



**MAGNETIC NORTH ACQUISITION CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2020 and  
TWELVE MONTHS ENDED SEPTEMBER 30, 2019**

**(Expressed in Canadian dollars)**

To the Shareholders of Magnetic North Acquisition Corp.:

### Opinion

We have audited the consolidated financial statements of Magnetic North Acquisition Corp. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the fifteen month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the fifteen months ended December 31, 2020 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information for the twelve months ended September 30, 2019 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements of the Company for the twelve months ended September 30, 2019 excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on January 28, 2020.

As part of our audit of the consolidated financial statements for the fifteen months ended December 31, 2020, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the twelve months ended September 30, 2019. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Laluk.

Calgary, Alberta

May 28, 2021

*MNP LLP*

Chartered Professional Accountants

**Magnetic North Acquisition Corp.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

<b>As at</b>		<b>December 31,</b>	September 30, 2019
	Notes	<b>2020</b>	(As restated - Note 2)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 123,680	\$ 1,429,629
Short-term investments	5	60,222	22,788
Trade and other receivables	6,8	291,583	16,667
Inventory	4	2,036,086	-
Bridge loan receivable	7	-	-
Prepays and other current assets	9	344,522	12,661
Deferred costs	10	-	405,102
<b>Total current assets</b>		<b>2,856,093</b>	<b>1,886,847</b>
<b>Non-current assets</b>			
Investments - fair value through profit or loss	10	-	-
Property, plant and equipment	11	4,449,563	3
Right-of-use asset	12	1,325,066	-
Mineral claims	13	1	1
Exploration and evaluation assets		1	1
Other assets	14	497,042	301,223
<b>Total assets</b>		<b>\$ 9,127,766</b>	<b>\$ 2,188,075</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	15	\$ 688,101	\$ 311,657
Promissory note payable	4	176,984	-
Current portion of lease liability	12	661,860	-
Demand loans		-	38,220
<b>Total current liabilities</b>		<b>1,526,945</b>	<b>349,877</b>
<b>Non-current liabilities</b>			
Long-term lease liability	12	793,394	-
Asset retirement obligation	16	190,872	266,891
Financial liability - Series A preferred shares	17	16,044,710	1,819,870
<b>Total liabilities</b>		<b>18,555,921</b>	<b>2,436,638</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Common shares	18	29,045,663	25,262,672
Warrants	19	164,400	-
Contributed surplus	20	2,923,109	2,070,133
Accumulated deficit		(41,561,327)	(27,581,368)
<b>Total shareholders' equity (deficiency)</b>		<b>(9,428,155)</b>	<b>(248,563)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 9,127,766</b>	<b>\$ 2,188,075</b>
Going concern	1		
Commitments	29		
Subsequent events	30		

Approved on behalf of the Board of Directors:

"Ian Wild"  
Director

"John Kowal"  
Director

See accompanying notes to the consolidated financial statements.

**Magnetic North Acquisition Corp.**

Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

		<b>Fifteen Months Ended</b>	<b>December 31, 2020</b>	<b>Twelve Months Ended</b>	<b>September 30, 2019</b>
	Notes				
<b>Expenses</b>					
Exploration and evaluation (recovery) expenses	16	\$	(50,959)	\$	20,597
Selling, general and administrative	21		3,320,992		198,664
Share-based compensation	20		852,976		-
Depreciation expense	11,12		438,177		-
			<b>4,561,186</b>		<b>219,261</b>
<b>Operating loss</b>			<b>(4,561,186)</b>		<b>(219,261)</b>
<b>Other (expenses) income</b>					
Accretion	12,16		(54,873)		(4,794)
Finance income, net	22		78,829		5,873
Dividend expense	17		(148,874)		-
Transaction costs	10		(455,373)		-
Share-based transaction costs	4,10,17		(7,659,973)		-
Expected credit losses	6,7		(761,509)		-
Impairment of investments	10		(417,000)		-
Impairment of advances to private companies			-		(1,250,000)
<b>Loss and comprehensive loss for the period</b>		<b>\$</b>	<b>(13,979,959)</b>	<b>\$</b>	<b>(1,468,182)</b>
<b>Loss and comprehensive loss per share</b>					
<b>- Basic and Diluted</b>	23	<b>\$</b>	<b>(0.24)</b>	<b>\$</b>	<b>(0.16)</b>
<b>Weighted average number of common shares</b>					
<b>- Basic and Diluted</b>			<b>59,051,105</b>		<b>9,067,356</b>

See accompanying notes to the consolidated financial statements.

**Magnetic North Acquisition Corp.**

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)  
(Expressed in Canadian dollars)

		<u>Common Shares</u>			<u>Contributed</u>	<u>Accumulated</u>	<u>Shareholders'</u>
		<u>Number (#)</u>	<u>Amount (\$)</u>	<u>Warrants</u>	<u>Surplus</u>	<u>Deficit</u>	<u>Equity</u>
	Notes						<u>(Deficiency)</u>
<b>Balance, September 30, 2018</b>		3,552,287	\$ 23,588,518	\$ -	\$ 2,070,133	\$ (26,113,186)	\$ (454,535)
Private placement	18	12,532,000	1,253,200	-	-	-	1,253,200
Share issue costs	18	-	(68,000)	-	-	-	(68,000)
Shares issued for finders' fees	18	500,000	50,000	-	-	-	50,000
Shares issued for debt settlement	18	4,466,818	438,954	-	-	-	438,954
Shares issued in escrow	18	38,000,000	3,800,000	-	-	-	3,800,000
Subscriptions receivable	18	-	(3,800,000)	-	-	-	(3,800,000)
Loss and comprehensive loss for the year		-	-	-	-	(1,468,182)	(1,468,182)
<b>Balance, September 30, 2019</b>		59,051,105	25,262,672	-	2,070,133	(27,581,368)	(248,563)
Conversion of subscription receivable	18	-	3,800,000	-	-	-	3,800,000
Share issue costs	18	-	(17,009)	-	-	-	(17,009)
Warrants issued for acquisition of Intergild	19	-	-	164,400	-	-	164,400
Share-based compensation	20	-	-	-	852,976	-	852,976
Loss and comprehensive loss for the period		-	-	-	-	(13,979,959)	(13,979,959)
<b>Balance, December 31, 2020</b>		<b>59,051,105</b>	<b>\$ 29,045,663</b>	<b>\$ 164,400</b>	<b>\$ 2,923,109</b>	<b>\$ (41,561,327)</b>	<b>\$ (9,428,155)</b>

See accompanying notes to the consolidated financial statements.

**Magnetic North Acquisition Corp.**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

		Fifteen Months Ended December 31, 2020	Twelve Months Ended September 30, 2019
	Notes		
<b>Cash flows from operating activities:</b>			
Net loss for the period		\$ (13,979,959)	\$ (1,468,182)
Adjustments for:			
Depreciation	11,12	438,177	460
Change in asset retirement obligation estimate	16	(83,150)	-
Accretion	12,16	54,873	4,794
Lease termination	12	35,605	-
Share-based transaction costs	4,10,17	7,264,798	-
Impairment of advances to private companies		-	1,250,000
Impairment of investments	10	417,000	-
Expected credit losses	6,7	761,509	-
Share-based compensation	20	852,976	-
Change in non-cash working capital items:			
Trade and other receivables		(341,425)	(14,797)
Prepays and other current assets		(527,680)	(4,174)
Deferred costs		405,102	(385,950)
Accounts payable and accrued liabilities		994,944	189,493
<b>Net cash flows used in operating activities</b>		<b>(3,707,230)</b>	<b>(428,356)</b>
<b>Cash flows from investing activities:</b>			
Additions to property, plant and equipment	11	(1,110,671)	-
Purchase of investments	10	(417,000)	-
Purchase of short-term investments		(37,434)	-
Other assets		-	(5,712)
Advances to private companies		-	(1,250,000)
<b>Net cash flows used in investing activities</b>		<b>(1,565,105)</b>	<b>(1,255,712)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from private placements	17	4,859,840	3,104,990
Share issue costs	18	(17,009)	(49,920)
(Repayment) proceeds of/from demand loans		(38,220)	53,220
Lease payments	12	(143,225)	-
Bridge loan	7	(695,000)	-
<b>Net cash flows provided by financing activities</b>		<b>3,966,386</b>	<b>3,108,290</b>
Net change in cash and cash equivalents		(1,305,949)	1,424,222
Cash and cash equivalents, beginning of period		1,429,629	5,407
<b>Cash and cash equivalents, end of period</b>		<b>\$ 123,680</b>	<b>\$ 1,429,629</b>
<b>Cash and cash equivalents</b>			
Cash		\$ 123,680	\$ 177,336
Funds held in trust		-	1,252,293
		<b>\$ 123,680</b>	<b>\$ 1,429,629</b>
<b>Supplemental information</b>			
Interest received		\$ 3,764	\$ 5,873
<b>Non-cash transactions:</b>			
Common shares issued for finders' fees		\$ -	\$ 50,000
Common shares issued for debt settlement		\$ -	\$ 438,954
Common shares release from escrow in connection with Transaction		\$ 3,800,000	-
Preferred shares issued in connection with Transaction		\$ 1,000,000	-
Preferred shares issued for property, plant and equipment		\$ 3,500,000	-
Preferred shares issued for acquisition of Intergild		\$ 4,000,000	-

See accompanying notes to the consolidated financial statements.



## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### **1. NATURE OF BUSINESS AND GOING CONCERN**

Prior to October 22, 2019, Magnetic North Acquisition Corp. (the "Company" or "Magnetic North") (formerly Black Bull Resources Inc.) was in the business of mining, processing and marketing quartz from its White Rock claim in Nova Scotia, Canada. The Company also investigated the commercialization of its kaolin resource.

On October 22, 2019, the Company completed an asset purchase transaction with a group of investment and business professionals to effect an arm's length "Change of Business" (as defined in Policy 5.2 of the TSX Venture Exchange ("TSXV")) transaction (the "Transaction") within the meaning of such terms in the policies of the TSXV (see Note 10). With the completion of the Transaction, the Company changed its primary business to merchant banking and changed its name to Magnetic North Acquisition Corp. Magnetic North is an investment and merchant banking company focused on creating shareholder value by providing strategic and financial advice and services to companies in the clean power technology, consumer products, manufacturing and information technology sectors.

The Company's common shares and Series A preferred shares trade on the TSXV under the symbol "MNC" and "MNC.PR.A", respectively. The Company was incorporated under the Business Corporations Act (Alberta) on July 18, 1997. On June 12, 2008, the Company continued under the Canada Business Corporations Act. The Company's registered and head office is at 1000, 250 2<sup>nd</sup> Street SW, Calgary, Alberta.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, the consolidated financial statements do not give effect to the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and meet its liabilities and commitments in other than the normal course of business and at amounts different from those in the financial statements.

The Company continues to incur operating losses. The Company has no revenue-generating operating activities and has a significant accumulated deficit. The Company has incurred losses in prior periods, with a loss and comprehensive loss of \$13,979,959 during the fifteen months ended December 31, 2020 (twelve months ended September 30, 2019 - \$1,468,182) and has an accumulated deficit of \$41,561,327 (September 30, 2019 - \$27,581,368). Such material uncertainties cast significant doubt as to the ability of the Company to satisfy its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's continued existence is dependent upon the success of its new business focus of merchant banking. However, there can be no assurances that the steps management have taken will be successful. Management's opinion is that the Company will balance its current cash resources against new opportunities and additional financings.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the consolidated statement of financial position classifications used.

#### *COVID-19*

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. COVID-19's impact on global markets was significant through the year and as the situation continues to evolve, the magnitude of its effects on the economy and on Magnetic North's financial and operational performance is uncertain at this time. The Company's wholly-owned subsidiary, CXTL, had to shut down its facility various times throughout 2020 including at year-end, to comply with local health restrictions. The shut down had caused a delay in its plan to commence production.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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**2. BASIS OF PREPARATION****Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

In September 2020, the Company changed its financial year-end from September 30 to December 31. These consolidated financial statements include the period starting October 1, 2019 and ending December 31, 2020.

These consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2021.

**Basis of Measurement and Presentation**

The accounting policies applied to these consolidated financial statements are presented below and are based on IFRS issued and outstanding as of October 1, 2019. These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified to fair value where applicable. These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its wholly-owned subsidiary.

**Restatement**

During 2020, the Company reviewed the accounting for its Series A preferred shares and determined that its Series A preferred shares are a financial liability rather than equity as the Company has a contractual obligation to deliver cash to the holders of Series A preferred shares. The effect of this adjustment on the statement of financial position as at September 30, 2019 is an increase in financial liability-Series A preferred shares within non-current liabilities and a decrease in Series A preferred shares within shareholders' equity of \$1,819,870. The 2019 comparative figures presented in these consolidated financial statements have accordingly been restated. This adjustment did not have any effect on the Company's consolidated statement of loss and comprehensive loss or consolidated statement of cash flows.

**Basis of Consolidation**

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, CXTL Recycling (Canada) Corp. ("CXTL"). All intercompany balances and transactions have been eliminated on consolidation.

**Significant Accounting Judgments and Estimates**

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments and estimates that could materially affect the amounts recognized in the financial statements. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment. The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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## **2. BASIS OF PREPARATION (continued)**

### **Judgments**

#### *Going Concern*

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations.

#### *Fair value of financial instruments*

For Level 3 investments where quoted prices are not readily available, the Company values its investments using recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs requires a higher degree of management judgment and estimation in the determination of fair value.

#### *Depreciation and Amortization*

Depreciation and amortization methods are based on management's judgment of the most appropriate method to reflect the pattern of an asset's future economic benefit expected to be consumed by the Company. Among other factors, these judgments are based on industry standards and company-specific history and experience.

#### *Impairment*

Significant judgment is required to assess when impairment indicators exist, and impairment testing is required. The assessment of impairment indicators is based on management's judgment of whether there are internal and external factors that would indicate that a cash generating unit ("CGU") and specifically the non-financial assets within the CGU, are impaired. The determination of a CGU is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. As at December 31, 2020, there were two CGUs, Magnetic North and CXTL. In 2019, there was only one CGU, Magnetic North as CXTL did not exist prior to 2020.

#### *Non-Financial Assets*

The Company's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on management's judgments and assessment of the CGUs ability to generate independent cash flows. Judgments are also required to assess when impairment indicators exist, and impairment testing is required for the CGU and specific assets.

#### *Right-of-use Assets and Lease Liabilities*

Estimation relating to the selection of the appropriate incremental borrowing rate to be applied to lease payments. The Company applies judgment to determine the lease term for some lease contracts which include renewal options or purchase options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which may significantly affect the amount of the lease liabilities and right-of-use assets recognized. The Company does not recognize short-term leases with a term of 12 months or less, or leases of low-value assets.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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## **2. BASIS OF PREPARATION (continued)**

### *Investments in Associates*

The Company has elected to use the exemption in IAS 28 – Investments in associates and joint ventures (“IAS 28”) for venture capital companies in assessing the accounting treatment for its investment in Previcare, Inc. Under this exemption, the Company may designate all investments managed in the same way at fair value through profit or loss. The Company has designated its investments at fair value through profit or loss, regardless of whether or not significant influence exists. All realized and unrealized gains and losses are recorded in the consolidated statement of loss and comprehensive loss.

### *Income Taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. Such method requires the exercise of significant judgment in determining whether or not the Company’s deferred tax assets are probable of recovery from taxable income of future years and therefore, can be recognized in the financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled.

### **Estimates**

#### *Asset Retirement Obligation*

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These costs are estimated based on the Company’s interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of restoration liabilities that may occur upon decommissioning of the property.

#### *Impairment of Non-Financial Assets*

In determining the estimated recoverable amount of a CGU subject to impairment testing, the Company measures the estimated recoverable amount of a CGU as the higher of fair value less costs of disposal and its value in use. Estimated recoverable amounts of a CGU are evaluated and calculated using various data and assumptions. The data and assumptions used in the estimates of recoverable amount are assessed for reasonableness based on the information available at the time the estimate of recoverable amount is prepared. The estimate of recoverable amount for a CGU involves certain significant assumptions including the forecasted revenue growth rates, forecasted earnings before finance costs, taxes, depreciation and amortization and the discount rate.

#### *Fair value of financial instruments*

The Company measures its financial instruments at fair value or amortized cost. Fair value is determined on the basis of market prices from independent sources, if available. If there is no available market price, then fair value is determined by using valuation models. The inputs to these models, such as expected volatility and liquidity discounts, are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect the reported fair values.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### **2. BASIS OF PREPARATION (continued)**

#### *Right-of-use Assets and Lease Liabilities*

Estimation relating to the selection of the appropriate incremental borrowing rate to be applied to lease payments.

#### *Share-Based Compensation*

The Company uses an option pricing model to determine the fair value of equity-settled share-based compensation including stock options and warrants. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new and comparative information to determine the best estimate of fair value at the date of grant.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts held on deposit with financial institutions and funds held in trust.

#### **Inventory**

Inventory is measured at the lower of cost and net realizable value. Inventory is comprised of metal concentrate and electronic waste acquired at fair value in connection with the asset acquisition from Intergild Advanced Recycling Technologies (see Note 4). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. Inventory is written down to net realizable when the cost of inventory is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

#### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost, including direct costs, attributable indirect costs and carrying costs, less accumulated depreciation and accumulated impairment losses. Expenditures for repairs and maintenance are expensed as incurred, while betterments are capitalized.

Depreciation is charged to operations using either the declining-balance ("DB") or straight-line ("SL") method over the estimated useful lives of the assets. The estimated depreciation rates and useful lives applicable to each category of property, plant and equipment are as follows:

Treatment buildings	10% DB
Water treatment equipment	20% DB
Site improvements	20% SL
Machinery and equipment	10 years SL
Leasehold improvements	Over term of lease
Heavy mobile equipment	5 years SL
Small tools	3 years SL
Computer hardware equipment	3 years SL

When assets are disposed of or retired, the cost and accumulated depreciation is removed from the respective accounts and any resulting loss is reflected in operating expenses.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Right-of-use Assets and Lease Obligations**

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Company's incremental borrowing rate. Payments are applied against the lease obligation and interest expense is recognized on the lease obligations using the effective interest method.

**Mineral Claims**

The cost of mineral properties are capitalized until the properties are placed into production, sold or abandoned. These costs are amortized on a unit-of-production basis following the commencement of production or written-off if the properties are sold or abandoned. If the properties are impaired in value, an appropriate charge will be made at the time.

Costs include the cash consideration and the fair market value of share and options issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded the accounts at such time as the payments are made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is to be under development and is classified as development properties. The carrying value of capitalized mineral claims is transferred to development properties after being tested for impairment.

The recorded carrying value of mineral claim costs represents costs incurred, net of impairments, and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic reserves or the sale of mineral rights.

On an ongoing basis, the Company evaluates each mineral property based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. If there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required.

**Exploration and Evaluation Expenditures**

Exploration costs are capitalized until the properties are placed into production, sold or abandoned. These costs are amortized on a unit-of-production basis following the commencement of production or written-off if the properties are sold or abandoned. If the properties are impaired in value, an appropriate charge will be made at the time.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

The carrying amount of exploration costs represents costs incurred, net of impairments, and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic reserves or sale of mineral rights.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

On an ongoing basis, the Company evaluates each mineral property based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. If there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required.

#### **Impairment of Non-Financial Assets**

The carrying amounts of the Company's non-financial assets including property, plant and equipment, right-of-use assets, mineral claims, and exploration and evaluation assets are reviewed at each reporting date to determine whether impairment indicators exist, and impairment testing is required for a CGU. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the Company uses a discounted cash flow model with significant assumptions including the forecasted revenue growth rates, forecasted earnings before finance cost, taxes, depreciation and amortization, and using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. In assessing fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate approach to valuation is used, which may include internal valuation estimates.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or non-financial assets within the CGU are considered impaired and their carrying amount is reduced to their recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the assumptions or data used to determine the estimated recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

#### **Asset Retirement Obligation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using pre-tax rate that reflect the time value of money and risks specific to the liability, are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

Changes in the net present value, excluding changes in the amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Provisions**

Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable a future cash outflow resulting from past operations or events will occur and the amount of the cash outflow can be reasonably estimated. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change, and the carrying amounts of provisions and liabilities are reviewed regularly and adjusted accordingly. The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can be reasonably estimated. When a loss is recognized, it is charged to the consolidated statement of loss and comprehensive loss.

#### **Financial Instruments**

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

##### (a) Financial assets

###### Initial recognition and measurement

The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Transaction costs relating to financial assets measured at FVTPL are expensed as incurred in the statement of loss and comprehensive loss.

###### Subsequent measurement – financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows and these cash flows are solely payments of principal and interest.

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of loss and comprehensive loss. The Company classifies its trade and other receivables and bridge loan receivable as measured at amortized cost.

###### Subsequent measurement – financial assets at FVTPL

Financial assets measured at FVTPL are carried at fair value in the consolidated statement of financial position with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. The Company classifies its investments as measured at FVTPL. Gains and losses arising from changes in the fair value of investments are presented in the consolidated statement of loss and comprehensive loss within net change in unrealized gains or loss on investments in the period in which they arise.

###### Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. The Company does not measure any financial assets at FVOCI.



## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### Impairment of financial assets measured at amortized cost

The Company's financial assets subject to impairment are trade and other receivables and bridge loan receivable. The Company has elected to apply the simplified approach to impairment for amounts receivable as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, these amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### (b) Financial liabilities

#### Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value.

#### Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of loss and comprehensive loss. The Company classifies its accounts payable and accrued liabilities, promissory note payable, demand loans and financial liability - Series A preferred shares as measured at amortized cost.

#### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired with any associated gain or loss recognized in the consolidated statement of loss and comprehensive loss.

#### (c) Fair value of financial instruments

The Company measures fair value in accordance with IFRS 13 Fair Value Measurement, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means. Level 2 financial instruments includes financial liability – Series A preferred shares.
- Level 3 – valuation techniques with significant unobservable market inputs. Level 3 financial instruments include investments.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The fair value of cash and cash equivalents, short-term investments, trade and other receivables, accounts payable and accrued liabilities, and promissory note payable approximate their carrying amounts due to their short-term nature. The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period. For more complex instruments including Level 3 investments the Company uses recognized valuation models.

#### *Private company investments*

At the end of each reporting period, the fair value of an investment may be adjusted, depending upon circumstances, using one or more of the valuation indicators. These are included in Level 3 of the fair value hierarchy.

The determination of fair value of the Company's privately held investments at other than initial cost, is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

The use of the various valuation techniques, including comparative recent financing and other market-based information, may involve uncertainties and determinations based on management's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining fair value whether the fair value of a privately held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly traded companies when valuing privately held investments.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

#### **Share-Based Compensation**

Where equity-settled share options are awarded to employees, directors and officers, the fair value of the options at the date of grant is charged to the consolidated statement of loss and comprehensive loss over the vesting period. Fair value is calculated using the Black-Scholes model.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statement of loss and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

#### **Share Capital**

The Company records proceeds from share issuances net of issue costs and any tax effects in share capital. Shares issued for consideration other than cash are valued based on their market value at the date of the share issuance.

#### **Revenue Recognition**

The Company principally generates revenue from advisory fees charged to certain of its investees. Revenue from advisory services are recognized over the period in which the services are provided. Revenue is measured at the fair value of the consideration received or receivable.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposals of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statement of loss and comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of loss and comprehensive loss as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established.

**Income Taxes**

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly into equity, in which case it is recognized in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Loss Per Share**

Loss per share is calculated using the weighted-average number of common shares outstanding. The weighted average is calculated based on the number of days outstanding during the reporting periods.

Diluted loss per share is determined as net loss divided by the weighted average number of diluted common shares outstanding for the period. Diluted common shares reflect the potential dilutive effect of exercising stock options or warrants based on the treasury stock method.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Adoption of New Accounting Policies**

##### IFRS 15 Revenue from Contracts with Customers

In April 2016, the IASB issued amendments to IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 introduces a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company adopted IFRS 15, effective October 1, 2019, using the cumulative effect method. Accordingly, the information presented for the comparative period has not been restated. There was no material impact on the Company's consolidated financial statements. The Company did not have any contracts under IFRS 15 during the fifteen months ended December 31, 2020.

##### IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, *Leases*, replacing IAS 17, *Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company adopted IFRS 16, effective October 1, 2019, under the modified retrospective approach, comparatives for 2019 were not restated. At transition, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after October 1, 2019. The Company determined that no transitional adjustment was required.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

#### **Recent Accounting Pronouncements**

Certain accounting pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after October 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

In October 2018, IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, were amended to incorporate a new definition of material. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. In July 2020, IAS 1, *Presentation of Financial Statements*, was amended to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period, right to defer settlement of a liability and settlement refers to transfer of cash, equity instruments or other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

In October 2018, IFRS 3, *Business Combinations*, was amended to clarify that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed based on their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

## Magnetic North Acquisition Corp.

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Reclassifications and Comparative Figures

Certain reclassifications have been made to the prior period's financial statements to conform with the current period's presentation, specifically the reclass of guaranteed investment certificates from cash and cash equivalents to short-term investments, reclass of other assets from current assets into non-current assets, and reclass of asset retirement obligations from current liabilities into non-current liabilities.

### 4. ASSET ACQUISITION

On October 28, 2020, the Company acquired 100% of the issued and outstanding shares of Intergild Advanced Recycling Technologies ("Intergild"). Intergild is a recycling company that has a process that allows for the selective separation of the plastic, fibre and metal components of electronic waste ("e-waste"), and the crystallization of the metals, into marketable commodities. Intergild was amalgamated with CXTL on November 21, 2020. The integration into CXTL will create a complete e-waste recycling solution, which provides full reclamation and monetization for all parts of the e-waste stream in a low-emission system that does not require smelting or a high-energy input. Intergild did not meet the definition of a business under IFRS 3, Business Combinations and as such this acquisition is accounted for as an asset acquisition.

The following table summarizes the consideration paid for Intergild and the amounts of the assets acquired at the acquisition date.

As at October 28, 2020

	<u>Amount</u>
<b>Consideration transferred</b>	
400,000 Series A Preferred Shares	\$ 4,000,000
Cash	53,016
Promissory Note	376,984
300,000 Warrants	164,400
	<u>\$ 4,594,400</u>
<b>Recognized amounts of identifiable assets acquired</b>	
Inventory - metal concentrate	\$ 1,904,762
Inventory - e-waste	131,324
Machinery and equipment	40,500
Total identifiable net assets	<u>\$ 2,076,586</u>
Excess of consideration transferred over fair value of assets acquired	\$ 2,517,814

The excess of the consideration transferred over the fair value of assets acquired of \$2,517,814 is included in share-based transaction costs on the consolidated statement of loss and comprehensive loss.

As at December 31, 2020, the promissory note had a balance outstanding of \$176,984 as the Company settled \$200,000 with the issuance of 20,000 Series A Preferred Shares.

### 5. SHORT-TERM INVESTMENTS

The Company has provided an assignment of cash as security on the irrevocable standby letter of credit to the Province of Nova Scotia and for corporate credit card liabilities. As at December 31, 2020, \$60,222 (September 30, 2019 - \$22,788) were held in guaranteed investment certificates as security.

## Magnetic North Acquisition Corp.

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### 6. TRADE AND OTHER RECEIVABLES

As at	December 31, 2020	September 30, 2019
Sales tax receivable	\$ 286,117	\$ 16,667
Interest receivable, net of expected credit losses of \$66,509	5,466	-
	<u>\$ 291,583</u>	<u>\$ 16,667</u>

Interest receivable is comprised of interest accrued from a secured bridge loan to Previcare, Inc. of \$66,509 (see Note 7) and loan receivable from Ignite Alliance Corp. of \$5,466 (see Note 8). As at December 31, 2020, the estimated credit losses are \$66,509 (September 30, 2019 - \$nil).

### 7. BRIDGE LOAN RECEIVABLE

On April 14, 2020, the Company entered into a loan agreement to provide Previcare, Inc. ("Previcare") with a secured bridge loan ("Bridge Loan") of up to US\$500,000. The Company provided \$695,000, which is the equivalent of US\$500,000, to Previcare with respect to the Bridge Loan. The Bridge Loan has a nine-month term from the closing date. The Bridge Loan accrues interest at 15.0% per annum: a) accrued monthly or daily if repaid other than at a month end; otherwise, b) to be paid at the end of the term, subject to five (5) months' minimum interest on the principal amount outstanding if the entire principal amount outstanding is repaid prior to the end of the fifth month. The Bridge Loan, principal and all accrued and unpaid interest, is repayable at the end of the term. Previcare may repay the Bridge Loan in advance of the end of the term, by first paying all accrued interest to the date of repayment plus principal repayment(s) in tranches of \$50,000.

The Bridge Loan entitles the Company to receive a total of 50,000 warrants to acquire common shares of Previcare, on a one-for-one basis at a cost of \$10.00 per common share. The warrants vested immediately upon execution of the loan agreement and will expire three (3) years from the execution date.

The Bridge Loan is secured by current and non-current assets of Previcare and its subsidiaries (including but not limited to accounts receivable, intellectual property and contractual relationships).

As at December 31, 2020, the Bridge Loan amount of \$695,000 remained outstanding with accrued interest of \$66,509. As at December 31, 2020, the Company reported estimated credit losses of \$695,000 and \$66,509 for the principal and interest, respectively.

### 8. LOAN RECEIVABLE

In June 2020, the Company provided a loan to Ignite Alliance Corp. ("Ignite") in the amount of \$300,000. The loan accrued interest at 10.0% per annum. The principal and accrued interest was due and payable on December 31, 2020 and was also able to be settled through the issuance of common shares of Ignite. In December 2020, the loan principal was fully repaid. As at December 31, 2020, the accrued interest of \$5,466 remained outstanding and is included in trade and other receivables.

### 9. PREPAIDS AND OTHER CURRENT ASSETS

Prepays and other current assets for the period ended December 31, 2020 include a \$300,000 deposit for a shredder machine to be used in CXTL's recycling operations, a prepayment of \$27,250 in consulting fees for January 2021 for the Company's two Co-Chief Executive Officers and the remainder relates to miscellaneous insignificant prepaid items. The amount for the 2019 period was related to property and lease prepayments for the mine asset in Nova Scotia.

## Magnetic North Acquisition Corp.

Notes to Consolidated Financial Statements

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### 10. INVESTMENTS

Under the Transaction (Note 1), the Company acquired certain shareholdings (the "Purchased Assets") from Mr. Kevin Spall, Mr. Ian Wild and Mr. Andrew Osis (the "Vendors") in exchange for the issuance of 38,000,000 common shares of the Company at a deemed price of \$0.05 per share and 100,000 Series A preferred shares of the Company at a deemed price of \$10.00 per Series A preferred share. The fair value of the common shares and Series A preferred shares was \$0.10 per share and \$10.00 per Series A preferred shares, respectively, as evidenced by private placements offered concurrent with the Transaction. The Purchased Assets comprised all of the Vendors' equity interests in Previcare, Ignite and Power Symmetry Inc. With the completion of the Transaction, the Vendors were appointed officers and directors of the Company.

The Company incurred \$455,373 of transaction costs for this Transaction.

The Transaction does not meet the definition of a business combination under IFRS 3 – Business Combinations due to the Vendors not meeting the definition of a business and is therefore accounted for as an asset acquisition under IFRS 2 - Share-based payments.

The fair value of the consideration paid at the completion of the Transaction was follows:

Issuance of 38,000,000 common shares	\$	3,800,000
Issuance of 100,000 Series A preferred shares		1,000,000
<b>Total consideration paid</b>	<b>\$</b>	<b>4,800,000</b>

Since Previcare and Power Symmetry generated no revenues to date, a fair value of \$nil was assigned to these investments. The Vendors' equity interest in Ignite is less than 1.0% and although Ignite is generating revenue, the valuation of the less than 1.0% ownership resulted in an insignificant value and thus a fair value of \$nil was also assigned to this investment. As a result, the Company allocated the entire purchase consideration as a share-based transaction cost in the consolidated statement of loss and comprehensive loss for the fifteen months ended December 31, 2020.

As at December 31, 2020, the Company's equity investment outstanding is as follows:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Previcare, Inc. (1,600,000 common shares - 32%)	\$ 350,000	\$ -
Ignite Alliance Corp. (50,000 common shares - <1%)	-	-
GrowthCell Global (335,000 common shares - <1.5%)	67,000	-
<b>Total</b>	<b>\$ 417,000</b>	<b>\$ -</b>

Subsequent to the Transaction, the Company invested an additional \$350,000 into Previcare, Inc. This resulted in an increase in the Company's ownership to 32% of Previcare, Inc.

The Company also invested \$67,000 in GrowthCell Global, a private company that manufactures, distributes, markets and sells an amino acid complex.

As these investments are categorized as Level 3 financial instruments since the inputs for these assets are not based on observable market data, the Company engaged an independent valuator to perform an independent valuation on these assets as at December 31, 2020.



## Magnetic North Acquisition Corp.

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

### 10. INVESTMENTS (continued)

Investments are valued at cost for a limited period after the date of acquisition, provided the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using other available methodologies. Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties, and the resulting values may differ significantly from the values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.

As at December 31, 2020, based on minimal revenues generated to date, the Company recorded a fair value adjustment of \$417,000 for these investments.

### 11. PROPERTY, PLANT AND EQUIPMENT

Cost	Water Treatment Equipment	Treatment Building	Site Improvements	Machinery and Equipment	Leasehold Improvements	Heavy Mobile Equipment	Small Tools	Computer Hardware	Total
September 30, 2018 and 2019	\$ 107,872	\$ 105,822	\$ 216,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 429,904
Additions	-	-	-	4,081,809	332,596	97,783	130,198	8,785	4,651,171
<b>December 31, 2020</b>	<b>\$ 107,872</b>	<b>\$ 105,822</b>	<b>\$ 216,210</b>	<b>\$ 4,081,809</b>	<b>\$ 332,596</b>	<b>\$ 97,783</b>	<b>\$ 130,198</b>	<b>\$ 8,785</b>	<b>\$ 5,081,075</b>
<b>Accumulated Depreciation</b>									
September 30, 2018 and 2019	\$ 107,871	\$ 105,821	\$ 216,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 429,901
Depreciation	-	-	-	166,213	22,289	4,955	7,178	976	201,611
<b>December 31, 2020</b>	<b>\$ 107,871</b>	<b>\$ 105,821</b>	<b>\$ 216,209</b>	<b>\$ 166,213</b>	<b>\$ 22,289</b>	<b>\$ 4,955</b>	<b>\$ 7,178</b>	<b>\$ 976</b>	<b>\$ 631,512</b>
<b>Carrying Values</b>									
At September 30, 2019	\$ 1	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
<b>At December 31, 2020</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 3,915,596</b>	<b>\$ 310,307</b>	<b>\$ 92,828</b>	<b>\$ 123,020</b>	<b>\$ 7,809</b>	<b>\$ 4,449,563</b>

In July 2020, the Company entered into an asset purchase agreement with Cirque Innovations Ltd. to purchase an initial prototype version of a machine that uses technology to recycle and refine or convert plastics and other hydrocarbon-related substances into market-ready petro-chemical and associated products. This machine is used in CXTL's operations. The purchase price of the machine was \$4,000,000 plus GST and it was paid with 350,000 of the Company's Series A preferred shares at \$10 per share (\$3,500,000) and \$500,000 in cash.

The \$40,500 in machinery and equipment acquired from Intergild (Note 4) is included in Machinery and Equipment and Heavy Mobile Equipment in the above table.

### 12. LEASES

The Company's wholly-owned subsidiary, CXTL, leases office and factory space under various operating leases. As the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company gives consideration to instruments with similar characteristics when calculating its incremental borrowing rate. CXTL's operating lease have a remaining lease term of 25 months. The lease term includes options to extend or purchase when it is reasonably certain that CXTL will exercise those options. The Company did not have any leases prior to 2020.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**12. LEASES (continued)**

	<u>Property</u>
<b>Cost</b>	
Balance, September 30, 2019	\$ -
<b>Addition</b>	<b>1,645,641</b>
<b>Termination of lease</b>	<b>(161,555)</b>
<b>Balance, December 31, 2020</b>	<b>\$ 1,484,086</b>
<b>Accumulated Depreciation</b>	
Balance, September 30, 2019	\$ -
<b>Depreciation</b>	<b>236,566</b>
<b>Termination of lease</b>	<b>(77,546)</b>
<b>Balance, December 30, 2020</b>	<b>\$ 159,020</b>
<b>Carrying Values</b>	
At September 30, 2019	\$ -
<b>At December 31, 2020</b>	<b>\$ 1,325,066</b>

The Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments at an incremental borrowing rate of approximately 10.2%. The Company has the following future commitments associated with its lease obligations:

<b>As at</b>	<b>December 31, 2020</b>
Balance as at September 30, 2019	\$ -
<b>Additions</b>	<b>1,645,641</b>
<b>Interest expense</b>	<b>47,742</b>
<b>Lease payments</b>	<b>(143,225)</b>
<b>Termination of lease</b>	<b>(94,904)</b>
<b>Balance as at December 31, 2020</b>	<b>\$ 1,455,254</b>
<b>Current portion of lease liability</b>	<b>661,860</b>
<b>Long-term portion of lease liability</b>	<b>793,394</b>
<b>As at</b>	<b>December 31, 2020</b>
<b>Less than 1 year</b>	<b>\$ 768,306</b>
<b>1-3 years</b>	<b>832,331</b>
<b>Total lease payments</b>	<b>\$ 1,600,637</b>
<b>Amounts representing interest over the term of the lease</b>	<b>(145,383)</b>
<b>Present value of net lease payments</b>	<b>\$ 1,455,254</b>
<b>Current portion of lease liability</b>	<b>(661,860)</b>
<b>Long-term portion of lease liability</b>	<b>\$ 793,394</b>

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**12. LEASES (continued)**Impairment

For the purposes of impairment testing, right-of-use assets and property, plant and equipment are allocated to the Company's CGU, CXTL. As required by IAS 36, the Company is required to assess whether there are any external and internal impairment indicators that exist at the end of each reporting period. The Company reviewed external and internal indicators and determined that indicators for impairment were present as at December 31, 2020 due to the facility being shut down as a result of COVID-19 as it was not operational throughout 2020 and at year-end, therefore an impairment test was performed as at December 31, 2020. Management performed an assessment of the carrying value of CXTL against its recoverable amount using a discounted cash flow model. The cash flows were derived from management's projection for the next five years. Based on this analysis, CXTL's recoverable amount was greater than its carrying value and as such no impairment was reported as at December 31, 2020.

**13. MINERAL CLAIMS**

As at	December 31, 2020	September 30, 2019
Cost, beginning and end of period	\$ 972,183	\$ 972,183
Accumulated depletion, beginning and end of period	(14,381)	(14,381)
Accumulated impairment, beginning and end of period	(957,801)	(957,801)
Accumulated depletion and impairment, beginning and end of period	(972,182)	(972,182)
Carrying value, end of period	\$ 1	\$ 1

**14. OTHER ASSETS**

Other assets consists of funds held under the National Resources Reclamation Fund by the Province of Nova Scotia relating to the White Rock quartz mine located in Yarmouth County, Nova Scotia of \$304,966 (September 30, 2019 - \$301,223) and \$192,077 (September 30, 2019 - \$nil) relating to long-term rent deposit for CXTL's office and factory lease space.

**15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at	December 31, 2020	September 30, 2019
Trade accounts payable	\$ 364,760	\$ 114,618
Accrued liabilities	323,341	197,039
	\$ 688,101	\$ 311,657

**16. ASSET RETIREMENT OBLIGATION**

The Company's total asset retirement obligation is estimated based on the Company's net ownership interest in mineral leases and management's estimate of costs to abandon and reclaim these leases, as well as an estimate of the future timing of the costs to be incurred. Under the terms of the agreement with the Province of Nova Scotia, the Company is obligated to update its reclamation plan for the White Rock quartz mine every three years. The reclamation plan was updated in November 2020 using currently acceptable unit costs and information reflective of current site conditions and disturbed areas. The total revised undiscounted cost is \$178,996.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**16. ASSET RETIREMENT OBLIGATION (continued)**

The following table presents the reconciliation of the carrying amount of the liability associated with the reclamation of the Company's property:

As at	<b>December 31, 2020</b>	September 30, 2019
Opening balance	\$ 266,891	\$ 262,097
Effect of change in estimates	<b>(83,150)</b>	-
Accretion	<b>7,131</b>	4,794
	<b>\$ 190,872</b>	<b>\$ 266,891</b>

The effect of change in estimates of (\$83,150) is included in the exploration and evaluation (recovery) expenses amount on the consolidated statement of loss and comprehensive loss for the fifteen months ended December 31, 2020.

The following significant assumptions were used to estimate the asset retirement obligation:

	<b>December 31, 2020</b>	September 30, 2019
Undiscounted cash flows	\$ 178,996	\$ 228,705
Discount rate	<b>0.375%</b>	N/A
Inflation rate	<b>2%</b>	2%
Weighted average expected timing of cash flows	<b>4 years</b>	1 year

**17. FINANCIAL LIABILITY – SERIES A PREFERRED SHARES**

- (i) Series A preferred shares issued

	<b>Number of Shares</b>	<b>Amount (\$)</b>
Balance, September 30, 2018	-	\$ -
Private placement <sup>(1)</sup>	185,179	1,851,790
Share issue costs	-	(31,920)
Balance, September 30, 2019	185,179	\$ 1,819,870
<b>Preferred shares issued pursuant to Transaction<sup>(2)</sup></b>	<b>100,000</b>	<b>1,000,000</b>
<b>Private placement<sup>(3)</sup></b>	<b>572,484</b>	<b>5,724,840</b>
<b>Preferred shares issued for property, plant and equipment<sup>(4)</sup></b>	<b>350,000</b>	<b>3,500,000</b>
<b>Preferred shares issued for acquisition of Intergild<sup>(5)</sup></b>	<b>400,000</b>	<b>4,000,000</b>
<b>Share issue costs<sup>(6)</sup></b>	<b>-</b>	<b>(342,159)</b>
<b>Total share issue costs expensed to share-based transaction costs</b>	<b>-</b>	<b>342,159</b>
<b>Balance, December 31, 2020</b>	<b>1,607,663</b>	<b>\$ 16,044,710</b>

Notes:

(1) Private placements of Series A preferred shares at \$10 per share completed during February 2019, March 2019, April 2019 and August 2019.

(2) Upon completion of the Transaction, the Company issued 100,000 Series A preferred shares at \$10 per share to the Vendors. This amount is included in share-based transaction costs on the consolidated statement of loss and comprehensive loss.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### **17. FINANCIAL LIABILITY – SERIES A PREFERRED SHARES (continued)**

- (3) Private placements of Series A preferred shares at \$10 per share completed during March 2020, May 2020, June 2020 and July 2020.
- (4) The Company issued 350,000 Series A preferred shares at \$10 per share pursuant to the previously discussed asset purchase agreement with Cirque Innovations Ltd. for machinery and equipment for CXTL's operations.
- (5) The Company issued 400,000 Series A preferred shares at \$10 per share pursuant to its acquisition of Intergild for CXTL's operations.
- (6) Share issue costs consists of finders' fees, legal fees and other professional services fees relating to the aforementioned private placements.

#### (ii) Dividends paid

During the fifteen months ended December 31, 2020, the Company declared and paid dividends totaling \$148,874 with respect to the quarters ended December 31, 2019, March 31, 2020 and June 30, 2020. As at December 31, 2020, dividend not yet declared totaled \$331,204 with respect to the quarters ended September 30, 2020 and December 31, 2020.

#### (iii) Terms, rights and privileges

The Series A preferred shares are non-voting, redeemable at the option of the Company any time after March 31, 2026 and, if and when declared by the Board of Directors, such dividend in such amount as may be determined by the Board of Directors at its sole discretion.

The holders of Series A preferred shares are entitled to receive 50% of any capital gains received by the Company in the event of the sale or other form of disposition of an investee company and to receive 50% of the proceeds received by the Company in respect of any dividend payment, special distribution or similar distribution to the Company by an investee company ("Disposition Entitlement").

Upon redemption of the Series A preferred shares, the holders are entitled to:

- (a) The redemption price per share, which is calculated as the gross subscription proceeds divided by the number of Series A preferred shares issued and outstanding;
- (b) Any unpaid Disposition Entitlements;
- (c) The Deemed Disposition Entitlement, which is calculated as 50% of the deemed gains embedded in the Company's investment portfolio, regardless of whether a liquidation event has occurred or not; and
- (d) All unpaid, accrued and accumulated dividends.

The Company's series A preferred shares have been classified as a financial liability as the Company has a contractual obligation to deliver cash to the holders of Series A preferred shares. As these Series A preferred shares are perpetual, their fair value is \$16,044,710 as at December 31, 2020.

As at December 31, 2020, there were 260,000 Series A preferred shares held in escrow (September 30, 2019 – 100,000). The release term for 60,000 of the Series A preferred shares is 15% every six months until the final release in October 2022. The release terms for the remaining 200,000 Series A preferred shares are 60,000 in October 2021; 60,000 in April 2022 and 80,000 in October 2022.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**18. SHARE CAPITAL**

- (a) Authorized  
Unlimited common shares without par value  
Unlimited preferred shares without par value

- (b) Common shares issued

	<b>Number of Shares</b>	<b>Amount (\$)</b>
Balance, September 30, 2018	3,552,287	\$ 23,588,518
Private placement <sup>(1)</sup>	12,532,000	1,253,200
Share issue costs	-	(68,000)
Common shares issued for finders' fees <sup>(2)</sup>	500,000	50,000
Common shares issued for debt settlement <sup>(3)</sup>	4,466,818	438,954
Common shares issued in escrow <sup>(4)</sup>	38,000,000	3,800,000
Subscriptions receivable	-	(3,800,000)
Balance, September 30, 2019	59,051,105	\$ 25,262,672
<b>Conversion of subscription receivable<sup>(5)</sup></b>	<b>-</b>	<b>3,800,000</b>
<b>Share issue costs</b>	<b>-</b>	<b>(17,009)</b>
<b>Balance, December 31, 2020</b>	<b>59,051,105</b>	<b>\$ 29,045,663</b>

## Notes:

- (1) Private placements of common shares at \$0.10 per common share completed during February 2019, March 2019, August 2019 and September 2019.
- (2) Common shares issued in relation to finder's fee with respect to the private placements completed during 2019.
- (3) On August 28, 2019, the Company issued 4,466,818 common shares to settle \$438,954 of debt. Of the shares issued, 3,660,238 were related to the settlement of \$366,024 in demand loans relating to Zenith Appraisal & Land Consulting Ltd., a corporation controlled by a former director of Magnetic North; 537,780 were related to the repayment of deposit liabilities from 2018 and 268,800 were related to the settlement of legal fees related to the Transaction.
- (4) On August 28, 2019, the Company issued 38,000,000 common shares in escrow to the Vendors for the Purchased Assets in anticipation of the closing of the Transaction.
- (5) This amount is included in share-based transaction costs on the consolidated statement of loss and comprehensive loss.

As at December 31, 2020, there were 25,200,000 common shares held in escrow (September 30, 2019 – 42,000,000). The release term for these common shares is 15% every six months until the final release in October 2022.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**19. WARRANTS**

	Number of Warrants	Amount (\$)
Balance, September 30, 2019 and 2018	-	\$ -
Issued for acquisition of Intergild (Note 4)	<b>300,000</b>	<b>164,400</b>
Balance, December 31, 2020	<b>300,000</b>	<b>\$ 164,400</b>

In October 2020, the Company issued 300,000 common share purchase warrants in connection with its acquisition of Intergild to augment CXTL's operations. These warrants have a term of five years from the date of issuance with an exercise price of \$0.70 per share. The issue date fair value of the warrants was estimated at \$164,400 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 110%; risk-free interest rate of 0.36% and an expected life of 5 years.

**20. SHARE-BASED COMPENSATION**

The Company has an omnibus long-term incentive plan (the "Omnibus Plan") which was approved by the Board of Directors and by its shareholders at the annual and special meeting of shareholders held on November 10, 2020. The Omnibus Plan was adopted as a means to grant options, restricted share units, deferred share units, share appreciation rights and retention awards to directors, officers, senior executives, other employees of the Company, consultants and other service providers to incentivize them to continue their services for the Company and to align their interests with those of the Company. The maximum number of shares which may be reserved for issuance under the Omnibus Plan may not exceed 10% of the issued and outstanding common and Series A preferred shares as at the time of grant. The options expire five years from the grant date and generally vest as follows: 25% immediately and 25% each at the 12, 24 and 36 months from the grant date. The aggregate number of options granted to any one individual during any 12-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives.

The following table summarizes information about stock options outstanding as at December 31, 2020:

	Options	Weighted average exercise price
Outstanding, September 30, 2019 and 2018	-	\$ -
Granted	<b>4,790,000</b>	<b>0.45</b>
Cancelled	<b>(187,500)</b>	<b>0.10</b>
Expired	<b>(62,500)</b>	<b>0.10</b>
Outstanding, December 31, 2020	<b>4,540,000</b>	<b>\$ 0.44</b>
Exercisable, December 31, 2020	<b>1,685,000</b>	<b>\$ 0.37</b>

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**20. SHARE-BASED COMPENSATION (continued)**

The following table provides a summary of the stock option plan as at December 31, 2020:

Options outstanding			Options exercisable	
Exercise price	Number outstanding	Remaining contractual life (years)	Number exercisable	Exercise price
\$ 0.10	1,750,000	3.92	875,000	\$ 0.10
\$ 0.16	400,000	4.12	100,000	\$ 0.16
\$ 0.64	350,000	4.54	200,000	\$ 0.64
\$ 0.65	450,000	4.65	112,500	\$ 0.65
\$ 0.70	300,000	4.83	75,000	\$ 0.70
\$ 0.72	300,000	4.78	75,000	\$ 0.72
\$ 0.79	100,000	4.85	25,000	\$ 0.79
\$ 0.83	890,000	4.40	222,500	\$ 0.83
\$ 0.44	4,540,000	4.29	1,685,000	\$ 0.37

The weighted average grant date fair value of options granted during the fifteen months ended December 31, 2020 has been estimated at \$0.48 per option using Black-Scholes option pricing model. There were no options granted during 2019. The Company has applied the following assumptions in determining fair value of options for grants during the fifteen months December 31, 2020:

	2020	2019
Weighted average exercise price per option	\$ 0.45	N/A
Risk-free interest rate	0.36% to 1.54%	N/A
Expected volatility	100% to 110%	N/A
Weighted average expected life	5 years	N/A
Forfeiture rate	0%	N/A
Weighted average fair value per option	\$ 0.48	N/A

Due to the completion of the change of business on October 29, 2019, the Company does not have a long trading history of its common shares. As a result, the expected volatility used was based on the average historical volatility of the Company's comparable companies' shares within a similar industry.

The Company reported share-based compensation expense of \$852,976 for the fifteen months ended December 31, 2020 (September 30, 2019 - \$nil).



**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**21. SELLING, GENERAL AND ADMINISTRATIVE**

	<b>Fifteen Months Ended December 31, 2020</b>	<b>Twelve Months Ended September 30, 2019</b>
Consulting fees	\$ 659,398	\$ 100,125
Professional fees	683,526	45,993
Investor relations	134,657	15,718
Salaries and benefits	266,461	-
Office and general	595,273	9,199
Research and development	797,038	-
Travel expenses	87,426	27,629
Regulatory fees	97,213	-
	<b>\$ 3,320,992</b>	<b>\$ 198,664</b>

**22. FINANCE INCOME, NET**

	<b>Fifteen Months Ended December 31, 2020</b>	<b>Twelve Months Ended September 30, 2019</b>
Interest income - loans	\$ 71,975	\$ -
Interest income - deposits	6,854	5,873
	<b>\$ 78,829</b>	<b>\$ 5,873</b>

As at December 31, 2020, the Company applied an expected credit loss of \$66,509 to the interest income – loans balance as the amount is considered to be credit impaired.

**23. LOSS PER SHARE**

Basic loss per share is calculated based on net loss and the weighted-average number of common shares outstanding. The Company has recorded a loss in each of the periods presented and therefore any addition to basic shares is anti-dilutive.

For the fifteen months ended December 31, 2020, all shares issued under the stock option plan were excluded in calculating the weighted average number of diluted shares outstanding as they were considered anti-dilutive as there was a net loss during the periods. There were no options outstanding as at and for the year ended September 30, 2019.

	<b>Fifteen Months Ended December 31, 2020</b>	<b>Twelve Months Ended September 30, 2019</b>
Loss for period	\$ (13,979,959)	\$ (1,468,182)
Weighted average number of common shares (basic and diluted)	59,051,105	9,067,356
Basic and diluted loss per share	\$ (0.24)	\$ (0.16)

## Magnetic North Acquisition Corp.

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

### 24. SEGMENTED INFORMATION

The Company's operations are comprised of two reporting operating segments, Magnetic North and CXTL. Magnetic North is in the business of merchant banking, while CXTL is in the business of recycling plastics and e-waste. In order to determine reportable operating segments, the chief operating decision maker ("CODM") reviews various factors including products and services, quantitative thresholds and managerial structure.

The CODM reviews segment operating income (loss). Below is a summary of the operating loss from the Company's reportable operating segments:

<b>Fifteen months ended December 31, 2020</b>	<b>Magnetic North</b>	<b>CXTL</b>	<b>Eliminations <sup>(1)</sup></b>	<b>Consolidated</b>
Revenue	\$ 160,000	\$ -	\$ (160,000)	\$ -
Expenses	2,425,342	2,295,844	(160,000)	4,561,186
Operating loss	\$ (2,265,342)	\$ (2,295,844)	\$ -	\$ (4,561,186)

<sup>(1)</sup> Eliminations represent intercompany transactions between Magnetic North and CXTL.

CXTL did not exist prior to 2020, as such all of the results from the 12 months ended September 30, 2019 are solely related to Magnetic North. All long-lived assets are located in Canada.

### 25. COMPENSATION OF KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS

The Company considers its directors and executives to be key management personnel. The key management personnel compensation is comprised of the following:

	<b>Fifteen Months Ended December 31, 2020</b>	<b>Twelve Months Ended September 30, 2019</b>
Compensation including bonuses	\$ 612,236	\$ 100,125
Share-based compensation (Note 20)	559,824	-
	<b>\$ 1,172,060</b>	<b>\$ 100,125</b>

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

During the fifteen months ended December 31, 2020, the Company paid consulting fees of \$522,152 (September 30, 2019 - \$nil), to certain officers of the Company which were recorded in selling, general and administrative expenses (Note 21). As at December 31, 2020, the Company recorded a prepayment of \$27,250 with respect to the January 2021 consulting fees for the Company's two Co-Chief Executive Officers.

#### *Investments in companies with common management personnel*

As at December 31, 2020, the Company held investment positions in the following issuers with common officers and directors:

<b>Entity</b>	<b>Type of Investment</b>	<b>Holdings (#)</b>	<b>Fair Value (\$)</b>
Previcare, Inc. <sup>(1)</sup>	Common shares	1,600,000 shares	\$ -
Ignite Alliance Corp. <sup>(2)</sup>	Common shares	50,000 shares	-
			<b>\$ -</b>

<sup>(1)</sup> Kevin Spall, Co-Chief Executive Officer of the Company, is also the Treasurer/VP and a Director of Previcare, Inc.

<sup>(2)</sup> Andrew Osis, Co-Chief Executive Officer of the Company, is also the Chief Financial Officer of Ignite Alliance Corp.

**Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

**26. INCOME TAXES**

## a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 24.0% (2019 – 31.0%) were as follows:

	<b>Fifteen Months Ended December 31, 2020</b>	<b>Twelve Months Ended September 30, 2019</b>
Loss before income taxes	\$ (13,979,959)	\$ (1,468,182)
Expected income tax recovery based at statutory rate	(3,355,000)	(455,000)
Effect of tax rate changes	225,000	-
Share issue costs	(86,000)	(31,000)
Impairment of advances to private companies	-	388,000
Non-deductible expenses	2,109,000	2,000
Change in benefit of tax assets not recognized	1,107,000	96,000
Income tax recovery	\$ -	\$ -

The statutory tax rate declined from 31.0% to 24.0% due to the change in province from Nova Scotia to Alberta as a result of the change in business.

## b) Deferred Tax

The approximate tax effect of temporary differences and tax loss carry forwards that give rise to the Company's deferred tax assets (liabilities) are as follows:

As at	<b>December 31, 2020</b>	<b>September 30, 2019</b>
Property, plant and equipment	\$ (105,000)	\$ 82,000
Mineral claims	44,000	1,248,000
Investments and loans	271,000	-
Leases	30,000	-
Share issue costs	80,000	227,000
Other	-	5,000
Tax loss carry-forwards	950,000	4,467,000
Capital loss carry-forwards	-	26,000
Temporary differences	\$ 1,270,000	6,055,000
Tax benefit not recognized	(1,270,000)	(6,055,000)
Deferred tax asset	\$ -	\$ -

Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered. At December 31, 2020, the Company has approximately \$4,129,980 of non-capital losses in Canada in which under certain circumstances can be used to reduce the taxable income in future years. As a result of the change in business, the non-capital losses carryforward from the previous business of \$12,887,174 are subject to restrictions such that they are not deductible in future years. The Canadian losses from the new business expire between 2040 and 2041.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### **27. CAPITAL MANAGEMENT**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. As discussed in Note 1, the Company's ability to continue to carry out its activities as a merchant capital firm is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be equity which comprises share capital, warrants, contributed surplus and accumulated deficit, which at December 31, 2020, totaled \$9,428,155 (September 30, 2019 - \$248,563). The Company's capital management objectives, policies and processes have remained unchanged during the period ended December 31, 2020.

### **28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Board of Directors.

The Company has exposure to the following risks from its use of financial instruments:

#### **(i) Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Cash and cash equivalents are held with select major Canadian chartered banks. Trade and other receivables consist of sales taxes receivable from government authorities in Canada and interest receivable from a loan. The Company does not have significant concentration risk from cash and cash equivalents and trade and other receivables.

#### **(ii) Liquidity Risk**

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash management, which includes monitoring forecasts of the Company's cash and cash equivalent on the basis of projected cash flow. As at December 31, 2020, the Company had a cash balance of \$123,680 (September 30, 2019 - \$1,429,629) to settle current liabilities of \$1,526,945 (September 30, 2019 - \$349,877). Historically, the Company's sole source of funding has been the issuance of securities for cash through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

#### **(iii) Market Risk**

## **Magnetic North Acquisition Corp.**

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For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

(Expressed in Canadian dollars)

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### **28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

#### (a) Interest Rate Risk

The Company has cash balances invested in guaranteed investment certificates that are issued by a Canadian Chartered bank. The Company has no interest-bearing debt. At prevailing market interest rates, the impact on interest income is minimal.

#### (b) Foreign Currency Risk

The Company does not have assets or liabilities denominated in a foreign currency.

#### (c) Commodity and Equity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to valuable minerals to determine the appropriate course of action to be taken by the Company. The Company is exposed to market risks associated with the inherent volatility and external factors that can impact the fair value of equity instruments.

### **Fair Values of Financial Assets and Liabilities**

The fair values of cash and cash equivalents, short-term investments, trade and other receivables, accounts payable and accrued liabilities, and promissory note payable included in the consolidated statement of financial position approximate their carrying amount due to the short-term maturity of these instruments. The fair value of investments are measured at fair value through profit or loss and considered to be under Level 3 hierarchy. There were no transfers between levels in the fair value hierarchy during the fifteen months ended December 31, 2020.

### **29. COMMITMENTS**

As at December 31, 2020, the Company had outstanding purchase obligations of approximately \$637,000 related to property, plant and equipment to be purchased within one year. This purchase obligation is related to the \$300,000 deposit the Company reported in prepaids and other current assets as at December 31, 2020 (Note 9). Refer to Note 12 for lease commitments.

#### Legal matters

From time to time, the Company becomes party to legal proceedings in the normal course of business. At December 31, 2020, there was one claim (2019 – no claims) against the Company for which an amount approximating the estimated settlement has been accrued on the consolidated statement of financial position. There is a second claim in which the Company has been named for alleged commercial lease arrears and alleged real estate commissions, plus interest and costs, for which no accrual has been made at year-end. The Company has consulted with its external legal counsel and is of the opinion that the claim is without merit as any alleged outstanding amounts are the responsibility of another individual pursuant to an individual personal guarantee. The claim will be vigorously defended. The Company does not anticipate any material costs to be incurred in addition to the accrued amounts owing.

## **Magnetic North Acquisition Corp.**

Notes to Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2020 and Twelve Months Ended September 30, 2019

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### **30. SUBSEQUENT EVENTS**

(i) In April 2020, the Company entered into an exclusive sale and usage agreement with Cirque Innovations Ltd. (“Cirque”) for the exclusive world-wide right for CXTL Recycling (Canada) Corp. to use in their recycling operations, Cirque’s machines and related inventions that recycle and refine or convert plastics and other hydrocarbon-related substances into market-ready petro-chemical and associated products (the “Machines”). Magnetic North agreed to issue Cirque shares representing a 50% equity ownership in CXTL concurrently with such parties entering into a unanimous shareholder agreement (“USA”) to provide for their rights in relation to CXTL. Cirque will contribute the technology and staff, and Magnetic North will contribute capital and management expertise as needed. Subsequent to December 31, 2020, Magnetic North and Cirque executed the USA as per the terms of the sale and usage agreement to provide each party with a 50% equity ownership into CXTL.

(ii) On January 15, 2020, the Company executed an indicative offer of finance (the “Offer”) with Infrastructure Commodities Limited (“ICML”) to explore and mine the Company’s wholly owned White Rock property (the “Property”) located in Yarmouth County, Nova Scotia. The Offer gives ICML the right to explore and mine the Property for quartz, kaolin and mica, and refine and produce quartz, kaolin and mica for the sale therefrom (the “Mining Assets”). Subsequent to December 31, 2020, the Company incorporated a wholly-owned subsidiary, Bluenose Quartz Ltd., to effect the transfer of the Mining Assets into this new entity. The transfer paperwork is currently being reviewed by the Province of Nova Scotia. The Company is currently in discussion with ICML to improve the terms of this Offer.