction and its terms.

NOTE 19 – SEGMENT REPORTING

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the "CODM") in assessing performance and deciding how to allocate resources. The Company has identified its Chief Executive Officer as the CODM.

Through June 30, 2026, the Company operated as a single operating segment, Computing Infrastructure. During the third quarter of 2026, following the acquisition of Paradox Data on September 8, 2026 (Note 5), the CODM began reviewing separate financial information and forecasts for the Company's cryptocurrency mining business and its artificial intelligence and data center infrastructure business to assess performance and allocate resources. Accordingly, effective in the third quarter of 2026, the Company has two operating and reportable segments:

Digital Asset Mining. Consists of the Company's cryptocurrency mining operations, conducted through its wholly owned subsidiary Z Squared OpCo Inc. The segment generates Dogecoin and Litecoin through merged mining using Scrypt-algorithm ASIC hardware hosted by Minting Dome Inc. at facilities in North Carolina and Iowa. The mining fleet was directed to be powered down on June 16, 2026.

AI and Data Center Infrastructure. Consists of the Company's development of high-density compute and data center infrastructure, conducted through its wholly owned subsidiary Paradox Data, LLC. Paradox Data owns the Union County Campus in El Dorado, Arkansas. The segment is in a development stage. Its revenue currently consists of nominal rental income from the Seller under the Lease described in Note 5.

Corporate and Other includes general and administrative activities of the parent company that are not allocated to the segments. These include public company, finance and legal costs; stock-based compensation; professional services; and costs of evaluating and pursuing potential acquisitions. Corporate and Other also includes the residual biopharmaceutical activities of the Company's majority-owned subsidiary GEAR Therapeutics, Inc., which do not meet the definition of an operating segment, and corporate assets, principally cash. Corporate and Other is not an operating segment.

The measure of segment profit or loss regularly reviewed by the CODM is segment net loss. The CODM uses segment net loss, together with each segment's forecast, to assess performance and to decide how to allocate capital and other resources between the segments. The significant segment expenses below are those regularly provided to the CODM. Prior-period segment information has been recast to conform to the current presentation; the Company had no operations in the three and nine months ended September 30, 2025.

The following tables present segment revenue, significant segment expenses and segment net loss for each reportable segment, together with Corporate and Other, reconciled to consolidated net loss for the three and nine months ended September 30, 2026:

	Digital Asset Mining	AI and Data Center Infrastructure	Corporate and Other	Total
Revenue	2,646	5,000	-	7,646
Cost of revenue (exclusive of depreciation)	(316,350)	-	-	(316,350)
Depreciation	(1,554,862)	(20,510)	-	(1,575,372)
Salary expense	(71,082)	(20,888)	(334,381)	(426,351)
Professional services expense	(77,598)	(64,402)	(938,086)	(1,080,086)
Gain (loss) on exchange of crypto assets	1,479	-	-	1,479
Unrealized gain (loss) on crypto assets	443	-	-	443
Amortization expense	-	-	(56,905)	(56,905)
Impairment loss	(3,424,539)	-	-	(3,424,539)
Goodwill impairment	(106,932,241)	-	-	(106,932,241)
Stock based compensation expense	-	-	(2,991,070)	(2,991,070)
General and administrative expenses	(15,050)	(69)	(148,060)	(163,179)
Selling and marketing expense	(2,895)	-	(192,097)	(194,992)
Other income (expense), net	-	(2,814)	47,639	44,825
Net loss	(112,390,049)	(103,683)	(4,612,960)	(117,106,692)

	Digital Asset Mining	AI and Data Center Infrastructure	Corporate and Other	Total
Revenue	1,586,131	5,000	-	1,591,131
Cost of revenue (exclusive of depreciation)	(2,508,273)	-	-	(2,508,273)
Depreciation	(2,712,371)	(20,510)	-	(2,732,881)
Salary expense	(207,990)	(20,888)	(470,325)	(699,203)
Professional services expense	(102,251)	(64,402)	(5,709,021)	(5,875,674)
Gain (loss) on exchange of crypto assets	(73,132)	-	-	(73,132)
Unrealized gain (loss) on crypto assets	398	-	-	398
Amortization expense	-	-	(175,569)	(175,569)
Impairment loss	(3,424,539)	-	(306,336)	(3,730,875)
Goodwill impairment	(106,932,241)	-	-	(106,932,241)
Stock based compensation expense	-	-	(10,025,009)	(10,025,009)
General and administrative expenses	(27,856)	(69)	(152,163)	(180,088)
Selling and marketing expense	(2,895)	-	(201,836)	(204,731)
Other income (expense), net	-	(2,814)	47,494	44,680
Net loss	(114,405,019)	(103,683)	(16,992,765)	(131,501,467)

The following table presents total assets by reportable segment as of September 30, 2026:

	Digital Asset Mining	AI and Data Center Infrastructure	Corporate and Other	Total
Cash	1,340,555	1,001	11,047,340	12,388,896
Crypto assets	3,430	-	-	3,430
Security deposit	-	55,000	-	55,000
Prepaid assets	64,000	-	-	64,000
Land	-	1,007,559	-	1,007,559
Building, net	-	9,610,334	-	9,610,334
Mining equipment, net	6,301,990	-	-	6,301,990
Co-development rights, net	-	-	393,095	393,095
Investments	-	-	320,543	320,543
Land purchase option	-	1,226,130	-	1,226,130
Total assets	7,709,975	11,900,024	11,760,978	31,370,977

NOTE 20 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date these condensed consolidated financial statements were issued and determined that only the following events required disclosure.

On October 2, 2026, the Compensation Committee of the Board of Directors approved the grant to Jeffery Harris, the Company's Chief Technology Officer, of a nonqualified stock option to purchase 100,000 shares of the Company's common stock under the Company's 2025 Incentive Compensation Plan, under the terms of his Executive Employment Agreement dated June 24, 2026, as amended. The option has an exercise price of $13.56 per share, which was the closing price of the common stock on June 24, 2026, and expires on June 24, 2036. The option vests in full on the date the fair market value of the Company's common stock equals or exceeds $20.34 per share, subject to Mr. Harris's continued service. The grant date of the option for accounting purposes is October 2, 2026.

In October 2026, Minting Dome delivered invoices to the Company totaling approximately $6 million for hosting, storage and other fees under the MSA. Minting Dome calculated these fees on the basis of 8,100 miners for periods during which the Company directed the mining fleet to be powered down. The Company disputes the invoices in their entirety. As described in Note 17, the Company accrued $303,750 as of September 30, 2026, representing the minimum management fee under the MSA for the three months then ended, solely for purposes of U.S. GAAP. The accrual is not an admission of liability. The Company intends to contest the invoices (see Note 17). The outcome of the dispute is uncertain. The Company estimates the range of reasonably possible loss in excess of the amount accrued to be from $0 to approximately $5.7 million, the amount by which the invoiced fees exceed the amount accrued.

Following Minting Dome's failure to cure the breaches identified in the Company's October 8, 2026 notice of material breach, the Company terminated the MSA effective as of November 17, 2026. Minting Dome may dispute the validity of the termination. The Company has directed Minting Dome not to move or dispose of the Company's miners. The Company cannot predict the outcome of the dispute (see Note 17). The termination of the MSA did not affect the carrying amount of the Company's mining equipment or any liabilities recorded as of September 30, 2026. The Company does not believe it owes any additional amounts to Minting Dome as a result of the termination, and no claims have been asserted against the Company in connection with the termination.

On November 11, 2026, Paradox Data, LLC, a wholly owned subsidiary of the Company, entered into an Assignment, Assumption and Amendment of Land Option Agreement (the "Option Assignment") with Lerro Energy Group L.L.C. ("Lerro") and Paradox Infrastructure LLC. Under the Option Assignment, Paradox Infrastructure assigned to Paradox Data, and Paradox Data assumed, Paradox Infrastructure's option to purchase the remaining approximately 89.56 acres of a parcel in Union County, Arkansas, of which Paradox Infrastructure previously purchased approximately 3.00 acres. The Option Assignment became effective upon Lerro's receipt from Paradox Data of a $37,500 consent payment and the first $10,000 annual option fee, both of which were paid prior to the issuance of this quarterly report. As amended, the option has a five-year term. The tract of up to 10 acres previously covered by Paradox Data's land purchase contract with Lerro (see Note 5) will be purchased under the option at the same price of $20,000 per acre, and any remaining acreage at $33,333.33 per acre. The Option Assignment superseded that land purchase contract. Jeffery Harris, a director and the Chief Technology Officer of the Company, holds an indirect interest in Paradox Infrastructure. The Option Assignment was approved by the Audit Committee of the Company's Board of Directors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Basis of MD&A Discussion

On April 24, 2026 (the "Closing" or the "Closing Date"), Z Squared Inc. (the "Company"), formerly known as Coeptis Therapeutics Holdings, Inc., completed the business combination contemplated by the Agreement and Plan of Merger, dated as of April 25, 2025 (as amended, the "Merger Agreement"), by and among the Company, CP Merger Sub Inc., a Wyoming corporation and wholly owned subsidiary of the Company ("Merger Sub"), and the company then-named Z Squared, Inc., a Wyoming corporation (such transactions, the "Merger"). At the effective time of the merger, Merger Sub merged with and into the company then-named Z Squared, Inc., which survived the merger as a wholly owned subsidiary of the Company and was renamed Z Squared OpCo Inc. In connection with the Merger, the Company changed its corporate name from "Coeptis Therapeutics Holdings, Inc." to "Z Squared Inc."

Throughout this Quarterly Report on Form 10-Q, (this "Report"), other than the accompanying unaudited condensed consolidated financial statements (which use terms as defined therein), the Company and its business after the Merger (consisting of the registrant, Old Z Squared and its subsidiaries, GEAR Therapeutics, Inc. and, from September 8, 2026, Paradox Data, LLC) are from time to time referred to as "we," "us" or "our"; the Company and its business prior to the Merger (consisting of the registrant together with its then-subsidiaries Coeptis Therapeutics, Inc., Coeptis Pharmaceuticals, Inc., Coeptis Pharmaceuticals, LLC, SNAP Biosciences, Inc., and GEAR Therapeutics, Inc.) are from time to time referred to as "Coeptis"; and the company named Z Squared, Inc. (later renamed Z Squared OpCo Inc.) and its business prior to the Merger are referred to as "Old Z Squared."

Immediately prior to and in connection with the Merger, Coeptis effected a reorganization of its legacy biopharmaceutical operations, pursuant to which substantially all of the assets and liabilities comprising Coeptis' biopharmaceutical business (other than those related to GEAR Therapeutics, Inc.) were assigned or contributed to Coeptis' newly formed wholly-owned subsidiary, Coeptis Holdings, Inc. ("CHI"), in exchange for the issuance to Coeptis of 100% of the common stock in CHI, and the CHI common stock received by Coeptis was, immediately prior to the Merger, distributed on a pro rata basis to Coeptis' shareholders of record existing as of January 2, 2026 (the "Spin-Out").

Further, effective upon the closing of the Merger, pursuant to the Asset-For-Share Exchange Agreement between Old Z Squared and BSG Series CM, LLC, a South Carolina limited liability company ("BSG"), dated June 24, 2025 (as amended, the "Exchange Agreement"), BSG contributed, transferred, assigned and conveyed to the Company a fleet of approximately 9,800 ASIC mining machines (consisting primarily of Bitmain Antminer L7 and L9 units and ElphaPex DG1+ units) (the "Mining Assets") and, in consideration therefor, the Company issued to BSG 41,521,276 shares of its common stock (the "Asset-for-Share Exchange"). Immediately after the Merger, BSG became our controlling shareholder, owning approximately 80% of our outstanding shares. Following a pro rata distribution of all of its shares to its members on April 30, 2026, BSG ceased to be a shareholder of the Company.

Prior to the closing of the Merger and the Spin-Out, the Company conducted its operations through its direct and indirect subsidiaries SNAP Biosciences, Inc. and GEAR Therapeutics, Inc. (each majority owned), and Coeptis Therapeutics, Inc., Coeptis Pharmaceuticals, Inc., and Coeptis Pharmaceuticals, LLC (each wholly owned). As discussed above and in Notes 4, 17 and 18 to the accompanying condensed consolidated financial statements, on April 24, 2026 the Company effected the Spin-Out of Coeptis Therapeutics, Inc., Coeptis Pharmaceuticals, Inc., Coeptis Pharmaceuticals, LLC, and the Company's 73% interest in SNAP Biosciences, Inc., and accordingly those entities are no longer subsidiaries of the Company. Following the closing of the Merger and the Spin-Out, the Company's consolidated subsidiaries consist of Z Squared OpCo Inc. (the Wyoming corporation that survived the Merger as a wholly-owned subsidiary of the Company) and its subsidiaries, and GEAR Therapeutics, Inc. (which was not part of the Spin-Out and remains a majority-owned subsidiary of the Company) and, since its acquisition on September 8, 2026, Paradox Data, LLC.

In connection with the Spin-Out, the Company retained its subsidiary GEAR Therapeutics, Inc. ("GEAR"), in consideration for which the Company (i) issued 1,000,000 shares of its common stock to CHI and (ii) granted CHI a limited-time option to acquire all of the outstanding equity interests of GEAR (the "GEAR Option"). Under the GEAR Option, CHI may, at its sole discretion, elect to purchase GEAR for a price equal to the fair market value of GEAR at the time of exercise. Fair market value is to be mutually agreed by the parties or, failing agreement, determined by a mutually acceptable independent valuation expert. The GEAR Option became exercisable on October 24, 2026, and remains exercisable for a period of twenty-four (24) months thereafter. As of the date of this Report, CHI has not exercised the GEAR Option. The exercise price may be paid, at CHI's election, in cash, in shares of the Company's common stock, or in a combination of cash and shares. See Note 17 to the accompanying condensed consolidated financial statements for further information.

Pursuant to the Option Agreement, dated April 24, 2026, among Coeptis, CHI, and GEAR, entered into immediately prior to the Spin-Out, we are subject to certain negative covenants with respect to GEAR that restrict us from taking certain significant actions without the prior written consent of CHI, including liquidating or dissolving GEAR, amending its governing documents, issuing or redeeming GEAR's equity, taking certain actions with respect to GEAR's subsidiaries, entering into agreements with affiliates or agreements that are non-terminable by us or that are subject to payment or penalty upon termination, changing GEAR's line of business, permitting GEAR to incur or guarantee any indebtedness, making loans or advances to GEAR, or selling, licensing, or encumbering GEAR's assets.

The accompanying unaudited condensed consolidated financial statements as of September 30, 2026 and for the three and nine months ended September 30, 2026 and 2025 represent the historical financial statements of Old Z Squared prior to the Merger and the Company, including the assets of Coeptis that were retained after the Merger and the Mining Assets acquired in connection with the Merger. Because the Merger was accounted for as a reverse acquisition, the accompanying unaudited condensed consolidated financial statements represent a continuation of the financial statements of Old Z Squared. The historical equity of Old Z Squared has been retroactively adjusted to reflect the shares of the Company's common stock issued to the securityholders of Old Z Squared in the Merger, and share and per-share amounts for periods prior to the closing of the Merger have been restated accordingly. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Old Z Squared as of and for the years ended December 31, 2025 and 2024 and the notes thereto, the unaudited condensed consolidated financial statements of the Company as of March 31, 2026 and for the three month periods ended March 31, 2026 and 2025, and the unaudited pro forma condensed combined financial information of the Company as of March 31, 2026 and for the three months ended March 31, 2026 and the year ended December 31, 2025, which are included in the Company's Current Report on Form 8-K/A filed with the SEC on June 1, 2026. The condensed consolidated balance sheet as of December 31, 2025 was derived from Old Z Squared's audited financial statements.

Investors are cautioned that the Company's historical financial information presented in this Quarterly Report is not, for the reasons described above, comparable to the financial information that was presented in periodic reports for prior periods filed with the SEC and may not be indicative of the Company's future financial results of operations or financial condition. For additional information regarding the Merger and related transactions, see Notes 4, 17 and 18 to the accompanying condensed consolidated financial statements included elsewhere in this Report.

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to our future results, business strategy, plans and objectives, the expected benefits of our recently completed acquisition of Paradox Data, LLC and of any other potential acquisitions or expansion initiatives, our ability to successfully integrate the operations acquired in the Merger, the development and commercialization of artificial intelligence and high-density compute infrastructure, power generation and data center capacity, future capital requirements and financing plans, mining economics and performance, and anticipated results of operations, financial condition and cash flows. Assumptions relating to forward-looking statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. When used in this Report, the words "estimate," "project," "intend," "believe," "expect," "anticipate," "plan," "may," "will," "should," "would," "could," "potential," "future" and similar expressions are intended to identify forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of those assumptions could prove inaccurate, and we may not realize the results contemplated by such forward-looking statements. Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our business strategy or capital expenditure plans that may, in turn, affect our results of operations. In light of the significant uncertainties inherent in the forward-looking information included in this Report, you should not regard the inclusion of such information as our representation that we will achieve any strategy, objective or other plan. The forward-looking statements contained in this Report speak only as of the date of this Report as stated on the front cover, and we have no obligation to update publicly or revise any of these forward-looking statements, except as required by applicable law. These and other statements that are not historical facts are based largely on management's current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. These risks and uncertainties include, among others, those relating to: (i) the recently completed business combination (the "Merger") with Z Squared, Inc., a Wyoming corporation, accounted for as a reverse acquisition, and the related spin-out of substantially all of our historical biopharmaceutical operations other than those conducted through GEAR Therapeutics, Inc.; (ii) the integration of the operations, accounting, treasury, custody and reporting systems of Z Squared OpCo Inc. into our existing reporting infrastructure and the change in our management team and board of directors; (iii) the volatility of cryptocurrency prices, mining economics (including hash rate, network difficulty, energy costs and transaction fees) and regulatory developments affecting crypto assets and crypto asset mining; (iv) our dispute with Minting Dome Inc. under the Master Services Agreement, including our access to and recovery of our mining fleet, and our ability to realize value from it; (v) our planned expansion into artificial intelligence and high-density compute infrastructure, power generation and data center development, and our limited operating history in those business lines; (vi) risks relating to our recently completed acquisition of Paradox Data, LLC (including the related-person aspects of that transaction), including site permitting and interconnection, our ability to obtain the consent of Entergy Arkansas, LLC to the assignment of the electric service agreement, the moratorium on data center development in unincorporated Union County, Arkansas, and our ability to satisfy the energization milestones; (vii) the non-binding nature of the amended Skycore letter of intent and the uncertainty that any transaction with Skycore or with other potential acquisition targets will be pursued or consummated; (viii) our ability to raise the substantial additional capital that will be required to fund development of artificial intelligence and high-density compute infrastructure, data center development and power generation capabilities on acceptable terms, or at all; (ix) dilution to existing stockholders from the Merger, equity issuances under our incentive plans, outstanding warrants and any preferred stock or other securities issued in connection with the Paradox transaction or future financings or acquisitions; (x) the residual risks associated with our continuing interest in GEAR Therapeutics, Inc.; and (xi) the risks and uncertainties described under the caption "Risk Factors" in Part II, Item 1A of this Report, in the "Risk Factors" section of our Current Report on Form 8-K filed with the SEC on April 30, 2026, in the Company's Registration Statement on Form S-4 (File No. 333-288329) declared effective by the Securities and Exchange Commission on December 23, 2025, and in our subsequent filings with the Securities and Exchange Commission.

Objective

The objective of our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is to provide users of our financial statements with the following:

- A narrative explanation from the perspective of management of our financial condition, results of operations, cash flows, liquidity and certain other factors that may affect future results;
- Useful context to the financial statements; and
- Information that allows assessment of the likelihood that past performance is indicative of future performance.

Our MD&A is provided as a supplement to, and should be read together with, our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2026 and 2025, included in Part I, Item 1 of this Report.

Company History

The Company was originally incorporated in the British Virgin Islands on November 27, 2018 under the name Bull Horn Holdings Corp. On October 27, 2022, Bull Horn Holdings Corp. domesticated from the British Virgin Islands to the State of Delaware. On October 28, 2022, in connection with the closing of the Company's prior business combination with Coeptis Therapeutics, Inc., the Company changed its corporate name from Bull Horn Holdings Corp. to "Coeptis Therapeutics Holdings, Inc." On April 24, 2026, in connection with the closing of the Merger and related transactions described above and in Notes 4, 17 and 18 to the accompanying condensed consolidated financial statements, the Company changed its corporate name from "Coeptis Therapeutics Holdings, Inc." to "Z Squared Inc."

Overview and Outlook

Following the completion of the Merger and the Spin-Out on April 24, 2026, the Company's principal business consisted of crypto asset mining focused on the generation of Dogecoin and Litecoin through merged mining using Scrypt-algorithm ASIC hardware across third-party facilities located in North Carolina and Iowa. Our mining fleet was directed to be powered down on June 16, 2026, we do not expect to resume mining operations, and we are currently in a dispute with Minting Dome under our hosting agreement, as described below. We are also pursuing growth opportunities in artificial intelligence and high-density compute infrastructure, data center development and power generation, including through the development of the Union County Campus in El Dorado, Arkansas, which we acquired on September 8, 2026 in connection with our acquisition of Paradox Data, LLC.

Until the termination described below, the Company was a party to a Master Services Agreement, dated July 26, 2025 (the "MSA"), with Minting Dome, pursuant to which Minting Dome provided hosting services, electrical power, site infrastructure, remote monitoring, maintenance, and related operational support for our crypto asset mining operations. We own the mining hardware, while Minting Dome controlled the day-to-day operations of the hardware and the details and manner of performing the services. After Minting Dome failed to cure the breaches identified in our October 8, 2026 notice of material breach, we terminated the MSA effective as of November 17, 2026. Minting Dome may dispute the validity of the termination. Given our shift in business focus to AI and data center infrastructure and the current cryptocurrency mining environment, the Company no longer believes that it needs the MSA and does not expect to resume mining operations. See Part II, Item 1A, "Risk Factors."

During the second quarter of 2026, shortly following the Merger, our management team and board of directors shifted our strategic growth focus toward the potential acquisition and development of artificial intelligence and high-density compute infrastructure, data centers and power generation capabilities. As part of this strategy, we are currently exploring or pursuing strategic expansion into related activities including (i) power generation, intended to provide cost-effective and stable energy supply for the Company's digital infrastructure initiatives and, where economically advantageous, sales of power into wholesale electricity markets; (ii) data center development, intended to support the Company's digital infrastructure initiatives and, where market conditions warrant, to provide colocation services to third-party customers; and (iii) high-density compute infrastructure, intended to serve customers requiring graphics processing unit and other specialized compute capacity for artificial intelligence, machine learning, or similar workloads. Our activities in this area were in the early development stage during the three and nine months ended September 30, 2026.

On September 8, 2026, we completed the acquisition of 100% of the membership interests of Paradox Data, LLC ("Paradox Data") from Paradox Infrastructure LLC (the "Seller"), under a Membership Interest Purchase Agreement dated July 31, 2026 (the "MIPA"). Paradox Data owns the Union County Campus in El Dorado, Arkansas. The campus consists of approximately three acres of land and an existing building of approximately 10,000 square feet with electrical infrastructure, together with a contract to acquire approximately ten adjacent acres, which, on November 11, 2026, was superseded by an option to acquire the remaining approximately 89.56 acres of the parcel (see Note 20). The site is served by an existing electric service arrangement with Entergy Arkansas, LLC ("Entergy") for up to approximately 8.0 MW of interruptible capacity (materially below the capacity required to satisfy the 50 MW, 100 MW and 150 MW energization milestones discussed elsewhere in this Quarterly Report). That arrangement is held by the Seller, and Paradox Data accesses the capacity under a Power Access Agreement. Assignment of the Entergy agreement to Paradox Data requires Entergy's consent, which had not been obtained as of the date of this Report.

It is our first owned site for our planned AI colocation business. Other than the Union County Campus, we do not currently own or control any site suitable for these expansion activities. We have not obtained all of the permits that are or may be required, and we have no hosting, colocation or capacity agreements with customers. We have limited or no operating history in artificial intelligence and high-density compute infrastructure, data center development or power generation, and there can be no assurance that we will implement this strategy successfully or at all. For a discussion of the risks associated with these expansion business lines, see Part II, Item 1A of this Report under "Risk Factors."

We paid for the acquisition entirely in stock. We issued 5,000 shares of newly designated Series A Convertible Preferred Stock with an aggregate stated value of $5.0 million, convertible into common stock at $7.45 per share. No cash was paid at closing and no debt was incurred. We may issue up to an additional 20,000 shares of Series A Convertible Preferred Stock, with an aggregate stated value of up to $20.0 million, upon achievement of four development milestones at the Union County Campus:

- Milestone 1 is earned on the earlier of (i) energization of the site's existing utility power to supply an AI data center and (ii) our request that the Seller vacate the existing building.

- Milestones 2 through 4 are linked to aggregate site capacity of 50 MW, 100 MW and 150 MW. Each is earned in two installments: upon receipt of an AI client request for service, and upon energization of that capacity.

No milestone had been achieved as of the date of this Report. The milestones do not expire.

Pending the transition of electric service and operational control, the Seller continues to operate its bitcoin mining facility in the existing building under a lease with Paradox Data at base rent of $1.00 per year. The lease expires no later than September 8, 2028. We have agreed to make a one-time $500,000 relocation payment to the Seller upon the earliest of specified events, including our request that the Seller vacate, and in any event no later than the lease's outside expiration date.

Our near-term priorities at the Union County Campus include first-phase high-density electrical and cooling design, utility and on-site generation planning, completing the purchase of the adjacent land under the option, obtaining Entergy's consent to the assignment of the electric service agreement, and securing a first binding customer request for service. See Note 20 to the accompanying condensed consolidated financial statements for additional information. Development of capacity beyond the existing service will require additional power arrangements, customer commitments, financing, permitting and construction, and there can be no assurance that we will achieve any of these.

Development of the Union County Campus may also be affected by Ordinance No. 1795, which the Union County Quorum Court adopted on June 30, 2026. The ordinance imposes a moratorium on the construction of data centers in Union County beginning July 10, 2026 and ending July 9, 2027, subject to extension or rescission by the Quorum Court, and provides that the end date shall not be construed to authorize construction after the moratorium expires. The Union County Campus is located just outside the city limits of El Dorado in unincorporated Union County and therefore appears to be within the geographic scope of the ordinance. The moratorium does not, by its terms, prohibit continued operation of the existing approximately 8.0 MW facility, but it may delay or prevent construction or expansion of data-center facilities at the site, including on the adjacent land, during the pause and any extension of it. We may therefore be unable to obtain the zoning, land-use and building approvals required to develop additional capacity on our currently contemplated timeline, or at all, which could delay or prevent achievement of the later Paradox Data energization milestones. There can be no assurance that the moratorium will expire as scheduled or that we will be able to proceed with development on acceptable terms following any expiration.

Our Chief Technology Officer holds indirect interests in the Seller and in Paradox Energy LLC, an affiliate of the Seller that is entitled to the Milestone 2 through 4 payments. The transaction was reviewed and approved by the Audit Committee and the Board of Directors as a related person transaction. See Notes 5, 12 and 18 to the accompanying condensed consolidated financial statements.

On July 9, 2026, the Company and the sellers of Skycore Digital LLC (“Skycore”) entered into a First Amendment to the binding letter of intent originally entered into on April 28, 2026, effective as of June 30, 2026 (the “LOI”). Pursuant to the First Amendment, the drop-dead date under the LOI was extended from June 30, 2026 to January 15, 2027, and may be further extended by mutual written agreement of the parties; the $500,000 break-up fee previously payable by the Company under the LOI was eliminated in its entirety; the exclusivity provisions of the LOI were terminated, and discussions between the parties are now non-exclusive; and the LOI, as amended, is non-binding except for certain surviving provisions relating to confidentiality, governing law, and dispute resolution, such that no party has any obligation to negotiate, execute definitive documentation, or consummate the acquisition of Skycore, and any party may terminate discussions at any time without liability.

There can be no assurance that the Skycore transaction will be pursued or entered into. For a discussion of this proposed transaction and the risks associated with it, see Part II, Item 1A of this Report under "Risk Factors."

Segments

Through June 30, 2026, we operated as a single segment, Computing Infrastructure. Following our acquisition of Paradox Data on September 8, 2026, our Chief Executive Officer, who is our chief operating decision maker, began reviewing separate financial information and forecasts for our cryptocurrency mining business and our AI and data center infrastructure business. Effective in the third quarter of 2026, we report two segments. Corporate costs and our residual biopharmaceutical activities are reported in Corporate and Other.

Digital Asset Mining. Our mining operations are conducted through our wholly owned subsidiary, Z Squared OpCo Inc. They generated revenue through the mining of Dogecoin and Litecoin using merged mining and Scrypt-algorithm ASIC hardware, hosted by Minting Dome Inc. at third-party facilities in North Carolina and Iowa under a Master Services Agreement. These operations commenced on April 24, 2026, the Closing Date of the Merger. We directed Minting Dome to power down our mining fleet on June 16, 2026. In the third quarter of 2026, we recognized impairments of $3,424,539 of our mining equipment and $106,932,241 of the goodwill assigned to this segment (see Notes 4 and 7).

AI and Data Center Infrastructure. We are pursuing artificial intelligence and high-density compute infrastructure, data center development and power generation, principally through the acquisition and conversion of existing sites and power infrastructure assets. This business remained in a development stage during the three and nine months ended September 30, 2026. On September 8, 2026, we completed our first site acquisition, Paradox Data, LLC. Paradox Data owns the Union County Campus in El Dorado, Arkansas, which consists of an existing building and access to up to approximately 8.0 MW of interruptible utility power, together with a contract to purchase approximately ten adjacent acres, which, on November 11, 2026, was superseded by an option to acquire the remaining approximately 89.56 acres of the parcel (see Notes 5 and 20). Pending the transition of electric service and operational control of the site, the existing building is leased to the seller for the continued operation of the Seller's bitcoin mining facility. We do not conduct those mining activities, and our rental income under the lease is nominal. We also continue to evaluate other potential site acquisitions, including Skycore Digital LLC, under a letter of intent that has been non-binding since July 2026 (see Note 17).

We do not expect the Union County Campus or our other expansion activities to generate significant revenue in the near term. Our ability to develop this business remains subject to significant risks and uncertainties. These include our ability to secure adequate financing; obtain Entergy's consent to the assignment of the existing electric service agreement and additional power capacity; obtain customer commitments; and, for sites other than the Union County Campus, secure site control on acceptable terms. See "Our Results of Operations" below for a discussion of our financial results, and Note 19 to the accompanying condensed consolidated financial statements for segment information.

Following the Merger, we continue to conduct residual biopharmaceutical operations through our majority-owned subsidiary, GEAR Therapeutics, Inc., which we do not intend to advance further. These activities do not constitute a separate operating segment, as discrete financial information regarding them is not regularly reviewed by our chief operating decision maker, and they are reported in Corporate and Other. The following provides background on these retained operations.

In May 2021, Coeptis entered into two exclusive option agreements (the "CD38 Agreements") relating to separate technologies designed to improve the treatment of CD38-related cancers (e.g., multiple myeloma, chronic lymphocytic leukemia, and acute myeloid leukemia) with Vy-Gen-Bio, Inc. ("Vy-Gen"), a majority-owned subsidiary of Vycellix, Inc., a Tampa, Florida-based private, immuno-centric discovery life science company focused on the development of transformational platform technologies to enhance and optimize next-generation cell and gene-based therapies, including T-cell and Natural Killer (NK) cell-based cancer therapies.

In connection with the Vy-Gen relationship and Coeptis' ownership in the two product candidates described above, in December 2021 Coeptis and Vy-Gen entered into a co-development and steering committee agreement. The co-development and steering committee agreement provides for the governance and economic agreements between the Company and Vy-Gen related to the development of the two Vy-Gen drug product candidates and the revenue sharing related thereto, including each company having a 50% representation on the steering committee and each company receiving 50% of the net revenues related to the Vy-Gen product candidates. Details of the co-development and steering committee agreement are summarized in the Company's Current Report on Form 8-K dated December 27, 2021, including Exhibits 4.1 and 4.2 thereto.

In March 2025, Coeptis reached an agreement with Vy-Gen to successfully license the exclusive worldwide development and commercialization rights to the GEAR™ (Gene Edited Antibody Resistant) Cell Therapy Platform, representing a first-in-class approach to modifying potent cancer-targeting immune cells to optimize the likelihood of deep remission in patients with hematologic malignancies and other cancers. Coeptis had previously held limited co-development rights to GEAR.

Our Results of Operations

Revenue. We generate revenue from our crypto asset mining operations, conducted through our wholly owned subsidiary, Z Squared OpCo Inc., which mines Dogecoin and Litecoin through merged mining using Scrypt-algorithm ASIC hardware across third-party facilities located in North Carolina and Iowa. These operations commenced on April 24, 2026, the closing date of the Merger. We directed Minting Dome to power down our mining fleet on June 16, 2026, and have not generated meaningful mining revenue since that time. Following our acquisition of Paradox Data, LLC on September 8, 2026, we also generate rental income from the lease of the existing building at the Union County Campus in El Dorado, Arkansas to the seller of Paradox Data, a related party. Contractual rent under the lease is $1 per year. Rental income – related party represents amortization of the below market lease liability recognized in the acquisition over the expected term of the lease. We have not yet achieved profitability, and there remains uncertainty regarding our ability to generate sufficient revenue to cover our operating expenses and fund our business plan without additional capital.

Cost of Revenue. Cost of revenue consists of the direct costs of our mining operations, including electricity and power usage, hosting fees payable to Minting Dome Inc. under our master services agreement, mining pool fees, and depreciation of our ASIC mining fleet. Following our acquisition of Paradox Data, cost of revenue also includes depreciation of the building at the Union County Campus. We expect cost of revenue in future periods to consist primarily of depreciation of our mining equipment and of the building at the Union County Campus.

Cost of Operations. Cost of operations consists primarily of professional services fees related to the Merger and our acquisitions, stock based compensation associated with awards granted under our 2025 Incentive Compensation Plan, and salaries and related costs for personnel. Cost of operations also includes amortization of co-development rights, realized gains and losses on the sale or exchange of crypto assets, unrealized gains and losses arising from the remeasurement of the crypto assets we hold, and general and administrative and selling and marketing expenses. Professional services fees and stock based compensation together represented substantially all of our cost of operations, excluding impairment losses, for the three and nine months ended September 30, 2026. We expect that our general and administrative expenses will increase in the future as we build out corporate infrastructure to support our expansion into artificial intelligence and high-density compute infrastructure. We also anticipate that we will continue to incur significant accounting, audit, legal, regulatory, compliance, insurance, and investor relations expenses associated with operating as a public company following the Merger.

Amortization. Amortization expense consists of amortization of co-development rights and the capitalized milestone fee recognizing full transfer of the license agreement to GEAR. Management determined a two-year useful life for the asset at the Closing Date of the reverse acquisition. The accompanying amortization expense reflects the period from the Closing Date to September 30, 2026.

Impairment. In June 2026, the Company determined that continued investment in development activities related to the co-development rights was not warranted at that time. This determination constituted a triggering event under ASC 360-10-35, *Property, Plant, and Equipment – Subsequent Measurement*, requiring the Company to test the co-development rights for recoverability. Management determined that the carrying amount of the GEAR-related rights was not fully recoverable and estimated the fair value of the rights to be approximately $450,000 based on the amount management expects to recover through a sale or licensing transaction. See Note 9 for further discussion.

Crypto Asset Gains and Losses. We recognize realized losses on the sale or exchange of crypto assets and unrealized losses arising from the remeasurement of crypto assets held at the end of each reporting period. These amounts will fluctuate with the market prices of Dogecoin and Litecoin and with the timing and volume of the crypto assets we sell or exchange, and we expect them to vary from period to period.

Comparison of the Three and Nine Months Ended September 30, 2026 and 2025

Old Z Squared had no operations during the three and nine months ended September 30, 2025. Our crypto asset mining operations commenced on April 24, 2026, the closing date of the Merger, and our results include Paradox Data from September 8, 2026, the date of its acquisition. Accordingly, Old Z Squared reported no revenue or expenses in the 2025 periods, and period-over-period changes are not meaningful. The results for the three months ended September 30, 2026 reflect a full quarter of ownership of our mining operations, which were substantially curtailed during the quarter as described below, and the results for the nine months then ended reflect operations from April 24, 2026 through September 30, 2026.

Revenue

	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
DOGE mining	$ 2,278	$ -	$ 1,395,288	$ -
LTC mining	368	-	190,843	-
Rental income - related party	5,000	-	5,000	-
Total revenue	$ 7,646	$ -	$ 1,591,131	$ -

Total revenue was $7,646 and $1,591,131 for the three and nine months ended September 30, 2026, respectively. Mining revenue was $2,646 for the three months, consisting of $2,278 from Dogecoin mining and $368 from Litecoin mining, and $1,586,131 for the nine months, consisting of $1,395,288 from Dogecoin mining and $190,843 from Litecoin mining, representing 88% and 12% of mining revenue, respectively. Because we mine Dogecoin and Litecoin through merged mining, both revenue streams are produced by the same deployed hash rate, and the relative contribution of each is a function of the block rewards and market prices of the two crypto assets during the period rather than of any allocation of our mining fleet between them. Rental income was $5,000 for both periods and reflects amortization of the below market lease liability recognized in our acquisition of Paradox Data on September 8, 2026.

Mining revenue was $2,646 for the three months ended September 30, 2026, compared to $1,583,485 for the three months ended June 30, 2026, because on June 16, 2026 we directed Minting Dome to power down our mining fleet and our fleet has not generated meaningful mining revenue since that time. We continued to record approximately $1.55 million of depreciation on our mining equipment during the quarter. See “Overview and Outlook” above.

Cost of Revenue

	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Cost of revenue (exclusive of depreciation shown separately below)	$ 316,350	$ -	$ 2,508,273	$ -
Depreciation	1,575,372	-	2,732,881	-
Total cost of revenue	$ 1,891,722	$ -	$ 5,241,154	$ -

Cost of revenue consists of electricity and power usage, hosting fees payable to Minting Dome Inc. under our master services agreement, mining pool fees, and other costs directly attributable to the generation of cryptocurrency rewards. Depreciation of our ASIC mining fleet and, following our acquisition of Paradox Data, the building at the Union County Campus is stated separately.

Cost of revenue, exclusive of depreciation, was $316,350 and $2,508,273 for the three and nine months ended September 30, 2026, respectively. Depreciation was $1,575,372 and $2,732,881, respectively, including $20,510 of building depreciation in each period. Total cost of revenue was $1,891,722 and $5,241,154, respectively. For the nine months ended September 30, 2026, cost of revenue, exclusive of depreciation, was 158% of total revenue, and total cost of revenue was 329% of total revenue. Our direct mining costs exceeded our mining revenue before giving effect to depreciation.

Cost of Operations

	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Salary expense	$ 426,351	$ -	$ 699,203	$ -
Professional services expense	1,080,086	-	5,875,674	-
(Gain) loss on exchange of crypto assets	(1,479)	-	73,132	-
Unrealized (gain) loss on crypto assets	(443)	-	(398)	-
Amortization expense	56,905	-	175,569	-
Impairment loss	3,424,539	-	3,730,875	-
Goodwill impairment	106,932,241	-	106,932,241	-
Stock based compensation expense	2,991,070	-	10,025,009	-
General and administrative expenses	163,179	-	180,088	-
Selling and marketing expense	194,992	-	204,731	-
Total cost of operations	$ 115,267,441	$ -	$ 127,896,124	$ -

Total cost of operations was $115,267,441 and $127,896,124 for the three and nine months ended September 30, 2026, respectively. These amounts include $110,356,780 of non-cash impairment charges recognized in the third quarter. Excluding impairment charges, professional services expense and stock based compensation expense together represented approximately 83% and 92% of total cost of operations for the three and nine months, respectively.

Professional services expense. Professional services expense was $1,080,086 and $5,875,674 for the three and nine months ended September 30, 2026, respectively, and consisted of fees incurred in connection with the Merger, the acquisition of Paradox Data, potential future acquisitions, and other legal, accounting and consulting fees incurred in the normal course of business. Professional services expense included $887,751 and $4,439,964, respectively, of non-cash expense for shares of common stock issued to non-employees for services. We do not expect to incur professional services fees at this level in future periods to the extent these transactions are completed, although we expect to continue to incur significant professional fees associated with operating as a public company.

Stock based compensation expense. Stock based compensation expense was $2,991,070 and $10,025,009 for the three and nine months ended September 30, 2026, respectively, and related to awards granted under our 2025 Incentive Compensation Plan. As of September 30, 2026, there was $1,611,176 of unrecognized compensation cost related to unvested service-based RSU awards, which we expect to recognize over a weighted-average period of 1.11 years, $1,199,994 of unrecognized compensation cost related to performance-based RSU awards for which achievement of the performance condition was not considered probable, and no remaining unrecognized compensation cost related to stock options.

Goodwill impairment. During the third quarter of 2026, we recognized a non-cash goodwill impairment of $106,932,241, reducing goodwill to zero. The goodwill arose from the Merger and was assigned to our Digital Asset Mining reporting unit. Our mining operations remained curtailed throughout the quarter, Dogecoin prices remained below our breakeven level, we shifted our strategic focus to AI and data center infrastructure, and our access to our mining fleet is subject to our dispute with Minting Dome. As a result, the Digital Asset Mining reporting unit has no expected operating cash flows, and its fair value was below its carrying amount by more than its goodwill balance (see Note 4).

Impairment of mining equipment. We recognized a non-cash impairment of $3,424,539 on our mining equipment in the third quarter of 2026, reducing its carrying amount to its fair value of $6,301,990 (see Note 7).

Salary expense was $426,351 and $699,203 for the three and nine months ended September 30, 2026, respectively. The nine-month amount reflects personnel costs only from April 24, 2026. Amortization expense on the GEAR co-development rights was $56,905 and $175,569, respectively. We recognized an impairment loss of $306,336 on the co-development rights during the second quarter of 2026 and no impairment of the co-development rights during the third quarter. The co-development rights had a carrying value of $393,095 at September 30, 2026. For the three months ended September 30, 2026, we recognized a realized gain of $1,479 on the exchange of crypto assets and an unrealized gain of $443. For the nine months, we recognized a realized loss of $73,132 and an unrealized gain of $398.

Loss from Operations

Loss from operations was $117,151,517 for the three months ended September 30, 2026 and $131,546,147 for the nine months ended September 30, 2026.

Other Income (Expense)

Total other income (expense), net was $44,825 and $44,680 for the three and nine months ended September 30, 2026, respectively. The main driver was interest income of $47,340 on cash equivalents. Interest expense was $2,821 and $3,047, respectively, mostly accretion of the relocation liability. Other income, net was $306 and $387, respectively.

Provision for Income Taxes

We recorded no provision for or benefit from income taxes for the three and nine months ended September 30, 2026, despite incurring a loss before income taxes of $117,106,692 and $131,501,467, respectively. The goodwill impairment is not deductible for income tax purposes. We have recorded a full valuation allowance against our net deferred tax assets because, based on the available evidence, we do not believe it is more likely than not that these assets will be realized. The Company is evaluating the income tax effects of the Paradox Data acquisition and does not expect them to be material, given the full valuation allowance on its net deferred tax assets.

Net Loss

Net loss was $117,106,692 and $131,501,467 for the three and nine months ended September 30, 2026, respectively. Of these amounts, $9,674 and $81,924, respectively, were attributable to noncontrolling interests in GEAR, resulting in net loss attributable to Z Squared Inc. of $117,097,018 and $131,419,543. After deducting $25,556 of accrued dividends on the Series A Convertible Preferred Stock in each period, net loss attributable to common stockholders was $117,122,574 and $131,445,099, respectively. Net loss per share attributable to common stockholders, basic and diluted, was $2.21 and $2.69 for the three and nine months ended September 30, 2026, respectively.

Liquidity and Capital Resources

At September 30, 2026, the Company had cash of $12,388,896, compared to cash of $1,402 at December 31, 2025. At September 30, 2026, we had working capital of $11,286,100, consisting of current assets of $12,511,326 and current liabilities of $1,225,226. We had no outstanding debt, as the convertible promissory note issued during the second quarter of 2026, along with accrued interest, was converted into shares of our common stock. See Note 11.

Our cash increased during the period as a result of $15,418,839 of proceeds from the issuance of common stock under the Standby Equity Purchase Agreement (the “SEPA”) with YA II PN, Ltd. (“Yorkville”). The SEPA permitted sales of up to $20,000,000 of our common stock. Following our issuance of 1,302,806 shares for aggregate gross proceeds of $15,418,839, the SEPA was terminated, and no further capital is available to us under that arrangement. Following the termination of the ATM Sales Agreement and the Forward Purchase Agreement described below and the deregistration of the related Form S-3, any additional capital would need to be raised through a new equity or debt financing arrangement.

On July 6, 2026, we entered into a Sales Agreement with Roth Capital Partners, LLC, pursuant to which we could offer and sell shares of our common stock having an aggregate offering price of up to $300,000,000 from time to time in at-the-market offerings under our automatic shelf registration statement on Form S-3 (File No. 333-297288), which was filed with the SEC on July 7, 2026 and became effective automatically upon filing. On July 17, 2026, we delivered written notice terminating the Sales Agreement (also referred to as the ATM Sales Agreement), effective July 21, 2026, and terminating the Committed Equity Forward Purchase Agreement dated May 29, 2026, effective August 17, 2026. No shares of common stock were sold under the ATM program, and no draws were made and no shares were issued under the Forward Purchase Agreement. On July 27, 2026, we filed Post-Effective Amendment No. 1 to that Form S-3 to terminate the effectiveness of the registration statement and to deregister any unsold securities registered thereunder.

We have evaluated our liquidity and capital resources and believe that our existing cash and cash equivalents are sufficient to fund our presently planned operating and capital requirements for at least twelve months from the date the condensed consolidated financial statements included in this Quarterly Report are issued.

Paradox Data acquisition. We acquired Paradox Data entirely in exchange for Series A Convertible Preferred Stock, and the acquisition did not require cash consideration at closing or debt financing. We incurred $312,133 of direct transaction costs, which were capitalized as part of the cost of the assets acquired. Of these costs, $14,361 was included in accounts payable at September 30, 2026. The acquisition gives rise to the following current and potential future cash requirements:

Relocation payment. We are obligated to pay the Seller $500,000 upon the earliest of specified events, including our request that the Seller vacate the existing building, and in any event no later than September 8, 2028. If we request that the Seller vacate, the payment will become due at that time, and Milestone 1 will also be achieved.

Adjacent land. On November 11, 2026, Paradox Data's contract to purchase approximately ten acres adjacent to the Union County Campus was superseded by an option that Paradox Data assumed under the Assignment, Assumption and Amendment of Land Option Agreement (the "Option Assignment"). Under the option, which has a five-year term, the tract of up to 10 acres previously covered by the contract will be purchased at the same price of $20,000 per acre (approximately $200,000 if all ten acres are purchased), and any remaining acreage at $33,333.33 per acre. We expect to fund any purchase under the option from existing cash. The Option Assignment became effective upon receipt by Lerro Energy Group L.L.C. of a $37,500 consent payment and the first $10,000 annual option fee from Paradox Data, or $47,500 in total, which payments were made prior to the issuance of this quarterly report. See Note 20 to the accompanying condensed consolidated financial statements for further information.

Series A Convertible Preferred Stock dividends. Dividends accrue at 8.0% per annum on the accreted stated value and are payable quarterly in cash or in kind at our election.

Contingent cash settlement. Under the terms of the Series A Convertible Preferred Stock, if a conversion would exceed the Nasdaq exchange cap or otherwise require stockholder approval under Nasdaq Listing Rule 5635, and stockholder approval is not obtained within 90 days after submission, we must pay the holder cash equal to the accreted stated value of the shares that cannot be converted. At September 30, 2026, the 5,000 shares outstanding were convertible into 674,572 shares of common stock, well below the exchange cap of 10,594,979 shares. We do not currently consider a cash settlement probable. However, the issuance of milestone shares, the conversion price of which will be set at the market price when each milestone is achieved, could increase the number of shares counted against the cap.

Milestone shares. The milestone payments are payable in shares of Series A Convertible Preferred Stock, not cash. However, the issuance of milestone shares would increase our cumulative dividend obligations and the potential dilution to holders of our common stock. Because the conversion price of each tranche of milestone shares will be set at the market price of our common stock when that tranche is earned, the number of shares of common stock issuable upon conversion of milestone shares will be greater if our stock price is lower at that time.

Minting Dome MSA. Until we terminated the MSA effective as of November 17, 2026, we paid Minting Dome hosting, electrical power and related service fees under the MSA. We are currently disputing certain charges invoiced to us by Minting Dome. For more information, see Part II, Item 1A of this Quarterly Report on Form 10-Q, under "Risk Factors—Risks Related to Our Business—We terminated our Master Services Agreement with Minting Dome effective as of November 17, 2026, we are in a dispute with Minting Dome, and that dispute has limited, and may continue to limit, our access to and recovery of our mining fleet and could materially adversely affect our business, financial condition and results of operations."

Over the medium-term, development of the Union County Campus and our broader strategy to expand into artificial intelligence and high-density compute infrastructure, data center development and power generation are likely to require substantial additional capital for site acquisition and land control; utility deposits and interconnection work; substations and electrical distribution; transformers, switchgear, and backup power systems; cooling infrastructure; fiber and networking; buildings or modular data center infrastructure; security, fire suppression, and monitoring systems; engineering, permitting, and construction; and commissioning and initial site operations, among other things. The amount and timing of these capital requirements will depend on the pace and scope of execution of this strategy, including the timing of site conversions, equipment procurement, and the closing of potential future acquisitions. We expect that we will need to raise additional capital through equity or debt financing, or a combination thereof, to fund the full execution of this strategy, and there can be no assurance that such capital will be available on favorable terms, or at all. Our inability to raise sufficient capital could result in delaying, scaling back, or discontinuing some or all aspects of these initiatives, but we do not currently expect this strategy to affect our ability to fund our existing operations over the next twelve months.

In assessing our future cash requirements, we note that a substantial portion of our operating costs during the period was settled other than in cash. Of our total cost of operations of $127,896,124 for the nine months ended September 30, 2026, $110,663,116 represented losses from impairment, $4,439,964 was settled through the issuance of shares of common stock to service providers, $10,025,009 represented stock based compensation, and $1,509,967 of operating expenses was paid using crypto assets received as mining revenue. In addition, our accounts payable and accrued expenses increased by $562,168 and $602,938, respectively, which includes the $450,000 milestone fee under the GEAR license (see Note 9). We expect a greater proportion of our operating costs to be settled in cash in future periods.

Cash Flows

Nine Months Ended September 30,	2026	2025
Net cash used in operating activities	$ (2,888,573)	$ -
Net cash used in investing activities	(297,772)	-
Net cash provided by financing activities	15,573,839	-
Net increase in cash	$ **12,387,494**	$ **-**

Operating Activities. Net cash used in operating activities was $2,888,573 for the nine months ended September 30, 2026, compared to our net loss of $131,501,467. The difference was principally attributable to non-cash items, including $10,025,009 of stock based compensation, $4,439,964 of shares issued for non-employee services, $2,732,881 of depreciation, $110,663,116 of impairment, and $175,569 of amortization of co-development rights. It also reflects $1,509,967 of direct costs of revenue paid with crypto assets, partially offset by $1,586,131 of non-cash mining revenue, and a $700,745 net increase in accounts payable and accrued expenses. Because so substantial a portion of our operating costs was settled other than in cash, our net cash used in operating activities for the period is not indicative of the cash requirements of our operations in future periods.

Investing Activities. Net cash used in investing activities was $297,772, consisting of transaction costs paid in connection with our acquisition of Paradox Data. The acquisition consideration consisted of Series A Convertible Preferred Stock, a milestone obligation, a relocation liability and a below-market lease liability, none of which involved cash. Our mining fleet was received as a non-cash capital contribution.

Financing Activities. Net cash provided by financing activities was $15,573,839, consisting of $15,418,839 of proceeds from the issuance of common stock under the SEPA and $275,000 of proceeds from a note payable, partially offset by a $120,000 payment of the financing fee assumed in the Merger. The note payable, together with accrued interest, was later converted into shares of our common stock.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management evaluates these estimates on an ongoing basis. Actual results could differ materially from these estimates under different assumptions or conditions. The Company considers an accounting estimate to be “critical” if (i) the estimate requires assumptions to be made that were uncertain at the time the estimate was made and (ii) different estimates that the Company reasonably could have used, or changes in those estimates that are reasonably likely to occur, could have a material effect on the Company’s financial position, results of operations, or cash flows. The following accounting estimates were critical to the condensed consolidated financial statements of Z Squared Inc. and its subsidiaries presented in this Quarterly Report, which represent a continuation of the financial statements of Old Z Squared:

Goodwill and Intangible Assets. Goodwill represents the excess of consideration transferred over the fair value of identifiable net assets acquired and arose in connection with the Company’s April 24, 2026 Merger, accounted for as a reverse acquisition under ASC 805-40, with OpCo treated as the accounting acquirer. Goodwill was $106,932,241 before the impairment described below, and zero as of September 30, 2026.

In accordance with ASC 350-20, goodwill is not amortized. It is tested for impairment at least annually, and more frequently if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. The identification of reporting units, the assignment of goodwill to reporting units, the assessment of whether a triggering event has occurred, and the determination of a reporting unit's fair value each require significant management judgment.

During the second quarter of 2026, management identified a triggering event resulting from the decline in the Company's stock price and market capitalization following the Merger. At that time the Company had a single reporting unit, Computing Infrastructure. Management performed a quantitative goodwill impairment test for that reporting unit as of June 30, 2026, using the Company's market capitalization as an indicator of fair value, and no impairment was recorded.

Effective in the third quarter of 2026, following the acquisition of Paradox Data, the Company has two reporting units, which correspond to its operating segments: Digital Asset Mining and AI and Data Center Infrastructure. Determining the reporting units required judgment regarding the financial information regularly reviewed by the CODM. Management also judged that all goodwill is assigned to the Digital Asset Mining reporting unit. That judgment was based on the fact that cryptocurrency mining was the combined company's only operating business at the Merger date, and that the AI and Data Center Infrastructure reporting unit was formed through an asset acquisition that did not give rise to goodwill.

During the third quarter of 2026, management identified triggering events affecting the Digital Asset Mining reporting unit, including:

- the continued curtailment of mining operations;
- Dogecoin prices below the Company's breakeven level;
- the Company's strategic shift to AI and data center infrastructure;
- the departure of the Company's former Co-Chief Executive Officer;
- the Company's dispute with its hosting provider;
- the impairment of the Company's mining equipment; and
- a sustained decline in the Company's share price.

Based on these events, management concluded that it was more likely than not that the fair value of the Digital Asset Mining reporting unit was below its carrying amount and performed a quantitative goodwill impairment test as of September 30, 2026. Because the reporting unit has no expected revenue or operating cash flows, management determined its fair value as the fair value of its identifiable net assets, principally mining equipment measured using secondary-market pricing. The reporting unit's carrying amount exceeded its fair value by more than its goodwill balance, and the Company recognized a goodwill impairment of $106,932,241 as of September 30, 2026. Because goodwill has been reduced to zero, the Company has no remaining goodwill subject to future impairment.

Property and Equipment - Estimated Useful Lives of Mining Equipment. Property and equipment, consisting primarily of ASIC miners used in the Company’s crypto asset mining operations, was recorded at BSG’s carrying amount as of the date of transfer, determined in accordance with U.S. GAAP, which represents its cost basis for purposes of subsequent depreciation, and is depreciated on a straight-line basis over the estimated useful life of the underlying assets. As of September 30, 2026, mining equipment, net, represented $6,301,990, after the impairment described below.

Management estimates the useful life of its ASIC mining fleet to be two years. This estimate requires significant judgment, as it is driven primarily by technological obsolescence rather than physical wear and tear. In determining the appropriate useful life, management considers:

- The rate of improvement in hash rate efficiency and power consumption of newly released mining hardware, which affects the point at which existing equipment becomes uneconomical to operate;
- Network difficulty trends for the Dogecoin and Litecoin networks, which affect the profitability of a given unit of hash rate over time;
- Observed secondary market resale values and liquidity for used ASIC equipment of comparable age and specification; and
- Useful lives disclosed by other publicly traded crypto asset mining companies for comparable equipment, which range from approximately two to five years.

A change in any of these factors could result in a change in the estimated useful life of the Company’s mining equipment. A shortened useful life would accelerate depreciation expense in future periods, while an extended useful life would reduce depreciation expense but could also serve as an indicator requiring evaluation of whether the carrying value of the equipment is recoverable under ASC 360. Management periodically reassesses the appropriateness of this estimate, including in connection with its ongoing evaluation of potential impairment indicators affecting long-lived assets, and any change in estimate is accounted for prospectively in accordance with ASC 250.

Property and Equipment - Recoverability of Mining Equipment. Mining equipment is reviewed for impairment under ASC 360 whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. During the second quarter of 2026, we identified a triggering event resulting from the temporary curtailment of mining operations, and no impairment loss was recognized. During the third quarter of 2026, mining operations remained curtailed and we determined that we had no reasonable and supportable forecast of mining cash flows. We recognized an impairment loss of $3,424,539, measuring fair value using secondary-market pricing for comparable equipment (see Note 7). Secondary-market prices for used ASIC equipment are volatile. Changes in those prices, or in the expected manner of disposition of the fleet, could result in additional impairment charges in future periods.

Fair Value of Warrant Liabilities. The Company classifies its former Public Warrants and Private Placement Warrants as derivative liabilities measured at fair value on a recurring basis, with changes in fair value recognized in the condensed consolidated statements of operations. Both classes are valued using a Black-Scholes valuation model and are classified within Level 3 of the fair value hierarchy. The former Public Warrants ceased to meet the requirements for continued listing during the period and are no longer publicly traded; because a quoted market price is no longer available, they were transferred from Level 1 to Level 3 and are now valued using a model that incorporates the issuer call provision. The Private Placement Warrants are valued using a model that excludes the call provision, as those warrants are not subject to it while held by their initial holders. The primary unobservable input is the expected volatility of the Company's common stock. As of September 30, 2026, the Warrants were valued at a de minimis amount, reflecting an exercise price substantially in excess of the price of the Company's common stock. Changes in the expected volatility, the risk-free interest rate, or the underlying stock price could result in materially different fair value measurements. See Note 10 to the condensed consolidated financial statements.

Fair Value of Investments in Privately-Held Companies. The Company holds investments in equity securities of privately-held companies, recorded as investments on the condensed consolidated balance sheets at a carrying value of $320,543 at September 30, 2026. The Company applies the measurement alternative under ASC 321, recording these investments at cost less impairment, with adjustments for observable price changes in orderly transactions involving similar securities. The Company assesses these investments for impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The assessment of whether impairment exists involves significant management judgment, including with respect to the financial condition and near-term business prospects of the investee, the duration and extent to which the fair value of the investment may have been less than cost, and the existence of observable transactions involving comparable securities. Changes in these judgments could result in materially different impairment conclusions. See Note 8 to the condensed consolidated financial statements.

Share-Based Compensation. The Company estimates the fair value of granted option awards under ASC 718-10 using a Black-Scholes option pricing model, which requires inputs that involve management judgment, including share price, exercise price, expected volatility, the risk-free interest rate, and the expected term. For awards containing market-based vesting conditions, fair value is estimated using a Monte Carlo simulation model, which simulates potential future share-price paths to determine the probability and timing of the vesting condition being satisfied. Expected volatility is estimated based on the volatility of the Company. The fair value of restricted stock units is determined based on the fair value of the Company's common stock on the grant date. Changes in the assumptions used could result in materially different stock based compensation expense. See Note 13 to the condensed consolidated financial statements.

Acquisition of Paradox Data – Classification and Measurement of Cost. We accounted for the acquisition of Paradox Data as an asset acquisition, not a business combination. This required judgment as to whether the acquired set of assets and activities included a substantive process. We concluded that it did not, because Paradox Data had no employees or organized workforce, had never generated revenue and had conducted minimal business activity. As a result, no goodwill was recognized, and transaction costs were capitalized. The cost of the acquisition, $11,864,533, included non-cash consideration measured at fair value using significant unobservable (Level 3) inputs:

- the Series A Convertible Preferred Stock issued at closing, valued at $5,050,000 with the assistance of a third-party valuation firm using the average of Black-Scholes, Monte Carlo and binomial option pricing models under cash and paid-in-kind dividend scenarios;
- the Milestone 1 obligation, valued at $6,000,000; and
- the below-market lease granted to the Seller and the present value of the relocation obligation, which required estimates of market rent and an appropriate discount rate.

We allocated the cost of the acquisition to land, the land purchase option, and the building on the basis of their relative fair values, which were Level 3 estimates. Different assumptions would have changed the total cost recorded and its allocation between non-depreciable land and the building, which we depreciate over an estimated useful life of 30 years. The 30-year useful life is itself an estimate. It reflects our expectations for the building and its integral electrical infrastructure, which we expect to modify as we convert the site to AI colocation use. A shorter life would increase depreciation expense.

Fair Value of Milestone Consideration Liability. Our obligations to issue Series A Convertible Preferred Stock upon achievement of the Paradox Data milestones are classified as liabilities and remeasured at fair value at each reporting date, with changes recognized in earnings. At September 30, 2026, the liability was $6,000,000, all of which related to Milestone 1. We have assessed the fair value of Milestones 2 through 4 as de minimis because their achievement is remote. The fair value of the Milestone 1 obligation is a Level 3 measurement determined with the assistance of a third-party valuation firm. Significant inputs at September 30, 2026 included our common stock price of $4.16 (which also serves as the assumed conversion price, because the conversion price of milestone shares will be set at the market price on the achievement date), an expected time to achievement of two years, expected volatility of 10%, a risk-free rate of 4.80% and a probability of achievement of 100%.

These inputs require significant judgment, particularly the expected timing and probability of achievement. If our assessment of Milestones 2 through 4 changes from remote, which could occur upon receipt of an AI client request for service, the fair value of those obligations could increase significantly. Each of those milestones represents up to 5,000 shares of Series A Convertible Preferred Stock with a stated value of $5.0 million. Changes in fair value are recognized in earnings and could cause significant volatility in our results.

Going Concern. As described in Note 3 to the condensed consolidated financial statements, management evaluates at each reporting period whether conditions or events, considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the condensed consolidated financial statements are issued. Management has concluded that the Company's existing cash and cash equivalents are sufficient to fund its presently planned operating and capital requirements for at least twelve months from the date the condensed consolidated financial statements are issued, and accordingly that substantial doubt does not exist. That conclusion involves significant management judgment with respect to, among other things, the Company's projected cash flows, the anticipated amount and timing of operating and capital expenditures, and the pace at which management executes on planned initiatives. Separately, full execution of the Company's artificial intelligence and high-density compute infrastructure strategy will require substantial additional capital beyond the Company's current cash resources, which management expects to raise through equity or debt financing; there can be no assurance such capital will be available on favorable terms, or at all. Changes in those projections, plans, or capital availability could result in materially different conclusions regarding the Company's ability to continue as a going concern in future periods.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information under this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2026, the end of the period covered by this Report. In conducting that evaluation, the Company's principal executive officer and principal financial officer reviewed the Company's historical disclosure controls and procedures as in effect during the period covered by this Report. Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that, as of September 30, 2026, the Company's disclosure controls and procedures were not effective at the reasonable assurance level because of the material weakness in the Company's internal control over financial reporting described below.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified a material weakness in the Company's internal control over financial reporting because the Company did not maintain adequate controls to ensure that significant and non-routine transactions were appropriately evaluated under U.S. generally accepted accounting principles ("GAAP") and recorded completely and accurately in its accounting records.

Notwithstanding the material weakness, management has concluded that the condensed consolidated financial statements included in this Report fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Remediation Plan

Management is designing and implementing measures to remediate the material weakness. The material weakness will not be considered remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

In connection with the Merger, completed on April 24, 2026, the operations of the Company, including the Mining Assets acquired in connection with the Merger, now constitute substantially all of our business. Management's evaluation of disclosure controls and procedures as of the end of the period therefore reflects the post-combination control environment, including the integration of the accounting acquirer's processes into the registrant's disclosure controls and procedures. Prior to the Merger, Old Z Squared, the accounting acquirer was a private company and had not been subject to the internal control over financial reporting requirements under the Exchange Act. Following the closing of the Merger, management has been integrating the financial reporting processes and control environment of Old Z Squared with that of the registrant and designing and implementing internal controls appropriate for a public company reflecting our current business, including the accounting, treasury, custody, and operational systems of Old Z Squared and its subsidiaries - including those relating to crypto asset custody, hash rate measurement, energy procurement, mining revenue recognition, and reporting of holdings of crypto assets - into our internal control over financial reporting framework. These integration and implementation activities constitute changes in the registrant's internal control over financial reporting during the quarter ended September 30, 2026 and, given the nature and complexity of the Merger and related transactions and the change in the Company's principal business, these efforts may require further changes to our internal control over financial reporting framework in future periods.

On September 8, 2026, we completed the acquisition of Paradox Data. In connection with the acquisition, we began designing and implementing controls over the accounting for the acquisition, including the evaluation of whether the acquired set constituted a business, the classification of the Series A Convertible Preferred Stock and the milestone consideration obligations, the review of third-party fair value measurements, the allocation of acquisition cost, and the recurring remeasurement of the milestone consideration liability. These activities constitute changes in our internal control over financial reporting during the quarter ended September 30, 2026. Paradox Data had no employees, financial statements or accounting systems before the acquisition, and its activities have been incorporated into our existing processes.

Except for the changes resulting from the Merger and the acquisition of Paradox Data, there were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2026 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2026 consisted of (i) the design and implementation of controls over the accounting for the acquisition of Paradox Data described above, (ii) the design and implementation of controls over the identification of the Company's operating segments and the preparation of its segment disclosures, as the Company began reporting two operating segments effective in the third quarter of 2026, and (iii) the continued integration of the financial reporting processes of Old Z Squared described above. The changes resulting from the Merger that occurred during the second quarter of 2026 were disclosed in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2026.

The Company notes, however, that the Merger and the Spin-Out, each completed on April 24, 2026 and described in Note 4 to the accompanying condensed consolidated financial statements, have materially affected, and will continue to materially affect, the Company's internal control over financial reporting in subsequent periods. The Company is in the process of integrating accounting and operational systems into its control framework, and the Company expects to make significant changes to that framework as a result of the Merger and the Spin-Out and the change in the Company's principal business. The Company will report on the status of those changes in its subsequent periodic reports.

Inherent Limitations on the Effectiveness of Controls

The Company's management, including its current principal executive officer and current principal financial officer, does not expect that the Company's disclosure controls and procedures or its internal control over financial reporting will prevent or detect all errors and all fraud. Any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of any control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations of any system of controls, no evaluation of controls can provide absolute assurance that all control issues and all instances of fraud, if any, have been detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in the "Risk Factors" section of the Company's Current Report on Form 8-K filed with the SEC on April 30, 2026 (the "Merger 8-K"), the "Risk Factors" section of the Company's Registration Statement on Form S-4 (File No. 333-288329) declared effective by the Securities and Exchange Commission on December 23, 2025 (the "Registration Statement") and Part II, Item 1A, "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, as well as the risk factors set forth below. There have been material changes to the risk factors disclosed in the registrant's Annual Report on Form 10-K for the year ended December 31, 2025 ("2025 Annual Report") as a result of (i) the completion on April 24, 2026 of the Merger and related transactions, each as described elsewhere in this Report and in Notes 4, 17 and 18 to the accompanying condensed consolidated financial statements; (ii) the resulting change in the Company's principal business from the biopharmaceutical and technology business conducted by Coeptis Therapeutics Holdings, Inc. and its subsidiaries to the crypto asset mining business now conducted through Z Squared and its subsidiaries; (iii) the change in the Company's management team and board of directors; and (iv) certain new strategic transactions and capital structure matters described in this Quarterly Report on Form 10-Q and our other SEC filings.

The risk factors set forth below supplement, update, and (to the extent inconsistent) supersede the risks disclosed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, the 2025 Annual Report, the Merger 8-K and the Registration Statement.

Risks Related to Our Business

We terminated our Master Services Agreement with Minting Dome effective as of November 17, 2026, we are in a dispute with Minting Dome, and that dispute has limited, and may continue to limit, our access to and recovery of our mining fleet and could materially adversely affect our business, financial condition and results of operations.

Our crypto asset mining operations have been conducted under a Master Services Agreement dated July 26, 2025 (the "MSA") with Minting Dome Inc. ("Minting Dome"). Under the MSA, Minting Dome provided hosting services, electrical power, site infrastructure, remote monitoring, maintenance, and related operational support across our mining facilities. We own the mining hardware, while Minting Dome controlled the day-to-day operations of the hardware and the details and manner of performing the services. Services were provided pursuant to statements of work and our direction.

The initial term of the MSA was three years from its effective date, with no automatic renewal provision stated in the agreement. We terminated the MSA effective as of November 17, 2026, after Minting Dome failed to cure the breaches identified in our notice of material breach, as described below. Separately, given our shift in business focus to AI and data center infrastructure and the current cryptocurrency mining environment, we do not expect to resume mining operations. Minting Dome may dispute the validity of our termination, and our access to and recovery of our miners and the resolution of the invoices that we dispute remain subject to the dispute described below.

On June 16, 2026, we directed Minting Dome to power down our mining fleet in response to unfavorable cryptocurrency market conditions, and our fleet has not generated meaningful mining revenue since that time. Based on a location report provided to us by Minting Dome, as of October 22, 2026, 3,224 of our miners had been relocated by Minting Dome, without our direction, from hosting sites to a warehouse in Forest City, North Carolina, where they are palletized and stored, and Minting Dome has advised us that it is preparing our miners located in Iowa for shipment to a warehouse in North Carolina. In October 2026, Minting Dome invoiced us approximately $6 million for hosting, storage and other fees, calculated on the basis of 8,100 miners for periods during which we directed our fleet to be powered down, which we dispute. On October 8, 2026, we delivered to Minting Dome a notice of material breach of the MSA, specifying a cure period that expired on November 12, 2026. Minting Dome rejected the notice and has taken the position that our right to access our miners is subject to its prior written approval, which it may withhold, delay or condition in its sole discretion; that the exclusivity and independent-contractor provisions of the MSA preclude us from engaging any other provider to operate or service our miners or from removing them other than in accordance with the MSA; and that it will not permit our representatives to power on, test or otherwise operate our miners during any inspection. Minting Dome did not cure the breach within the cure period, and we terminated the MSA, including the statement of work thereunder, effective as of November 17, 2026. In connection with the termination, we directed Minting Dome to stop operating our miners and not to move or dispose of them, and we demanded that it report the location and condition of each miner and produce the records we had previously requested. We intend to vigorously pursue our rights (including the pursuit of remedies under the MSA and applicable law), but cannot predict the outcome of this dispute. As of the date of this Quarterly Report, no legal proceeding has been commenced by or against us in connection with this dispute. Minting Dome may dispute the validity of our termination. If we are unable to resolve this dispute on acceptable terms, we may be required to pay some or all of the amounts invoiced by Minting Dome, in excess of the $303,750 we accrued as of September 30, 2026; Minting Dome may refuse to release, or may delay the release of, our miners; we may be unable to recover our miners, or to sell or otherwise realize value from them, for an extended period or at all; our miners may be damaged, lost or impaired while outside of our control; and we may become involved in costly and time-consuming litigation. Any of these outcomes could have a material adverse effect on our business, financial condition, results of operations and liquidity, and could require us to record impairment charges with respect to our mining equipment. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook.”

Because we currently have no alternative hosting, power, or infrastructure arrangements in place, our ability to resume mining operations, if we choose to do so, will depend on our recovery of our miners and on our ability to enter into a substitute hosting arrangement. Any adverse development in the dispute described above, including any refusal or delay by Minting Dome in releasing our miners or any inability to enter into a substitute hosting arrangement on acceptable terms, could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Our relationship with Minting Dome has involved related-party considerations, which could give rise to perceptions of conflicts of interest.

Michelle Burke, who previously served as Co-Chief Executive Officer and a director of the Company and who served as Chief Executive Officer of Minting Dome from July 2024 to April 2026, resigned from all positions with the Company effective May 22, 2026 and returned to Minting Dome. Notwithstanding her resignation, the MSA remained in effect until we terminated the MSA effective as of November 17, 2026. Any actual or perceived conflicts arising from the historical dual roles, residual commercial relationship, or the current dispute under the MSA could adversely affect the relationship and our operations and could give rise to negative market perceptions about the alignment of interests between our management team and our shareholders.

Risks Related to the Completed Business Combination and Changes in Our Business

The Company has identified a material weakness in its internal control over financial reporting, and the Company's internal control over financial reporting may be inadequate as a result of the Merger and the Spin-Out, the change in management, and the change in business.

The Company's existing system of internal control over financial reporting was designed primarily for the biopharmaceutical and technology business conducted by Coeptis Therapeutics Holdings, Inc. and its subsidiaries prior to the Merger. As a result of the Merger and the Spin-Out, the change in the Company's principal business, the change in management, and the integration of Z Squared's accounting, treasury, custody, and operational systems (including those relating to crypto asset custody, hash rate measurement, energy procurement, and mining revenue recognition), the Company expects to make significant changes to its internal control over financial reporting in the periods following the closing of the Merger and the Spin-Out. In connection with the preparation of its condensed consolidated financial statements for the quarter ended September 30, 2026, management identified a material weakness in the Company's internal control over financial reporting because the Company did not maintain adequate controls to ensure that significant and non-routine transactions were appropriately evaluated under U.S. generally accepted accounting principles and recorded completely and accurately in its accounting records. As a result, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2026. See Part I, Item 4, "Controls and Procedures." Although management is designing and implementing measures to remediate the material weakness, the Company cannot assure you that these measures will be sufficient or timely, that the material weakness will be remediated before management's next annual assessment of internal control over financial reporting, or that additional material weaknesses or significant deficiencies will not be identified in the future. Any failure to maintain effective internal control over financial reporting or to remediate the material weakness could result in material misstatements in the Company's financial statements, a failure to meet its reporting obligations on a timely basis, loss of investor confidence, restrictions on the Company's ability to access the capital markets (including its eligibility to use shelf registration statements on Form S-3), and adverse effects on the trading price of the Company's common stock.

Risks Related to Potential Strategic Transactions and Strategic Shifts in Our Business

The acquisition of Paradox Data, LLC may not deliver the expected benefits.

Our acquisition of 100% of the membership interests of Paradox Data, LLC, including its Union County Campus in El Dorado, Arkansas may not result in the benefits we expect. The existing electric service arrangement with Entergy Arkansas provides for energy service of up to approximately 8 MW on an interruptible basis. That arrangement is held by the seller; Paradox Data's rights to the capacity arise under an intercompany power access agreement between Paradox Data and the seller, and assignment of the arrangement to Paradox Data requires the consent of Entergy Arkansas, which has not been obtained and may not be obtained on acceptable terms or at all. Our ability to expand capacity depends on factors largely outside our control, including the timing and outcome of interconnection requests and Requests for Service, utility processes, permitting, construction and equipment lead times, availability and cost of on-site generation, and the ability to secure necessary development capital. We currently have no binding customer commitments for capacity at the site.

In addition, on June 30, 2026, the Union County Quorum Court adopted Ordinance No. 1795, which imposes a moratorium on the construction of data centers in Union County beginning July 10, 2026 and ending July 9, 2027. The Union County Campus is located just outside the city limits of El Dorado in unincorporated Union County and therefore appears to be within the geographic scope of the ordinance. The moratorium may be extended or rescinded, and the ordinance provides that its expiration shall not be construed to authorize construction thereafter. The moratorium does not, by its terms, prohibit continued operation of the existing facility, but during the pause and any extension of it we may be unable to obtain the zoning, land-use and building approvals required to construct or expand data-center facilities at the site, including on the adjacent land. That could delay or prevent development of capacity beyond the existing approximately 8 MW and delay or prevent achievement of the later energization milestones described below. There can be no assurance that the moratorium will expire as scheduled or that we will be able to develop the site on acceptable terms, or at all, following any expiration. Failure to obtain required approvals, delays in interconnection or construction, cost overruns, or an inability to attract offtake could prevent us from achieving meaningful expansion beyond the existing 8 MW. Public and governmental opposition to data center development has increased in Arkansas and elsewhere in the United States, and other Arkansas local governments have adopted moratoria or new permitting restrictions on data centers during 2026. The Arkansas General Assembly is expected to consider legislation affecting data center development, local regulatory authority over data centers, and utility cost recovery for new generation during its regular session beginning in January 2027. We cannot predict whether Union County will extend the moratorium or adopt new data center regulations, or whether any state legislation will be enacted. Any of these developments could further delay or restrict development of the Union County Campus or increase our costs.

The contingent portion of the consideration (up to an additional $20 million of preferred stock issuable as milestone consideration) is payable upon achievement of specified development milestones: initial energization of AI compute capacity at the existing site, followed by aggregate capacity thresholds of 50 MW, 100 MW, and 150 MW (generally earned in installments upon binding requests for service and subsequent energization). These milestone payment obligations do not expire. There can be no assurance that any or all of these milestones will be achieved on the expected timeline or at all. Failure to achieve the milestones would reduce the total consideration paid but would also mean the site does not deliver the scale of artificial intelligence and high-density compute capacity to meet our long-term expansion objectives.

The issuance of preferred stock (both the $5 million of Series A Convertible Preferred Stock issued at closing and any preferred shares issued as milestone consideration) will result in dilution to existing stockholders. The Series A Convertible Preferred Stock issued at closing also carries an 8.0% annual dividend (payable in cash or in kind at our election). Conversion of the Series A Convertible Preferred Stock issued at closing is fixed at $7.45 per share; conversion of milestone preferred is based on a variable formula tied to then-current market prices (subject to Nasdaq Minimum Price rules and other adjustments). Because the conversion price of the milestone preferred is variable, a decline in the market price of our common stock prior to a milestone achievement date could result in a greater number of shares being issued and therefore greater dilution. Conversion is also subject to beneficial-ownership limitations and a 19.99% cap (unless stockholder approval under Nasdaq rules is obtained). If stockholder approval under Nasdaq Listing Rule 5635 is required and is not obtained within 90 days after submission of the matter to our stockholders, we may be required to settle the affected shares of Series A Convertible Preferred Stock in cash at $1,000 per share within five business days, which could require us to use a substantial portion of our cash resources. In addition, our Chief Technology Officer holds an indirect interest in the seller and certain affiliates entitled to receive a portion of the milestone consideration. Although the transaction was approved by our Audit Committee and Board as a related-person transaction, the existence of this interest could present actual or perceived conflicts and may affect the perception of the transaction among investors. Our Chief Technology Officer was also elected to our Board of Directors on November 3, 2026.

We may not complete other pending or potential acquisition opportunities, including the previously announced Skycore transaction.

We have also previously entered into a binding letter of intent regarding a potential acquisition of Skycore Digital LLC. We have since made material amendments to that binding letter of intent, including extension of the drop-dead date to January 15, 2027, the elimination of the $500,000 break-up fee that would be payable by us and termination of all exclusivity, no-shop, non-solicitation, and related obligations. As amended, the letter of intent is non-binding, other than certain surviving provisions. As a result, neither party is currently bound by exclusivity or a break-up fee, and the transaction remains subject to negotiation of definitive agreements, due diligence, and the satisfaction of any closing conditions that may be agreed to, and may not be consummated on the contemplated terms, or at all. We may pursue additional acquisition or investment opportunities in the digital infrastructure and power sectors. Any such transactions involve significant risks, including integration difficulties, overpayment, assumption of unknown liabilities, dilution, and the diversion of management attention. There can be no assurance that any pending or future acquisition will be completed or will achieve the anticipated strategic or financial benefits.

The Company faces meaningful execution and integration risk from the Merger, the Paradox Data acquisition and any other strategic transactions it may undertake.

Concurrent integration of the Merger, the Spin-Out, the Paradox Data acquisition, and any other strategic transactions undertaken by the Company will place significant demands on management’s time and attention, operational and financial systems, and capital resources. Failure to successfully integrate these transactions could prevent the Company from realizing the anticipated benefits, divert management’s attention from existing operations, result in unforeseen liabilities or operational disruptions, and materially adversely affect the Company’s business, financial condition, and results of operations.

Risks Related to Our Capital Requirements and Capital Structure

Holders of the Company's common stock have experienced and may continue to experience significant dilution.

In connection with the closing of the Merger, the Company issued an aggregate of 43,877,497 shares of common stock to the former stockholders of Z Squared and 1,000,000 shares of common stock in connection with the Spin-Out, increasing the Company's outstanding shares of common stock from 6,553,996 at March 31, 2026 to 51,431,493 at May 12, 2026, and the number of outstanding shares was 53,187,721 at September 30, 2026. This represents substantial dilution to the holders of the Company's common stock prior to the Merger. Additional dilution may result from (i) the conversion of any Series A Convertible Preferred Stock issued in connection with the Paradox Data acquisition, (ii) the issuance of common stock under the Company's 2025 Incentive Compensation Plan and any other equity plans of the Company, (iii) the exercise of outstanding warrants (including legacy Public Warrants and Private Placement Warrants outstanding since the November 2020 initial public offering of Bull Horn Holdings Corp. (the registrant's former name), (iv) the exercise of outstanding stock options, and (v) the issuance of common stock in connection with any future financings, acquisitions, or strategic transactions. The market price of the Company's common stock could decline as a result of any such dilution or anticipated dilution.

Additional Considerations.

The risk factors described above and incorporated by reference herein are not exhaustive. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, may also materially adversely affect the Company's business, financial condition, and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Certain unregistered sales of equity securities during the quarter were previously reported in our Current Reports on Form 8-K filed with the SEC on August 4, 2026 and September 14, 2026. In addition, during the three months ended September 30, 2026, we issued 127,305 shares of common stock, valued at $887,751 based on their fair value when issued, to several external consultants and other service providers who are not employees, in consideration of advisory and investor relations-related services rendered to us, as discussed in Note 12 to the accompanying condensed consolidated financial statements. These issuances were private placements of restricted securities in reliance on Section 4(a)(2) of the Securities Act for transactions not involving a public offering.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The Company terminated the Master Services Agreement, dated July 26, 2025 (the "MSA"), between the Company's wholly owned subsidiary, Z Squared OpCo Inc., and Minting Dome Inc. ("Minting Dome"), including the statement of work thereunder, effective as of November 17, 2026. Under the MSA, Minting Dome provided hosting services, electrical power (at $0.088 per kWh), internet connectivity, site infrastructure, remote monitoring, maintenance, and on-site operational and related support for the Company's crypto asset mining operations, and the Company owns the mining hardware. Michelle Burke, who served as Co-Chief Executive Officer and a director of the Company from April 24, 2026 through her resignation effective May 22, 2026, served as Chief Executive Officer of Minting Dome from July 2024 to April 2026 and returned to Minting Dome following her resignation from the Company. The Company terminated the MSA after Minting Dome failed to cure the breaches identified in the Company's earlier notice of material breach, for which the specified cure period expired on November 12, 2026. Minting Dome may dispute the validity of the termination. The Company did not incur any early termination penalties in connection with the termination. Given the Company's shift in business focus to AI and data center infrastructure and the current cryptocurrency mining environment, the Company no longer believes that it needs the MSA. The information set forth in Note 18, "Related Party Transactions," and Note 20, "Subsequent Events," to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference. This disclosure is being provided in lieu of a Current Report on Form 8-K under Item 1.02 thereof. A copy of the MSA is incorporated by reference as Exhibit 10.5 to this Quarterly Report on Form 10-Q, and the foregoing description is qualified in its entirety by reference to the full text of that exhibit.

During the three months ended September 30, 2026, no director or Section 16 officer of the Company adopted, modified, or terminated any 'Rule 10b5-1 trading arrangement' or any 'non-Rule 10b5-1 trading arrangement,' in each case as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

The following exhibits are attached hereto or incorporated by reference herein (numbered to correspond to Item 601(a) of Regulation S-K, as promulgated by the Securities and Exchange Commission) and are filed as part of this Form 10-Q:

2.1	Agreement and Plan of Merger, dated as of April 25, 2025, by and among Coeptis Therapeutics Holdings, Inc., CP Merger Sub, Inc., and Z Squared Inc. (Wyoming) (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed with the SEC on April 28, 2025).
2.2	Limited Waiver and First Amendment to Merger Agreement, dated as of May 27, 2025 (incorporated by reference to Exhibit 2.2 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
2.3	Limited Waiver and Second Amendment to Merger Agreement, dated as of June 10, 2025 (incorporated by reference to Exhibit 2.3 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
2.4	Limited Waiver and Third Amendment to Merger Agreement, dated as of June 20, 2025 (incorporated by reference to Exhibit 2.4 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
2.5	Limited Waiver and Fourth Amendment to Merger Agreement, dated as of August 17, 2025 (incorporated by reference to Exhibit 2.5 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
2.6	Limited Waiver and Fifth Amendment to Merger Agreement, dated as of September 10, 2025 (incorporated by reference to Exhibit 2.6 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
2.7	Limited Waiver and Sixth Amendment to Merger Agreement, dated as of September 30, 2025 (incorporated by reference to Exhibit 2.7 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
2.8	Membership Interest Purchase Agreement, dated as of July 31, 2026, by and among Z Squared Inc., Paradox Infrastructure LLC, Paradox Data, LLC, and the Owner Parties named therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2026).
3.1	Amended and Restated Certificate of Incorporation of Z Squared Inc. (formerly Coeptis Therapeutics Holdings, Inc.) (incorporated by reference to Exhibit 3.1 of Coeptis Therapeutics Holdings, Inc.'s Form 8-K, filed with the SEC on November 3, 2022).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Coeptis Therapeutics Holdings, Inc., dated December 26, 2024 (incorporated by reference to Exhibit 99.1 to Coeptis Therapeutics Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 27, 2024)
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Coeptis Therapeutics Holdings, Inc., filed with the Secretary of State of the State of Delaware on April 27, 2026 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on April 30, 2026)
3.4	Third Amended and Restated Bylaws of Z Squared Inc., adopted and effective as of September 9, 2026 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the SEC on September 10, 2026).
3.5	Certificate of Designation of Preferences, Rights and Limitations of the Series A Convertible Preferred Stock, filed with the Secretary of State of the State of Delaware on September 8, 2026 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the SEC on September 14, 2026).
10.1	Amended and Restated Asset-For-Share Exchange Agreement, dated June 24, 2025, between BSG Series CM, LLC and Z Squared Inc. (Wyoming) (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on April 30, 2026).

10.2	First Amendment to Amended and Restated Asset-For-Share Exchange Agreement, dated February 10, 2026, between BSG Series CM, LLC and Z Squared Inc. (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on April 30, 2026).
10.3	Second Amendment to Amended and Restated Asset-For-Share Exchange Agreement, dated April 23, 2026, between BSG Series CM, LLC and Z Squared Inc. (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the SEC on April 30, 2026).
10.4	Master Custody Services Agreement, dated August 14, 2025, between Anchorage Digital Bank, National Association and Z Squared Inc. (incorporated by reference to Exhibit 10.24 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
10.5	Master Services Agreement, dated July 26, 2025, between Minting Dome Inc. and Z Squared Inc. (incorporated by reference to Exhibit 10.25 of the Registration Statement on Form S-4 (File No. 333-288329), as amended).
10.6	Binding Letter of Intent, dated April 28, 2026, by and among Z Squared Inc., MN Data Centers JV LLC, and Claw Holdings, LLC (acquisition of Skycore Digital LLC) (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.7	First Amendment to Letter of Intent, effective as of June 30, 2026, by and among Z Squared Inc., MN Data Centers JV LLC, and Claw Holdings, LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on July 10, 2026).
10.8	Second Amendment to Consulting Agreement, dated April 27, 2026, by and between Z Squared Inc. and Group 10 Holdings LLC (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.9	Corporate Services Agreement, dated as of January 23, 2026, by and between Z Squared Inc. and Moneta Advisory Partners, LLC (including the Milestone-Based Equity Award Schedule attached as Exhibit B thereto) (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.10	Investor Relations Consulting Agreement, dated December 23, 2025, by and between Z Squared Inc. and MZHCI, LLC (incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.11	Marketing Services Agreement, dated February 24, 2026, by and between Z Squared Inc. and Fulcrum New Amsterdam LLC (d/b/a Retail Sparks) (incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.12#	Amended and Restated Executive Employment Agreement, dated as of April 27, 2026, by and between Z Squared Inc. and David Halabu (incorporated by reference to Exhibit 10.6 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.13#	Amended and Restated Executive Employment Agreement, dated as of April 27, 2026, by and between Z Squared Inc. and Brian Cogley (incorporated by reference to Exhibit 10.7 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.14#	Executive Employment Agreement, dated as of April 27, 2026, by and between Z Squared Inc. and Ryan Schadel (incorporated by reference to Exhibit 10.8 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.15#	Employment Agreement by and between Z Squared Inc. and Michelle Burke dated June 25, 2025 (incorporated by reference to Exhibit 10.13 of the Current Report on Form 8-K filed with the SEC on April 30, 2026).
10.16#	Form of Independent Director Agreement (incorporated by reference to Exhibit 10.9 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.17#	Z Squared Inc. Non-Employee Director Compensation Program (incorporated by reference to Exhibit 10.10 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.18#	Z Squared Inc. 2025 Incentive Compensation Plan (incorporated by reference to Annex C of the Registration Statement on Form S-4 (File No. 333-288329)).
10.19#	Form of Stock Option Award Agreement under the Z Squared Inc. 2025 Incentive Compensation Plan (incorporated by reference to Exhibit 10.12 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.20#	Form of Restricted Stock Unit Award Agreement under the Z Squared Inc. 2025 Incentive Compensation Plan (incorporated by reference to Exhibit 10.13 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).

10.21#	Form of Restricted Stock Award Agreement under the Z Squared Inc. 2025 Incentive Compensation Plan (incorporated by reference to Exhibit 10.14 of the Current Report on Form 8-K filed with the SEC on May 1, 2026).
10.22	Indemnification Agreements by and between Z Squared Inc. and each of David Halabu, Adam Sohn, Bryan Fuerst, Kenneth Cooper, Michelle Burke, and Brian Cogley (incorporated by reference to Exhibits 10.6 through 10.11 of the Current Report on Form 8-K filed with the SEC on April 30, 2026).
10.23	Standby Equity Purchase Agreement, dated November 1, 2024, between Coeptis Therapeutics Holdings, Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on November 6, 2024).
10.24	Committed Equity Forward Purchase Agreement, dated as of May 29, 2026, between Z Squared Inc. and LucentHash / Data Part Capital (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on June 4, 2026).
10.25	Contribution Agreement, dated as of April 15, 2026, by and between Coeptis Therapeutics Holdings Inc., a Delaware corporation, and Coeptis Holdings, Inc., a Delaware corporation (incorporated by reference to Exhibit 10.25 of the Quarterly Report on Form 10-Q filed with the SEC on August 13, 2026).
10.26	Assignment and Assumption Agreement, dated as of April 15, 2026, by and between Coeptis Therapeutics Holdings, Inc., a Delaware corporation, and Coeptis Therapeutics, Inc., a Delaware corporation (incorporated by reference to Exhibit 10.26 of the Quarterly Report on Form 10-Q filed with the SEC on August 13, 2026).
10.27	Option Agreement, dated April 24, 2026, among Coeptis Therapeutics Holdings, Inc., Coeptis Holdings, Inc. ("CHI"), and GEAR Therapeutics, Inc. (relating to CHI's option to acquire GEAR Therapeutics, Inc.) (incorporated by reference to Exhibit 10.27 of the Quarterly Report on Form 10-Q filed with the SEC on August 13, 2026).
10.28+	Triple Net Lease and Relocation Agreement, dated September 8, 2026, by and among Paradox Data LLC, Paradox Infrastructure LLC and Z Squared Inc. (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on September 14, 2026).
10.29	Intercompany Power Access and Cost-Sharing Agreement, dated September 8, 2026, by and between Paradox Data LLC and Paradox Infrastructure LLC (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on September 14, 2026).
10.30	Assignment of Membership Interests, dated as of September 8, 2026, by and between Paradox Infrastructure LLC and Z Squared Inc. (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the SEC on September 14, 2026).
10.31#	Executive Employment Agreement, dated as of June 24, 2026, between Z Squared Inc. and Jeffery Harris (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on June 30, 2026).
10.32#	Amendment No. 1 to Executive Employment Agreement, dated as of August 24, 2026, between Z Squared Inc. and Jeffery Harris (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on August 26, 2026).
10.33	Sales Agreement, dated July 6, 2026, between Z Squared Inc. and Roth Capital Partners, LLC (incorporated by reference to Exhibit 1.2 of the Registration Statement on Form S-3 (File No. 333-297288) filed with the SEC on July 7, 2026).
10.34+	Assignment, Assumption and Amendment of Land Option Agreement, dated as of November 11, 2026, by and among Lerro Energy Group L.L.C., Paradox Infrastructure LLC and Paradox Data, LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on November 17, 2026).
31.1*	Rule 13a-14(a)/15d-14(a) Certification of David Halabu, Chief Executive Officer, and Principal Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Brian Cogley, Chief Financial Officer, and Principal Financial Officer.
32.1**	Section 1350 Certification of Principal Executive Officer.
32.2**	Section 1350 Certification of Principal Financial Officer.
97.1	Z Squared Inc. (formerly Coeptis Therapeutics Holdings, Inc.) Clawback Policy (incorporated by reference to Exhibit 97 to Amendment No. 1 to the Annual Report on Form 10-K/A filed with the SEC on June 3, 2025).
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed Herewith
** Furnished Herewith.
# Management contract or compensatory plan or arrangement.
+ Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Z SQUARED INC.
Registrant

Date: November 23, 2026

By: */s/ David Halabu*
David Halabu
Chief Executive Officer (Principal Executive Officer)

Date: November 23, 2026

By: */s/ Brian Cogley*
Brian Cogley
Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, David Halabu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Z Squared Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 23, 2026

/s/ David Halabu
David Halabu
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Brian Cogley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Z Squared Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 23, 2026

/s/ Brian Cogley
Brian Cogley
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Z Squared Inc. (the "Company") for the fiscal quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Halabu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 23, 2026

/s/ David Halabu
David Halabu
Chief Executive Officer (Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Z Squared Inc. (the "Company") for the fiscal quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Cogley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 23, 2026

/s/ Brian Cogley
Brian Cogley
Chief Financial Officer (Principal Financial Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.