



# **MAGNETIC NORTH ACQUISITION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024**

**(Expressed in Canadian Dollars)**

## **Introduction**

This management's discussion and analysis ("MD&A") for Magnetic North Acquisition Corp. ("Magnetic North", the "Company", "we", "us" or "our") dated October 10, 2024, should be read in conjunction with our unaudited condensed interim financial statements and accompanying notes for the three and six months ended June 30, 2024 and 2023, the December 31, 2023 audited annual financial statements and accompanying notes, and the December 31, 2023 MD&A.

All financial information, unless otherwise noted, presented in this MD&A is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including the annual and quarterly financial statements and MD&A, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A addresses matters we consider important for an understanding of the Company's business, financial condition and results of operations as at and for the three and six months ended June 30, 2024.

## **Description of Business and Overview**

Magnetic North with the registered and head office at 1000, 250 2<sup>nd</sup> Street SW, Calgary, AB T2P 0C1, and offices in Toronto, ON, was incorporated under the Business Corporations Act (Alberta) on July 18, 1997. On September 12, 2008, the Company continued under the Canada Business Corporations Act.

The Company's common shares and Series A preferred shares trade on the TSXV under the symbol "MNC" and "MNC.PR.A", respectively.

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 TSXV Policy 5.2) transaction (the "Transaction") within the meaning of such terms in the policies of the TSXV. Under the Transaction, 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 Purchased Assets comprised of all the Vendors' equity interests in Previcare, Inc. ("Previcare"), Ignite Alliance Corp. ("Ignite"), and Power Symmetry Inc. With the completion of the Transaction, the Vendors were appointed officers and directors of the Company, the Company changed its primary business to merchant banking and changed its name from Black Bull Resources Inc. to Magnetic North Acquisition Corp.

Before the change of business, the Company was engaged in the acquisition, exploration, and evaluation of mineral properties of the Company's current holdings in Nova Scotia, Canada. After the completion of the Transaction, the Company changed its primary business to an investment entity comprised of a team of highly experienced professionals in finance and strategy. Magnetic North is primarily focused on investing in the following industries; clean power technology, oilfield services, consumer products, and technology (software and hardware).

In furtherance of the Company's new business objective, the following criteria is utilized to assess potential investment opportunities:

- (a) management expertise and funding to expand, or improve the investee's business model, strategy, or geographic reach;
- (b) an opportunity to provide strategic guidance on the investee's businesses or assets through board representation;

- (c) cash flow positive, or close thereto, and through improvements to structure, operations or consolidation, cash flow can be positively impacted to provide sustainable cash flow;
- (d) identifiable business improvements, expansion, consolidation, or acquisition opportunities that enhance the value of operations, and will result in increasing the investee company's valuation.

See "Risks and Uncertainties" below.

### **Status as an Investment Entity**

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; and
- 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.

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").

### **Operational Highlights**

- On March 6, 2024 the Company held an annual general and special meeting of the holders of common shares of the Company. At this meeting the Company's Omnibus long-term Incentive Plan, initially approved by the Board of Directors and its shareholders at the annual and special meeting of shareholders held on November 10, 2020, was re-approved. The policies of the TSXV require that share based incentive plans, such as the Omnibus Plan, which reserve for issuance up to 10% of a listed company's shares, be approved annually by the shareholders of the company. In addition, the audited financial statements of the Company for the financial years ended December 31, 2022 and 2021 and the auditor's report on these statements as well as the unaudited interim financial statements for the period ended September 30, 2023 were presented.
- During the Company's 2023 audit, Company management reviewed the accounting for, and classification of, the Series A preferred shares. It was determined that the Series A preferred shares are not a financial liability, rather they are more properly classified as equity.

There are three key terms, all of which were relevant to the determination of the classification of the Series A preferred shares:

1. Redemption option - at the discretion of MNAC's Board of Directors.
2. Dividend distribution - at the discretion of MNAC's Board of Directors.
3. Entitlement - Distribution of net investment gain upon future events, non-discretionary.

Each of these terms was analyzed individually under existing IFRS pronouncements.

Based on the analysis undertaken, the Preferred Shares are considered a compound instrument, consisting of both an equity component and a liability component. However, the liability component is initially recognized at nil value due to its nature as a contingent obligation which has an indeterminable payment probability and an amount that cannot be reliably measured. Therefore, the entire amount of the proceeds from the issue of Series A preferred shares was reallocated to the equity component.

The effect of this adjustment to the classification of the Series A preferred shares on the statements of financial position as at December 31, 2023 and June 30, 2024 is a decrease in Financial liability-Series A preferred shares within non-current liabilities of \$17,404,079 and a net increase in Series A preferred shares within Shareholders' equity of \$16,467,597. The June 30, 2023 comparative figures presented have also been restated, as appropriate, to reflect the reclassification of the Series A preferred shares to equity.

**Magnetic North Acquisition Corp.**  
**Management's Discussion & Analysis**  
**Three and Six Months Ended June 30, 2024**  
**Discussion dated: October 10, 2024**

- On May 7, 2024 the Company was granted a Management Cease Trade Order by the Alberta Securities Commission, as a result of the Company being late to file its 2023 annual audited financial statements.
- On June 28, 2024 the Company repaid the US\$10.0 Term Loan from the Canadian financial institution in the amount of US\$10,000,000 using the Restricted cash. Accrued interest on the Term Loan, in the amount of U.S.\$539,315.08, was converted to a non-interest bearing Demand Promissory Note.
- On July 12, 2024 the ASC issued a Cease Trade Order (the "CTO"). The CTO was issued as a result of the delay in the filing of the Company's audited annual financial statements and the accompanying corresponding interim financial statements, management discussion and analysis, and certifications for the period ended March 31, 2024.

**Investments**

The Company's investment portfolio consisted of the following as at June 30, 2024:

<b>Investment</b>	<b>Instrument</b>	<b>Financial Instrument Fair Value Hierarchy</b>	<b>Cost \$</b>	<b>Fair Value \$</b>	<b>Company's ownership %</b>
CXTL Recycling (Canada) Corp.	Equity	3	\$ 9,031,396	\$ 0	50%
			<b>\$ 9,031,396</b>	<b>\$ 0</b>	

The Company also held shares in the following companies that had no fair value as at the end of June 2024: Previcare, Inc. 1.6 million shares representing approx. 32% of the common shares, Ignite Alliance Corp. 50,000 shares representing less than 1% of the common shares, Power Symmetry 400,000 shares representing 40% of the common shares, Bluenose Quartz Ltd. 100 common shares representing 100% of the common shares outstanding, and GrowthCell Global 335,000 common shares representing less than 1.5 % of the common shares.

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, 2024 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.

**Magnetic North Acquisition Corp.**  
**Management's Discussion & Analysis**  
**Three and Six Months Ended June 30, 2024**  
**Discussion dated: October 10, 2024**

As at June 30, 2024, based on management's fair value assessment of these investments under IFRS 13, the Company reported the fair value of CXTL as \$nil (June 30, 2023 - \$nil). Investments other than CXTL have also been assessed under IFRS 13 to have \$nil fair value as at June 30, 2024 (June 30, 2023 - \$nil). As soon as there is additional progress and/or events that would assist in the determination of the probability of the key valuation assumptions used, the Company will re-evaluate its valuation model and determine a fair value in subsequent financial reporting periods.

## Summary of Quarterly Results

As at June 30, 2024:

Summary of Quarterly Results	RESTATED							
	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022
Revenue	\$ 60,000	\$ 60,000	\$60,000	\$ 60,000	\$ 760,000	\$ -	\$ -	\$ -
Operating income (loss)	(230,641)	(237,618)	(373,609)	(293,818)	447,831	(258,174)	(472,833)	(204,808)
Net income (loss)	(905,405)	(717,087)	(896,302)	(293,998)	447,651	(258,304)	(9,645,442)	4,795,002
Income (loss) per share - basic & diluted	(0.02)	(0.01)	(0.01)	(0.00)	0.01	(0.00)	(0.17)	0.08
Operating income (loss) full year			(477,770)				(677,641)	
Net income (loss) full year			(1,000,953)				(4,850,440)	

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Strong equity markets are favorable conditions for completing a public merger, financing or acquisition transaction. Apart from these and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

## Results of Operations

### For the three months ended June 30, 2024 compared with the three months ended June 30, 2023

For the three months ended June 30, 2024, the Company's net loss was \$905,405 which equates to -\$0.02 per share, compared to a net income of \$490,446 (\$0.01 per share) for the three months ended June 30, 2023. The net decrease of \$1,395,851 is primarily a result of the following items:

#### Revenue

During the three months ended June 30, 2024 the Company reported revenue of \$60,000 as compared to \$760,000 in the comparative period in 2023. Revenue is comprised of advisory fees received from Investee entities. Generally, revenue should be recognized when it is earned and can be reliably measured, regardless of when it is collected. Advisory fees received in the second quarter of 2023 encompassed amounts owing for the period from mid-2020 to mid-2023. The portion of advisory fee revenue related to those prior fiscal periods was not recognized in the Company's annual audited financial statements in those prior fiscal periods as the circumstances did not meet IFRS 5 revenue recognition requirements. IFRS accounting pronouncements recommend that, if the collectability issue has been resolved and the revenue is now reliably measurable, it should be recognized in the current period when it is collected, rather than being restated as a prior period adjustment. The 2023 revenue amount represents a one-time catchup and is not a recurring item.

#### General and Administrative Expenses ("G&A")

G&A includes consulting fees, professional fees, investor relations, salaries and benefits, office and general, travel expenses and regulatory fees.

G&A decreased by \$10,236 for the three months ended June 30, 2024 compared to the same period in 2023. G&A were lower in the 2024 period primarily due to lower consulting and regulatory fees, offset by somewhat

**Magnetic North Acquisition Corp.**  
**Management's Discussion & Analysis**  
**Three and Six Months Ended June 30, 2024**  
**Discussion dated: October 10, 2024**

---

higher office and professional fees supporting corporate activity in the 2024 period related to the Company's investments and investment acquisition activities.

**Share-based compensation**

Share-based compensation expense decreased by \$17,426 for the three months ended June 30, 2024 compared to the 2023 period. Share-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at grant date. The comparative lower fair value of options granted recently also affects share-based compensation expense.

**Other items**

Other items expense includes accretion, net finance income/(cost) and expected credit losses. Other items expense increased by \$674,584 in the three months ended June 30, 2024 compared to the 2023 period primarily due to interest expense on the US\$10.0M loan and the partial amortization of commitment fees incurred in 2023 related to securing the \$CDN 14.0 million letter of credit that supported the loan.

**For the six months ended June 30, 2024 compared with the six months ended June 30, 2023**

For the six months ended June 30, 2024, the Company's net loss was \$1,641,492 or -\$0.03 per share, compared to a net income of \$189,347 (\$0.00 per share) for the six months ended June 30, 2023. The net decrease in net income of \$1,830,839 is a result of the following:

**Revenue**

During the six months ended June 30, 2024 the Company reported revenue of \$120,000 as compared to \$760,000 in the comparative period in 2023. Revenue is comprised of advisory fees from its investees CXTL and Previcare, Inc. Revenue is comprised of advisory fees received from Investee entities. Generally, revenue should be recognized when it is earned and can be reliably measured, regardless of when it is collected. Advisory fees received in the second quarter of 2023 encompassed amounts owing for the period from mid-2020 to mid-2023. The portion of advisory fee revenue related to those prior fiscal periods was not recognized in the Company's annual audited financial statements in those prior fiscal periods as the circumstances did not meet IFRS 5 revenue recognition requirements. IFRS accounting pronouncements recommend that if the collectability issue has been resolved and the revenue is now reliably measurable, it should be recognized in the current period when it is collected, rather than being restated as a prior period adjustment. The revenue amount represents a one-time catchup and is not a recurring item.

**General and Administrative Expenses ("G&A")**

G&A include consulting fees, professional fees, investor relations, salaries and benefits, office and general, travel expenses and regulatory fees. G&A increased by \$69,263 for the six months ended June 30, 2024 compared to the same period in 2023. G&A were higher in the 2024 period due to higher office and professional fees supporting corporate activity in the 2024 period related to the Company's investments and investment acquisition activities partially offset by lower consulting fees in the six month period.

**Share-based compensation**

Share-based compensation expense decreased by \$40,494 for the six months ended June 30, 2024 compared to the 2023 period. Share-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at grant date.

**Other items**

Other items expense includes accretion, net finance income/(cost) and expected credit losses. Other items expense increased by \$1,153,822 in the six months ended June 30, 2024 compared to the 2023 period primarily due to interest expense on the US\$10.0M loan and the amortization of commitment fees incurred in 2023 related to securing the \$CDN 14.0 million letter of credit that supported the loan. The US\$10.0M loan was repaid at the end of June, using the Restricted cash.

**Magnetic North Acquisition Corp.**  
**Management's Discussion & Analysis**  
**Three and Six Months Ended June 30, 2024**  
**Discussion dated: October 10, 2024**

---

**Liquidity and Financial Position**

The activities of the Company, now merchant banking and formerly the acquisition, exploration and evaluation of mineral properties, are financed through equity offerings. The Company continues to seek capital through various means including the issuance of equity.

The Company has minimal operating revenues and therefore must utilize its current cash reserves and other financing transactions to maintain its capacity to meet ongoing discretionary and committed exploration and operating activities.

As at June 30, 2024, the Company had a working capital deficiency of \$3,166,341 (December 31, 2023 – a \$1,538,396 working capital deficiency). The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Those investing activities include the purchase of investments. For fiscal 2024, the Company's expected operating expense is estimated at approx. \$100,000 per month for recurring operating costs.

The Company does not have sufficient cash to fund its operating expenses for the twelve months ending June 30, 2025. The Company will have to raise additional capital during fiscal 2024 in amounts sufficient to fund both investment activities and working capital requirements. The major variables are expected to be the size, timing and results of the Company's investment activities and its ability to continue to access capital to fund its ongoing operations.

The following table sets out the condensed interim statement of cash flows for the six months ended June 30, 2024 and 2023.

<b>Summary statement of cash flows</b>	<b>Six Months Ended June 30, 2024</b>	<b>Six Months Ended June 30, 2023</b>
Net cash flows provided by (used in) operating activities	\$ (498,239)	\$ (102,140)
Net cash flows provided by (used in) investing activities	-	-
Net cash flows provided by financing activities	(12,724,413)	114,500
Net change in cash and cash equivalents	(13,222,652)	12,360
Cash and cash equivalents, beginning of period	13,232,976	13,571
<b>Cash and cash equivalents, end of period</b>	<b>\$ 10,324</b>	<b>\$ 25,931</b>

Operating activities for the six months ended June 30, 2024 were mainly affected by: adjustments for share-based compensation expense; accrued interest expense on the US \$10.0M loan; the amortization of commitment fees incurred related to securing the letter of credit supporting the US\$10.0M loan; a decrease in Prepaids and other current assets; an increase in Due from related parties; and, a net increase in accounts payable and accrued liabilities balances. See also comments on financing activities below.

Investing activities relate to providing advice and support for and to existing investments related to the development of their business plans in addition to work related to examining and assessing additional potential investment opportunities for the Company. Repayments and Advances from an Investee exceeded total Advances made to the Investee during the six months ended June 30, 2024, which resulted in net cash flow to the Company. These net advances to the Company have been reclassified from Investing to Financing activities.

Financing activities for the six months ended June 30, 2024 generated cash of \$428,833 from the net Advances from Investees discussed above, offset by the repayment of the US\$10.0 million loan. The specific financial transactions and investment opportunities contemplated when the Company entered into the Credit Agreement for the non-revolving Term Loan either did not materialize, were assessed to be inconsistent with the restrictions placed on the use of the funds or were not economically beneficial to the Company and, as a result, on June 28<sup>th</sup> the Company repaid the Term Loan using the US\$10.0 million of Restricted cash. Accrued interest on the Term Loan of \$US 539,315.08 was converted to a non-interest bearing Demand Promissory Note.

**Magnetic North Acquisition Corp.**  
**Management's Discussion & Analysis**  
**Three and Six Months Ended June 30, 2024**  
**Discussion dated: October 10, 2024**

**Other Commitments and Contingencies**

The Company has commitments for financial liabilities, minimum payments due as of June 30, 2024, as follows:

As at June 30, 2024	Carrying Value	Less than 1 year	1 to 3 years	4 to 5 years	Total
Trade and accrued liabilities	\$ 2,006,831	\$ 2,006,831	\$ -	\$ -	\$ 2,006,831
Short term loans payable	420,984	420,984	-	-	420,984
Advances from investees	1,080,646	1,080,646			1,080,646
Total commitments	\$ 3,508,461	\$ 3,508,461	\$ -	\$ -	\$ 3,508,461

**Outstanding Share Data**

The total number of fully diluted outstanding and issuable Common shares and total Common share and Preferred share options and warrants is as follows:

**Outstanding Share Data**

	June 30, 2024	June 30, 2023
Common shares	59,097,178	59,097,178
Common share stock options	4,990,000	4,443,927
Series A preferred share stock options	97,500	12,500
Series A preferred share purchase warrants	993,162	443,162
Total	65,177,840	63,996,767

**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.

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Consulting fees	\$ 100,000	\$ 79,775	\$ 200,000	\$ 326,700
Share-based compensation	2,742	20,341	5,484	103,061
Salaries and benefits	36,816	12,000	73,632	147,263
	\$ 139,558	\$ 112,116	\$ 279,116	\$ 577,024



## **Related Party Transactions (cont'd)**

*Investments in companies with common management personnel:*

<b>Entity</b>	<b>Type of investment</b>	<b>Holdings (# of shares)</b>	<b>Fair value (\$)</b>
CXTL Recycling (Canada) Corp. <sup>(1)</sup>	Common shares	115,592	nil
Previcare, Inc. <sup>(2) (3)</sup>	Common shares	1,600,000	nil
Ignite Alliance Corp.	Common shares	50,000	nil
Bluenose Quartz Ltd. <sup>(4)</sup>	Common shares	100	nil

(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) Lance McIntosh, CFO of the Company, is also the Chief Financial Officer of Previcare, Inc.

(4) Andrew Osis and Kevin Spall, Co-Chief Executive Officers of the Company, are also the directors of Bluenose Quartz Ltd.

## **Financial Instruments and 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, Due from related parties 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, 2024, the Company had cash of \$10,324 (December 31, 2023 – \$13,232,976) to settle current liabilities of \$3,508,461 (December 31, 2023 - \$15,227,751). 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. The Company is exposed to market risks associated with the inherent volatility and external factors that can impact the fair value of equity instruments, including:

**Magnetic North Acquisition Corp.**  
**Management's Discussion & Analysis**  
**Three and Six Months Ended June 30, 2024**  
**Discussion dated: October 10, 2024**

---

(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 a material amount of assets or liabilities denominated in a foreign currency.

(c) Commodities 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.

**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 include 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 is 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 six-month period ended June 30, 2024.

**Outlook**

For the immediate future, the Company plans to continue to implement its investment strategy, as described above, and focus on investments in, but not limited to, clean power technology, consumer products, oilfield services, and technology (software and hardware). The Company will also continue to explore and evaluate the option of finding a joint venture partner for its exploration property in Nova Scotia. The Company continues to monitor its spending and will amend its plans and budgets based on operational results and expectations of raising financing as and when required.

## **Critical Accounting Estimates**

The preparation of the 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 the financial statements and their effect are disclosed in Note 2 of the Company's 2023 audited annual financial statements and have been updated to reflect its change in status as an investment entity, as noted below.

### Investment Entity Status

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

## **Changes in Accounting Policies**

### *Basis of Consolidation*

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 transfer of 50% ownership to Cirque Innovations Ltd. Due to the reduction in the Company's ownership, the Company ceased consolidating CXTL's results effective January 1, 2021.

### *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.

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.

### *Classification of Series A Preferred shares*

During the Company's 2023 audit, the Company reviewed the accounting for, and classification of, the Series A preferred shares. It was determined that the Series A preferred shares are not a financial liability, rather they are more properly classified as equity.

Based on the analysis undertaken, the Preferred Shares are considered a compound instrument, consisting of both an equity component and a liability component. However, the liability component is initially recognized at nil value due to its nature as a contingent obligation which has an indeterminable payment probability and an amount that cannot be reliably measured. Therefore, the entire amount of the proceeds from the issue of Series A preferred shares was reallocated to the equity component.

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A includes certain statements and information that constitutes "forward-looking statements" and "forward-looking information" under applicable securities laws (collectively, "Forward-Looking Statements", statements and information regarding the intent, beliefs or current expectations of the Company. Such Forward-Looking Statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results,

performance or achievements expressed or implied by such Forward-Looking Statements. When used in this MD&A, words such as "expects", "anticipates", "estimates", "projects", "plans", "goals", "objectives", "outlook", "believe", "could", "intend", "may", "predict", "will", "would" and similar expressions are intended to identify these forward- looking statements. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding Company's future business strategy, plans and objectives. The Company has based these Forward- Looking Statements largely on their current expectations and projections about future events. These Forward-Looking Statements were derived using numerous assumptions, and while the Company considers these assumptions to be reasonable, based on information currently available, such assumptions may prove to be incorrect. Accordingly, readers are cautioned not to put undue reliance on these Forward-Looking Statements. Forward-looking statements should not be read as a guarantee of future events or results.

### **Disclosure of Internal Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation

### **Risks and Uncertainties**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended December 31, 2021, available on SEDAR at [www.sedar.com](http://www.sedar.com).