MAGNETIC NORTH ACQUISITION CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED
JUNE 30, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Magnetic North Acquisition Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

Magnetic North Acquisition Corp.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

		As at June 30, 2021		As at December 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**11,755**	$	123,680
Short-term investments (note 4)		**27,400**		60,222
Trade and other receivables (note 5)		**282,388**		291,583
Advances to investees (note 6)		**427,845**		-
Inventory (note 3)		**-**		2,036,086
Prepaids and other current assets (note 7)		**20,693**		344,522
Total current assets		**770,081**		2,856,093
Non-current assets				
Investments - fair value through profit or loss (note 8)		**5,724,874**		-
Property, plant and equipment (note 9)		**3,751**		4,449,563
Right-of-use asset		**-**		1,325,066
Mineral claims (note 10)		**1**		1
Exploration and evaluation assets		**1**		1
Other assets (note 11)		**304,966**		497,042
Total assets	**$**	**6,803,674**	$	9,127,766
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	**$**	**1,168,932**	$	688,101
Promissory note payable		**176,984**		176,984
Current portion of lease liability		**-**		661,860
Total current liabilities		**1,345,916**		1,526,945
Non-current liabilities				
Long-term lease liability (note 3)		**-**		793,394
Asset retirement obligation		**191,230**		190,872
Financial liability - Series A preferred shares (note 13)		**16,044,710**		16,044,710
Total liabilities		**17,581,856**		18,555,921
Shareholders' deficiency				
Common shares (note 14)		**29,083,903**		29,045,663
Warrants		**164,400**		164,400
Contributed surplus		**3,154,930**		2,923,109
Accumulated deficit		**(43,181,415)**		(41,561,327)
Total shareholders' deficiency		**(10,778,182)**		(9,428,155)
Total liabilities and shareholders' deficiency	**$**	**6,803,674**	$	9,127,766

Nature of operations and going concern (note 1)

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

Magnetic North Acquisition Corp.
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues				
Advisory fees	**$ 60,000**	$ -	**$ 120,000**	$ -
Expenses				
Exploration and evaluation expenses	**7,128**	6,485	**11,680**	17,407
Selling, general and administrative (note 17)	**272,316**	223,859	**532,382**	483,008
Share-based compensation (note 16)	**71,983**	206,440	**231,821**	250,626
Depreciation	**428**	-	**856**	-
Total expenses	**351,855**	436,784	**776,739**	751,041
Loss before other items	**(291,855)**	(436,784)	**(656,739)**	(751,041)
Other items				
Accretion	**(179)**	(1,199)	**(358)**	(2,397)
Interest income	**86**	14,773	**127**	15,726
Foreign exchange loss	**-**	-	**(182)**	-
Loss on disposal of subsidiary (note 3)	**-**	-	**(962,936)**	-
Net and comprehensive loss for the period	**$ (291,948)**	$ (423,210)	**$ (1,620,088)**	$ (737,712)
Net and comprehensive loss per share				
- Basic and Diluted (note 18)	**$ (0.00)**	$ (0.01)	**$ (0.03)**	$ (0.01)
Weighted average number of common shares				
- Basic and Diluted (note 18)	**59,097,178**	59,051,105	**59,075,951**	59,051,105

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

Magnetic North Acquisition Corp.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating activities		
Net loss for the period	**$ (1,620,088)**	$ (737,712)
Adjustments for:		
Depreciation	**856**	-
Unrealized foreign exchange	**-**	13,600
Accretion	**358**	2,397
Share-based compensation	**231,821**	250,626
Loss on disposal of subsidiary	**962,936**	-
Changes in non-cash working capital items:		
Trade and other receivables	**(223,927)**	(44,976)
Prepaid expenses and other current assets	**13,926**	39,076
Deferred costs	**-**	(94,075)
Accounts payable and accrued liabilities	**986,653**	130,998
Net cash provided by (used in) operating activities	**352,535**	(440,066)
Investing activities		
Redemption of short-term investments	**22,822**	-
Disposal of subsidiary	**(97,677)**	-
Advances to investees	**(427,845)**	(575,978)
Net cash used in investing activities	**(502,700)**	(575,978)
Financing activities		
Proceeds from private placements	**-**	2,841,270
Share issue costs	**-**	(85,417)
Bridge loan	**-**	(695,000)
Loan payable	**-**	(100,000)
Subscription receipts	**-**	64,000
Proceeds from stock options exercised	**38,240**	-
Dividends paid	**-**	(77,711)
Net cash provided by financing activities	**38,240**	1,947,142
Net change in cash and cash equivalents	**(111,925)**	931,098
Cash and cash equivalents, beginning of period	**123,680**	530,341
Cash and cash equivalents, end of period	**$ 11,755**	$ 1,461,439

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

Magnetic North Acquisition Corp.
Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares					
	Number (#)	Amount ($)	Warrants	Contributed Surplus	Accumulated Deficit	Shareholders' Equity (Deficiency)
Balance, December 31, 2019	**59,051,105**	**$ 29,027,960**	**$ -**	**$ 2,149,163**	**$ (27,029,158)**	**$ 4,147,965**
Share issue costs	-	31,920	-	-	-	31,920
Dividends paid	-	-	-	-	(77,711)	(77,711)
Share-based compensation	-	-	-	250,626	-	250,626
Net and comprehensive loss for the period	-	-	-	-	(737,712)	(737,712)
Balance, June 30, 2020	**59,051,105**	**$ 29,059,880**	**$ -**	**$ 2,399,789**	**$ (27,844,581)**	**$ 3,615,088**
Balance, December 31, 2020	**59,051,105**	**$ 29,045,663**	**$ 164,400**	**$ 2,923,109**	**$ (41,561,327)**	**$ (9,428,155)**
Stock options exercised (note 14)	46,073	38,240	-	-	-	38,240
Share-based compensation (note 16)	-	-	-	231,821	-	231,821
Net and comprehensive loss for the period	-	-	-	-	(1,620,088)	(1,620,088)
Balance, June 30, 2021	**59,097,178**	**$ 29,083,903**	**$ 164,400**	**$ 3,154,930**	**$ (43,181,415)**	**$(10,778,182)**

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

1. Nature of operations 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. 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 2nd Street SW, Calgary, Alberta.

These unaudited condensed interim financial statements of the Company were reviewed, approved and authorized for issue by the Board of Directors on August 27, 2021.

These unaudited condensed interim 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, these unaudited condensed interim 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 these unaudited condensed interim financial statements.

The Company continues to incur operating losses. The Company has minimal revenue-generating operating activities and has a significant accumulated deficit. The Company has incurred losses in prior periods, with a current net and comprehensive loss of $1,620,088 during the six months ended June 30, 2021 (six months ended June 30, 2020 - $737,712) and has an accumulated deficit of $43,181,415 as at June 30, 2021 (December 31, 2020 - $41,561,327). In addition, the Company had working capital deficiency of $575,835 as at June 30, 2021 (December 31, 2020 - working capital surplus of $1,329,148). 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 unaudited condensed interim financial statements, adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

Commencing in March 2020 and continuing throughout the quarter, the outbreak of the novel strain of coronavirus known as “COVID19” has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

2. Basis of presentation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of August 27, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent audited consolidated financial statements as at and for the fifteen months ended December 31, 2020, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2021 could result in restatement of these unaudited condensed interim financial statements.

Basis of measurement and presentation

These financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. These unaudited condensed interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

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.

Effective December 31, 2020, the Company’s ownership of CXTL Recycling (Canada) Corp. (“CXTL”) was reduced from 100% to 50% as a result of the sale of 50% ownership to Cirque Innovations Ltd. (note 3). Due to the reduction in the Company’s ownership, the Company ceased consolidating CXTL’s results effective January 1, 2021.

Significant accounting judgments, estimates and new accounting policies

The preparation of these unaudited condensed interim financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas where significant judgment and estimates have been made in preparing these unaudited condensed interim financial statements and their effect are disclosed in Note 2 of the Company’s audited consolidated financial statements for the fifteen months ended December 31, 2020 and have been updated as necessary to address the Company’s status as an investment entity, as discussed further below.

Investment Entity Status

The following are the criteria within IFRS 10 Consolidated Financial Statements, which the Company used to evaluate and determine that it meets the definition of an Investment Entity:

- Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates the performance of substantially all its investments on a fair value basis.

(Expressed in Canadian Dollars)

2. Basis of presentation (continued)

The Company has evaluated the above criteria and determined that it meets the definition of an Investment Entity. As a result of meeting the definition of an Investment Entity, subsidiaries which otherwise would have been consolidated are carried at fair value through profit or loss ("FVTPL").

Management exercises judgment in applying criteria in IFRS 10 Consolidated Financial Statements, which determines the Company's status as an investment entity.

3. Disposal of 50% equity ownership of CXTL

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. ("CXTL") (Magnetic North's wholly-owned subsidiary) 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. Magnetic North and Cirque executed the USA, effective December 31, 2020, as per the terms of the sale and usage agreement to provide each party with a 50% equity ownership into CXTL.

As a result of the loss of control of CXTL, the Company ceased consolidating CXTL effective January 1, 2021.

Below is a table that outlines the net assets of CXTL as at December 31, 2020:

		Amount
ASSETS		
Current assets		
Cash and cash equivalents	$	97,677
Short-term investments		10,000
Trade and other receivable		233,122
Inventory		2,036,086
Prepaids and other current assets		309,903
		2,686,788
Non-current assets		
Property, plant and equipment		4,444,956
Right-of-use assets		1,325,066
Other assets		192,076
Total assets	$	8,648,886
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$	505,822
Current portion of lease liability		661,860
		1,167,682
Non-current liabilities		
Long-term lease liability		793,394
Total liabilities	$	1,961,076
Net assets	$	6,687,810

(Expressed in Canadian Dollars)

3. Disposal of 50% equity ownership of CXTL (continued)

Below is a table that outlines the accounting for the sale of 50% of CXTL:

		Amount
Fair value of consideration	$	-
Fair value of retained investment (50%)		5,724,874
Subtotal		5,724,874
Carrying value of 100% of net assets		6,687,810
Total loss	$	(962,936)
Gain on retained investment:		
Fair value of retained investment (50%)	$	5,724,874
Carrying value of 50% of net assets		3,343,905
Gain on retained investment	$	2,380,969
Breakdown of total gain:		
Loss on disposal of subsidiary	$	(3,343,905)
Gain on retained investment		2,380,969
Total loss	$	(962,936)

The loss on disposal of $962,936 is reported on the condensed interim statements of loss and comprehensive loss.

4. 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 June 30, 2021, $27,400 (December 31, 2020 - $60,222) were held in guaranteed investment certificates as security.

5. Trade and other receivables

		As at June 30, 2021		As at December 31, 2020
Sales tax receivable	**$**	**2,388**	$	286,117
Interest receivable		**-**		5,466
Advisory fees		**280,000**		-
	$	**282,388**	$	291,583

Advisory fees relate to monthly management services the Company provides to its investee CXTL.

As at June 30, 2021, the estimated credit losses are $nil (December 31, 2020 - $66,509).

6. Advances to investees

As per the terms of the USA discussed in note 3, the Company is required to contribute capital to CXTL as part of its 50% ownership. During the six months ended June 30, 2021, the Company provided capital to CXTL to cover its operating expenses. These advances can be used to increase the Company’s paid-up capital of its shares in CXTL.

(Expressed in Canadian Dollars)

7. Prepaids and other current assets

	As at June 30, 2021	As at December 31, 2020
Prepaid expenses	**$ 20,693**	$ 34,619
Other current assets[(1)]	**-**	309,903
	$ 20,693	$ 344,522

[(1)] Other current assets of $309,903 included in the December 31, 2020 balance relates to CXTL, which has now been derecognized due to disposal (note 3).

8. Investments

The following chart lists the investments carried at FVTPL as at June 30, 2021:

	June 30, 2021		December 31, 2020	
Investments	**Cost**	**Fair Value**	Cost	Fair Value
CXTL Recycling (Canada) Corp. (115,592 common shares - 50%)	**$ 11,549,210**	**$ 5,724,874**	N/A	N/A
Previcare, Inc. (1,600,000 common shares - 32%)	**1,350,000**	**-**	1,350,000	-
Ignite Alliance Corp. (50,000 common shares - <1%)	**-**	**-**	-	-
GrowthCell Global (335,000 common shares - <1.5%)	**67,000**	**-**	67,000	-
Private company investments - FVTPL	**$ 12,966,210**	**$ 5,724,874**	$ 1,417,000	$ -

The Company's management review and approve the valuation results of all investments in the portfolio based on all observable and unobservable inputs. The Company will also engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The valuation results are reviewed with the audit committee as part of its quarterly approval of the Company's financial statements.

As at June 30, 2021, all of the Company's investments are unlisted equity instruments and are categorized as Level 3 financial instruments. These 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, these investments are valued using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment. Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding, which represents 100% of the Company's current portfolio, 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 Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment. 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 June 30, 2021, based on management's fair value assessment of these investments, the Company reported no fair value adjustment. The fair value reported as at June 30, 2021 relates to the fair value of the Company's retained 50% investment in CXTL (note 3).

(Expressed in Canadian Dollars)

9. 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, 2019	**$ 107,872**	**$ 105,822**	**$ 216,210**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 429,904**
Additions	-	-	-	4,081,809	332,596	97,783	130,198	8,785	4,651,171
December 31, 2020	**107,872**	**105,822**	**216,210**	**4,081,809**	**332,596**	**97,783**	**130,198**	**8,785**	**5,081,075**
Disposal of subsidiary	-	-	-	(4,081,809)	(332,596)	(97,783)	(130,198)	(3,649)	(4,646,035)
June 30, 2021	**$ 107,872**	**$ 105,822**	**$ 216,210**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 5,136**	**$ 435,040**

Accumulated depreciation	Water Treatment Equipment	Treatment Building	Site Improvements	Machinery and Equipment	Leasehold Improvements	Heavy Mobile Equipment	Small Tools	Computer Hardware	Total
September 30, 2019	**$ 107,871**	**$ 105,821**	**$ 216,209**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 429,901**
Depreciation	-	-	-	166,213	22,289	4,955	7,178	976	201,611
December 31, 2020	**107,871**	**105,821**	**216,209**	**166,213**	**22,289**	**4,955**	**7,178**	**976**	**631,512**
Depreciation	-	-	-	-	-	-	-	856	856
Disposal of subsidiary	-	-	-	(166,213)	(22,289)	(4,955)	(7,178)	(444)	(201,079)
June 30, 2021	**$ 107,871**	**$ 105,821**	**$ 216,209**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,388**	**$ 431,289**

Carrying value	Water Treatment Equipment	Treatment Building	Site Improvements	Machinery and Equipment	Leasehold Improvements	Heavy Mobile Equipment	Small Tools	Computer Hardware	Total
At December 31, 2020	**$ 1**	**$ 1**	**$ 1**	**$ 3,915,596**	**$ 310,307**	**$ 92,828**	**$ 123,020**	**$ 7,809**	**$ 4,449,563**
At June 30, 2021	**$ 1**	**$ 1**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,748**	**$ 3,751**

(Expressed in Canadian Dollars)

10. Mineral claims

	As at June 30, 2021	As at December 31, 2020
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

In February 2021, the Company incorporated Bluenose Quartz Ltd. ("Bluenose"), a Nova Scotia corporation, to commence the process of transferring the mine assets in Nova Scotia to this new entity. There was no activity in Bluenose during the six months ended June 30, 2021.

11. 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 (December 31, 2020 - $192,076). The December 31, 2020 balance also included $192,076 relating to CXTL, which has now been derecognized due to disposal (note 3).

12. Accounts payable and accrued liabilities

	As at June 30, 2021	As at December 31, 2020
Trade accounts payables	**$ 394,270**	$ 364,760
Accrued liabilities	**130,128**	323,341
Deposits[1]	**644,534**	-
	$ 1,168,932	$ 688,101

[1] Deposits relate to prepayment of fees received relating to a transaction that is pending closing.

13. Financial liability - Series A preferred shares

(i) Series A preferred shares issued

	Number of preferred shares	Amount
Balance, September 30, 2019	**185,179**	**$ 1,819,870**
Preferred shares issued pursuant to Transaction[1]	100,000	1,000,000
Private placement[2]	572,484	5,724,840
Preferred shares issued for property, plant and equipment[3]	350,000	3,500,000
Preferred shares issued for acquisition of Intergild[4]	400,000	4,000,000
Share issue costs[5]	-	(342,159)
Total share issue costs expensed to share-based transaction costs	-	342,159
Balance, December 31, 2020 and June 30, 2021	**1,607,663**	**$ 16,044,710**

13. Financial liability - Series A preferred shares (continued)

(i) Series A preferred shares issued (continued)

Notes:

(1) Upon completion of the Transaction, the Company issued 100,000 Series A preferred shares at $10 per share to the Vendors.

(2) Private placements of Series A preferred shares at $10 per share completed during March 2020, May 2020, June 2020 and July 2020.

(3) The Company issued 350,000 Series A preferred shares at $10 per share pursuant to the asset purchase agreement with Cirque Innovations Ltd. for machinery and equipment for CXTL's operations.

(4) The Company issued 400,000 Series A preferred shares at $10 per share pursuant to its acquisition of Intergild for CXTL's operations.

(5) 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 June 30, 2021, dividend not yet declared totaled $733,119 with respect to the quarters ended September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021.

(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 June 30, 2021 (December 31, 2020 - $16,044,710).

(Expressed in Canadian Dollars)

14. Share capital

a) Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2019	**59,051,105**	**$ 29,027,960**
Share issue costs	-	31,920
Balance, June 30, 2020	**59,051,105**	**$ 29,059,880**
Balance, December 31, 2020	**59,051,105**	**$ 29,045,663**
Stock options exercised (i)(ii)	46,073	38,240
Balance, June 30, 2021	**59,097,178**	**$ 29,083,903**

(i) On March 24, 2021, 28,073 options to acquire common shares ("Options") with a strike price of $0.10 were exercised for total proceeds of $23,300.

(ii) On March 25, 2021, 18,000 Options with a strike price of $0.10 were exercised for total proceeds of $14,940.

15. Warrants

	Number of warrants	Amount
Balance, December 31, 2019 and June 30, 2020	**-**	**$ -**
Balance, December 31, 2020 and June 30, 2021	**300,000**	**$ 164,000**

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.

(Expressed in Canadian Dollars)

16. 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 reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2019	**2,000,000**	**0.10**
Granted (i)(ii)	1,290,000	0.62
Balance, June 30, 2020	**3,290,000**	**0.30**
Balance, December 31, 2020	**4,540,000**	**0.44**
Exercised (note 14(b)(i)(ii))	(46,073)	0.83
Forfeited	(300,000)	0.65
Balance, June 30, 2021	**4,193,927**	**0.42**

(i) On February 10, 2020, the Company granted 400,000 stock options to an consultant of the Company at an exercise price of $0.1575 and expiring five years from date of grant. These options vest as follows: 25% immediately, 25% 12 months from date of grant, 25% 24 months from date of grant and 25% 36 months from date of grant.

A value of $64,000 was estimated for the 400,000 stock options on the date of grant with the following assumptions and inputs: share price of $0.205; exercise price of $0.1575; expected dividend yield of 0%; expected volatility of 100%; risk-free rate of 1.44%; and an expected average life of five years.

(ii) On May 26, 2020, the Company granted 890,000 stock options to certain officers, directors and employees of the Company at an exercise price of $0.83 and expiring five years from date of grant. These options vest as follows: 25% immediately, 25% 12 months from date of grant, 25% 24 months from date of grant and 25% 36 months from date of grant.

A value of $545,570 was estimated for the 890,000 stock options on the date of grant with the following assumptions and inputs: share price of $0.83; exercise price of $0.83; expected dividend yield of 0%; expected volatility of 100%; risk-free rate of 0.40%; and an expected average life of five years.

(iii) For the three and six months ended June 30, 2021, the Company reported share-based compensation expense of $71,983 and $231,821, respectively (three and six months ended June 30, 2020 - $206,440 and $250,626, respectively).

(Expressed in Canadian Dollars)

16. Share-based compensation (continued)

The following table reflects the stock options issued and outstanding as of June 30, 2021:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Grant date fair value ($)	Number of options vested (exercisable)
December 2, 2024	0.10	3.43	1,750,000	250,125	875,000
February 10, 2025	0.1575	3.62	400,000	64,000	200,000
May 26, 2025	0.83	3.91	843,927	517,327	398,927
July 14, 2025	0.64	4.04	350,000	165,550	200,000
August 24, 2025	0.65	4.15	150,000	72,000	112,500
October 9, 2025	0.72	4.28	300,000	177,300	75,000
October 28, 2025	0.70	4.33	300,000	164,400	75,000
November 5, 2025	0.79	4.35	100,000	61,900	25,000
	0.42	**3.77**	**4,193,927**	**1,472,602**	**1,961,427**

17. Selling, general and administrative

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Consulting fees (note 20)	**$ 80,100**	$ 79,500	**$ 162,751**	$ 156,500
Professional fees	**49,272**	25,063	**80,885**	110,767
Investor relations	**15,450**	20,313	**31,188**	50,648
Salaries and benefits	**93,497**	-	**195,903**	-
Office and general	**13,815**	63,302	**30,931**	82,722
Travel expenses	**276**	2,461	**1,300**	37,340
Regulatory fees	**19,906**	33,220	**29,424**	45,031
	$ 272,316	$ 223,859	**$ 532,382**	$ 483,008

18. Loss per share

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Loss for the period	**$ (291,948)**	$ (423,210)	**$ (1,620,088)**	$ (737,712)
Weighted average number of common shares	**59,097,178**	59,051,105	**59,075,951**	59,051,105
Basic and diluted loss per share	**(0.00)**	(0.01)	**(0.03)**	(0.01)

(Expressed in Canadian Dollars)

18. Loss per share (continued)

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 three and six months ended June 30, 2021 and 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.

19. Segmented information

The Company's operations comprise a single reporting operating segment engaged in the business of merchant banking in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

20. Related party transactions

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 three and six months ended June 30, 2021, the Company paid consulting fees of $79,050 and $158,100, respectively (three and six months ended June 30, 2020 - $79,500 and $156,500, respectively), to certain officers of the Company which were recorded in selling, general and administrative expenses (note 17).

Investments in companies with common management personnel

As at June 30, 2021, the Company held investment positions in the following issuers with common officers and directors:

Entity	Type of Investment	Holdings (#)	Fair Value
CXTL Recycling (Canada) Corp.[(1)]	Common shares	115,592 shares	$ 5,724,874
Previcare, Inc.[(2)]	Common shares	1,600,000 shares	-
Ignite Alliance Corp.[(3)]	Common shares	50,000 shares	-
			$ 5,724,874

[(1)] Andrew Osis, Co-Chief Executive Officer of the Company, is also the Executive Chairman of CXTL and Ian Wild, Director of the Company is also a Director of CXTL.

[(2)] Kevin Spall, Co-Chief Executive Officer of the Company, is also the Treasurer/VP and a Director of Previcare, Inc.

[(3)] Andrew Osis, Co-Chief Executive Officer of the Company, is also the Chief Financial Officer of Ignite Alliance Corp.

21. 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 advisory fees. 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 June 30, 2021, the Company had a cash balance of $11,755 (December 31, 2020 - $123,680) to settle current liabilities of $1,345,916 (December 31, 2020 - $1,526,945). 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

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.

21. Financial instruments and financial risk management (continued)

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.

The fair values of cash and cash equivalents, short-term investments, trade and other receivables, advances to investees, accounts payable and accrued liabilities, and promissory note payable included in the condensed interim 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 period ended June 30, 2021.

22. Other events

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”). During the period ended June 30, 2021, the Company commenced the transfer paperwork to effect the transfer of the Mining assets into Bluenose Quartz Ltd., a wholly-owned subsidiary. 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.