WHITE DIAMOND RESEARCH

ZENATECH'S CEO RELATED PARTY, EPAZZ, ENGAGES IN R&D FUNDED BY ZENATECH, AND THEN SOLD THE TECH TO ZENA FOR 19 TIMES THEIR BOOK VALUATION, GROSSLY ENRICHING EPAZZ INSIDERS AT THE EXPENSE OF ZENA SHAREHOLDERS

August 10, 2026

RESEARCH SUMMARY

– ZenaTech (NASDAQ: ZENA) has advanced approximately C$28.2 million in cash to Epazz (OTC: EPAZ), controlled by ZenaTech CEO Shaun Passleym, for R&D.

– ZENA then purchased these developed assets at an inflated price from EPAZ in ZENA stock.

-EPAZ own filing states: *unamortized carrying value of $2,356,495.77 immediately prior to transfer. Consideration received consisted solely of ZenaTech equity securities with an aggregate fair value of $46,498,653.23*

– ZENA convertible preferred shares can convert to approximately 86 million additional common-equivalent shares, making ZENA substantially more diluted than ordinary market-data share counts suggest.

Intro

ZenaTech (NASDAQ: ZENA) describes itself as a software technology company specializing in drones. ZENA is a serial acquirer, aka a "roll-up", that doesn't do earnings calls. ZENA has lost over $20M per quarter the past 2 quarters.

ZENA has an arrangement with a tiny OTC traded company called Epazz (EPAZ), run by ZENA's CEO, Dr. Shaun Passley. EPAZ does R&D for ZENA under a 20-year management services agreement. ZENA first gives EPAZ money to do the R&D, and then ZENA has to buy the developed products from EPAZ. EPAZ has a market cap of only $340K.

ZENA shareholders are therefore paying twice:

1. once when ZENA advances cash used for development; and
2. again when ZENA issues securities or cancels the receivable to acquire the resulting technology.

ZenaTech advanced approximately C$28.2 million in cash and then US$46.5M Worth of ZENA Stock to Epazz

ZENA has wired C$28.2 million of cash for R&D purposes to EPAZ. ZENA's own shareholder circular says those funds are "restricted for the use and benefit of ZenaTech" and that "Epazz is paying for product development costs" with them.

As stated in this Q126 SEC filing:

The total advances to Epazz for future services were $28,230,118 as of March 31, 2026 ($12,192,637 short-term and $16,037,481 long-term). The current amount is expected to be provided in services by Epazz within a twelve-month period based on the current projected needs of the Company. The long-term amount will be paid back in services or cash.

EPAZ spent the money, kept what it built in its own name, then sold it back to ZenaTech. EPAZ's own filing says the technology assets carried a book value of only US$2.36M. Yet ZENA paid US$46.5M in stock to EPAZ for these assets. Roughly 19x the book value!

From this EPAZ Q126 filing:

Sale of Drone Technology to a Related Party During the quarter ended March 31, 2026, the Company transferred certain capitalized product development assets to ZenaTech, Inc. ("ZenaTech"), a related party. The Company and ZenaTech are under common control, as a single controlling individual holds a controlling equity interest in both entities. Neither entity owns the other directly. ZenaTech is publicly traded on the Nasdaq Stock Market under the symbol ZENA, reports under International Financial Reporting Standards, and presents its financial statements in Canadian dollars. The assets transferred consisted of proprietary technology with an unamortized carrying value of $2,356,495.77 immediately prior to transfer. Consideration received consisted solely of ZenaTech equity securities with an aggregate fair value of $46,498,653.23

ZENA convertible preferred shares may create approximately 86 million additional common-equivalent shares, making ZENA substantially more diluted than ordinary market-data share counts suggest

ZENA's balance sheet carries C$86,310,000 of preferred at March 31, up from C$51,810,000 at year end. At the C$3.00 stated value ZENA uses all through its own filings, that's 28,770,000 preferred shares.

Each one converts into three common, per the circular — *""Each issued Preferred Share is convertible, at the option of the holder, into three Common Shares with five business days' notice"*

So there's roughly 86 million common-equivalents in addition to the 88,884,193 common ZENA reported in July. If you're valuing this company off its market cap, you're using half the real denominator. These preferred shares aren't mentioned on fully diluted share count sites such as dilutiontracker.com here.

Conclusion

We don't allege fraud. ZENA's surveying acquisitions are real and were bought from unrelated sellers, mostly for cash and seller notes. EPAZ performs real services and pays real payroll. ZENA's independent directors are named in the circular and unanimously approved the deal. We found no adjudicated securities enforcement against anyone named here. We'd also expect the company to say book cost isn't market value. Fair enough, except there is no market value. No valuator, no fairness opinion, no third party. The circular says the board priced it on "an internal determination of their value" and "did not review the agreement with its legal counsel." The only two parties who ever put a number on these assets were the buyer and the seller, and the same man signed for both.