# MAGNETIC NORTH ACQUISITION CORP.

# CONDENSED INTERIM FINANCIAL STATEMENTS

# FOR THE THREE MONTHS ENDED
# MARCH 31, 2024 AND 2023

# (EXPRESSED IN CANADIAN DOLLARS)

**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.
## Statements of Financial Position
## (Expressed in Canadian dollars)
## (Unaudited)

| | | As at March 31 2024 | | As at December 31 2023 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ | 27,084 | $ | 6,976 |
| Restricted cash (note 8) | | 13,539,000 | | 13,226,000 |
| Short-term investments (note 3) | | 27,400 | | 27,400 |
| Trade and other receivables | | 14,917 | | 4,885 |
| Due from related parties (note 17) | | 190,826 | | 160,901 |
| Advances to investees (note 4) | | - | | - |
| Prepaids and other current assets (note 8) | | 138,918 | | 263,193 |
| **Total Current Assets** | $ | 13,938,145 | $ | 13,689,355 |
| **Non-current assets** | | | | |
| Investments - fair value through profit or loss (note 5) | | - | | - |
| Property, plant and equipment | | 3 | | 3 |
| Mineral claims | | 1 | | 1 |
| Exploration and evaluation assets | | 1 | | 1 |
| Other assets (note 6) | | 330,724 | | 330,724 |
| **Total assets** | $ | 14,268,874 | $ | 14,020,084 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities (note 7) | $ | 1,501,715 | $ | 1,001,708 |
| Short term loans payable (note 8) | | 13,887,330 | | 13,574,230 |
| Advances from investees (note 4) | | 816,360 | | 651,813 |
| **Total Current Liabilities** | $ | 16,205,405 | $ | 15,227,751 |
| **Non-current liabilities** | | | | |
| Asset retirement obligation (note 9) | | 660,072 | | 659,892 |
| Financial liability - Series A preferred shares (notes 2 and 10) | | - | | - |
| **Total liabilities** | $ | 16,865,477 | $ | 15,887,643 |
| **Shareholders' equity** | | | | |
| Common shares (note 11) | | 29,083,903 | | 29,083,903 |
| Warrants (note 12) | | 1,645,494 | | 1,645,494 |
| Series A preferred shares (notes 2 and 10) | | 16,467,597 | | 16,467,597 |
| Contributed surplus | | 3,651,613 | | 3,644,570 |
| Accumulated deficit | | (53,445,210) | | (52,709,123) |
| **Total shareholders' equity** | | (2,596,603) | | (1,867,559) |
| **Total liabilities and shareholders' equity** | $ | 14,268,874 | $ | 14,020,084 |

Nature of operations and going concern (note 1)
Subsequent events (note 19)

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

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

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| **Revenue** | | |
| Advisory fees (note 18) | **$ 60,000** | $ - |
| Fair value adjustment of investments (note 5) | **-** | - |
| | **60,000** | - |
| **Expenses** | | |
| Exploration and evaluation expenses | **3,052** | 1,399 |
| General and administrative (note 14) | **306,523** | 226,664 |
| Share-based compensation (note 13) | **7,043** | 30,111 |
| Depreciation | **-** | - |
| **Total Expenses** | **316,618** | 258,174 |
| **Loss before other items** | **(256,618)** | (258,174) |
| **Other Items** | | |
| Accretion | **(180)** | (180) |
| Finance income/(cost), net | **(479,289)** | 50 |
| Preferred share-based transaction costs | **-** | - |
| Expected credit loss | **-** | - |
| **Net and comprehensive loss for the period** | **(736,087)** | (258,304) |
| **Net and comprehensive loss per share - Basic and Diluted (note 15)** | **$ (0.01)** | $ (0.00) |
| **Weighted average number of common shares outstanding - Basic and Diluted (note 15)** | **59,097,178** | 59,097,178 |

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

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

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | **(736,087)** | (258,304) |
| Adjustments for: | | |
| Depreciation and amortization | **-** | - |
| Change in asset retirement obligation estimate | **-** | - |
| Accretion | **180** | 180 |
| Share based compensation | **7,043** | 30,111 |
| Fair value adjustment of investments | **-** | - |
| Restricted cash - exchange adjustment | **313,000** | - |
| Changes in non-cash working capital items: | | |
| Trade and other receivables | **(10,032)** | (1,030) |
| Prepaid expenses and other current assets | **124,375** | 1,399 |
| Due from related parties | **(29,925)** | - |
| Accounts payable and accrued liabilities | **500,007** | 125,504 |
| Short term loans payable | **313,100** | - |
| **Net cash provided by (used in) operations** | **168,561** | (102,140) |
| **Investing activities** | | |
| Advances to investees (note 4) | **-** | - |
| **Net cash provided by (used in) investing activities** | **-** | - |
| **Financing Activities** | | |
| Advances from investees (note 4) | **164,547** | 114,500 |
| Proceeds from private placement | **-** | - |
| Share issue costs | **-** | - |
| Receipt of restricted cash from short tern bank loan (note 8) | **-** | - |
| Short term shareholder loan (note 8) | **-** | - |
| **Net cash provided by (used in) financing activities** | **164,547** | 114,500 |
| **Net change in cash and cash equivalents** | **333,108** | 12,360 |
| **Cash and cash equivalents, beginning of period** | **13,232,976** | 13,571 |
| **Cash and cash equivalents, end of period** | **13,566,084** | 25,931 |
| **Cash is represented by:** | | |
| Cash and cash equivalents | **$ 27,084** | $ 25,931 |
| Restricted cash | **13,539,000** | - |
| | **$ 13,566,084** | $ 25,931 |
| **Supplemental information** | | |
| **Interest received** | **125** | 0 |

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

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

| | Issued common shares | | Issued preferred shares | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number (#) | Amount ($) | Number (#) | Amount ($) | Warrants | Contributed Surplus | Accumulated Deficit | Shareholders' Equity (Deficiency) |
| December 31, 2021 as previously presented | 59,097,187 | 29,083,903 | 1,712,927 | - | 894,266 | 3,284,907 | (46,349,086) | (13,086,010) |
| Effect of restatement (note 2) | - | - | - | 16,310,597 | (11,495) | - | 745,616 | 17,044,718 |
| Balance, December 31, 2022 Restated | 59,097,187 | 29,083,903 | 1,712,927 | 16,310,597 | 882,771 | 3,284,907 | (45,603,470) | 3,958,708 |
| Shared based compensation | - | - | - | - | - | 30,111 | - | 30,111 |
| Net and comprehensive loss for the period | - | - | - | - | - | - | (258,304) | (258,304) |
| **Balance, March 31, 2023** | 59,097,187 | 29,083,903 | 1,712,927 | 16,310,597 | 882,771 | 3,315,018 | (45,861,774) | 3,730,515 |
| **Balance, December 31, 2023** | **59,097,187** | **$ 29,083,903** | **1,750,825** | **$ 16,467,597** | **$ 1,645,494** | **$ 3,644,570** | **$ (52,709,123)** | **$ (1,867,559)** |
| Shared based compensation | - | - | - | - | - | **7,043** | **-** | **7,043** |
| Share issuance costs | - | - | - | - | - | - | - | - |
| Warrant issuance costs | - | - | - | - | - | - | - | - |
| Net and comprehensive loss for the period | - | - | - | - | - | - | **(736,087)** | **(736,087)** |
| **Balance, March 31, 2024** | **59,097,187** | **$ 29,083,903** | **1,750,825** | **$ 16,467,597** | **$ 1,645,494** | **$ 3,651,613** | **$ (53,445,210)** | **$ (2,596,603)** |

The accompanying notes to the 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 financial statements of the Company were reviewed, approved and authorized for issue by the Board of Directors on October 10, 2024.

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 $736,087 during the three months ended March 31, 2024 (three months ended March 31, 2023 - loss of $258,304) and has an accumulated deficit of $53,445,210 as at March 31, 2024 (December 31, 2023 - $52,709,123). In addition, the Company had a working capital deficiency of $2,267,260 as at March 31, 2024 (December 31, 2023 – a working capital deficiency of $1,538,396). 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 as an investment company. 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. Management is actively working on obtaining additional funds from investors, and from monetizing its current investments.

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.

## 2. Basis of presentation

### Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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 that is required under IFRS as issued by the IASB.

### Restatement

During the 2023 audit, the Company reviewed the accounting for, and classification of, its Series A preferred shares and determined that its Series A preferred shares are not a financial liability and are more properly classified as equity. There are 3 key terms that are relevant to the determination of classification:

**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 should be allocated to the equity component

The effect of this adjustment on the statement of financial position as at December 31, 2023 and March 31, 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 2023 comparative figures presented in these unaudited condensed interim financial statements have been restated, as required, to reflect the reclassification.

### Basis of measurement and presentation

These unaudited condensed interim financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as fair value through profit or loss. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. These unaudited condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### Material accounting judgments, estimates and new accounting policies

The preparation of these 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 financial statements.

### 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. See also note 1 above.

*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.

*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.

*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 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.

*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.

**Critical Accounting 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 and 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 date 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.

*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.

**Recent Accounting Pronouncements**

The Company has reviewed new and amended accounting pronouncements that have been issued and/or are not yet effective:

**IAS 1 – Classification of liabilities** : The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. The Company is currently assessing the impact of this amendment.

## 3. 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 March 31, 2024, $27,400 (December 31, 2023 - $27,400) were held in guaranteed investment certificates as security.

## 4. Advances to (from) investees

As per the terms of the Unanimous Shareholders Agreement ("USA") discussed in note 5, the Company is required to contribute capital to CXTL as part of its 50% ownership. During the three months ended March 31, 2024, the Company provided capital to CXTL to cover its operating expenses. These advances have initially been categorized as advances to investee, rather than equity. The amount outstanding was reduced by repayments from CXTL during 2023 and the three months to March 31, 2024. As at March 31, 2024, the amount advanced to CXTL was less than repayments and an additional Advance made to the Company in the period, which resulted in a net Advance to the Company of $164,547 for the three months ended March 31, 2024 (three months ended March 31, 2023 – a net Advance to the Company of $114,500). Advances from investees total $816,360 as at March 31, 2024 (December 31, 2023 – $651,813).

**(Expressed in Canadian Dollars)**

As at March 31, 2024, the gross amount net of ECL advanced to Previcare was $nil. As at December 31, 2023, the gross amount before ECL advanced to Previcare was $116,427 (December 31, 2022 - $71,377). During the 2023 fiscal year an additional ECL of $45,050 (December 31, 2022 - $ 71,377) was recorded to bring the net amount advanced to Previcare to $nil.
As at March 31, 2024, the Company has a net advance outstanding to Ignite Alliance Corp. of $nil (December 31, 2023 - $nil).

## 5. Investments

The following chart lists the investments carried at FVTPL as at March 31, 2024:

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| **Investments** | **Cost** | **Fair Value** | **Cost** | **Fair Value** |
| CXTL Recycling (Canada) Corp. | | | | |
| (115592 common shares - 50%) | 9,031,396 | - | 9,031,396 | - |
| Private company investments - FVTPL | $ 9,031,396 | $ - | $ 9,031,396 | $ - |

The Company also held shares in the following companies for which fair value was adjusted to nil at initial recognition: Previcare, Inc. 1,600,000 common shares representing approx.32% of the common shares issued and outstanding, 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, GrowthCell Global 335,000 common shares representing less than 1.5% of the common shares, and a 100% owned company, Bluenose Quartz Ltd ("Other investments").

During the fall of 2019, the Company and Cirque Innovations Ltd. ("Cirque") agreed in principle to jointly work together on Cirque's technology on a 50/50 basis. 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") to use in their recycling operations. 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.

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 March 31, 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.

**(Expressed in Canadian Dollars)**

As at March 31, 2024, management determined that, in the absence of sufficient independent observable evidence and other support for the valuation assumptions used under the income approach / discounted cash flow method, the fair value of MNAC's investment in CXTL cannot be readily determined. In accordance with IFRS 9, value has been assessed as $nil (December 31, 2023 - $nil).

Other investments have been assessed to have $nil fair value as at March 31, 2024 (December 31, 2023 - $nil), Company management reviewed Other investments and concluded that it is not possible to readily determine a fair market value for these investments

## 6. Other assets

Other assets consist 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 $330,724 (December 31, 2023 - $330,724).

## 7. Accounts payable and accrued liabilities

| | | As at March 31, 2024 | | As at December 31, 2023 |
|---|---|---|---|---|
| Trade accounts payable | | **1,247,008** | | 766,001 |
| Accrued liabilities | | **179,707** | | 160,707 |
| Other payable | | **75,000** | | 75,000 |
| Deposits [1] | | **-** | | - |
| | **$** | **1,501,715** | $ | 1,001,708 |

[1] Deposits related to the prepayment of fees received associated with a transaction that was pending finalization of terms and conditions. The transaction was not completed and the deposit was returned in 2023.

## 8. Short term loans and Restricted cash

The Company received a Term Loan from a Canadian financial institution in the month of November 2023 in the amount of US$10,000,000 (CDN$ 13,334,216). The Term Loan was supported by a General Security Agreement on the Company's assets. The interest rate was US prime + 1.5%. In addition, a third party provided a Letter of Credit in the amount of CDN$ 14,000,000 as security for the Term Loan. The Maturity date of the loan was June 30, 2024. Proceeds of the loan were to be used only to support certain specific potential financial transactions. As a result, the proceeds of the loan were classified as Restricted cash. On completion of an initial successful financial transaction supported by the proceeds of this loan, a one-time success fee of $250,000 would have been payable to the Canadian financial institution. Prior to repayment of the loan, the one-time success fee of $250,000 was neither accrued nor paid.
The Term Loan was repaid, using the Restricted Cash, in June 2024. See note 19. Subsequent events.

The Company issued 450,000 Warrants to acquire Series A Preferred shares at an exercise price of $7.50 per share for a period of twenty-four months from the date of issuance related to receiving the Letter of Credit supporting this loan. The estimated fair value of the total number of Warrants issued at the grant date was $571,404 using the Black- Scholes valuation model:

| | |
|---|---|
| Exercise price per Warrant | $7.50 |
| Risk-free interest rate | 4.45% |
| Expected volatility | 250% |
| Expected life | 2.0 years |

The estimated fair value amount was recorded as a Prepaid commitment fee under prepaids and other current assets and is being amortized over the term of the arrangement.

**(Expressed in Canadian Dollars)**

In November 2023 the Company also received a non-interest-bearing short term loan in the amount of $250,000 in an arm's length transaction from a shareholder of the Company to be used by the Company for general corporate purposes. The Maturity date of the loan, initially June 30, 2024 has been extended to September 30, 2024. The loan was recorded at its fair value determined using the rate of interest applicable to the other short term loan received by the Company.

The Company issued 100,000 Warrants to acquire Series A Preferred shares at an exercise price of $7.50 per share for a period of twenty-four months from the date of issuance related to receiving this loan.

The 100,000 warrants were valued after determining the fair value of the loan component. The estimated fair value of the total number of Warrants issued at the grant date using the residual value approach was $14,344.

During the three months ended March 31, 2024 $130,246 of the fair market value of the 550,000 Warrants issued in 2023 (year ended December 31, 2023 - $310,911) was expensed. See note 12 for further details on the issue of Warrants.

## 9. 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 last updated in November 2020 using then currently acceptable unit costs and information that reflected current site conditions and disturbed areas. The reclamation plan has now been updated to an effective date of December 31,2023 and the revised estimated reclamation obligation has been accounted for and reflected in the Company's financial statements.

The following table presents the reconciliation of the carrying amount of the liability associated with the reclamation of the Company's property based on the most recently completed reclamation plan:

| | As at March 31, 2024 | As at December 31, 2023 |
|---|---|---|
| Opening balance | **659,892** | 194,936 |
| Accretion | **180** | 760 |
| Effect of change in estimates | **-** | 464,196 |
| | **$ 660,072** | $ 659,892 |

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

| | As at March 31, 2024 | As at December 31,2023 |
|---|---|---|
| Undiscounted cashflows | **661,123** | 661,123 |
| Discount rate | **4.00%** | 4.00% |
| Inflation rate | **3.90%** | 3.90% |
| Weighted average expected timing of cashflows | **2 years** | 2 years |

**(Expressed in Canadian Dollars)**

## 10. Series A preferred shares

(i) Series A preferred shares issued:

| | Number of Preferred Shares | | Amount |
|---|---|---|---|
| Balance, December 31, 2021 - restated | **1,712,927** | | 16,310,597 |
| Private placement (1) | **37,898** | | 166,225 |
| Share issue costs (2) | **-** | | (9,225) |
| Balance as at December 31, 2022 - restated | **1,750,825** | | 16,467,597 |
| Balance, December 31, 2023 and March 31, 2024 | **1,750,825** | $ | 16,467,597 |

(1) Private placement of 37,898 Units at $9.50 per Unit completed during April 2022. Each Unit consisted of one Series A preferred share and one Series A preferred share purchase warrant. Each warrant entitles the holder to purchase one additional Series A preferred share at a price of $10.00 per share during the period ending on the fifth anniversary of the closing date of the Financing. The warrants will have an acceleration provision whereby, in the event the 10-day weighted average trading price of the Series A preferred shares on the TSXV exceeds $20.00 at any time, the Company will have the right to accelerate the expiry date of the warrants to 30 days from the date of issuance of a news release of the Company announcing the accelerated exercise period.

The issue date fair value of the warrants was initially estimated at $193,806 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 138%; risk-free interest rate of 2.74% and an expected life of 5 years. Pursuant to Restatement (see note 2) fair value of the warrant was adjusted to $176,975.

(2) Share issue costs consist of warrants issued relating to the April 2022 private placement.

(ii) Dividends paid

As at August 31, 2024, no dividends were paid or declared in the period then ended.

(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, entitled to 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.

**(Expressed in Canadian Dollars)**

## 11. Common share capital

a) Authorized common share capital

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

b) Common shares issued:

| | Number of Common Shares | Amount |
|---|---|---|
| Balance, December 31, 2022 | 59,097,781 | 29,083,903 |
| **Balance, December 31, 2023 and March 31, 2024** | **59,097,781** | **$ 29,083,903** |

## 12. Warrants

| | Number of Warrants | Grant date fair value |
|---|---|---|
| Balance, December 31, 2021 | 405,264 | 882,771 |
| Issued (note 10 (i)(1)) | 37,898 | 176,975 |
| Balance, December 31, 2022 | 443,162 | 1,059,746 |
| Issued (note 8) | 550,000 | 585,748 |
| **Balance, December 31, 2023 and March 31, 2024** | **993,162** | **$ 1,645,494** |

| Expiry Date | Exercise Price ($) | Number of Warrants oustanding | Grant date fair value |
|---|---|---|---|
| November 24, 2025 | 7.50 | 450,000 | 571,404 |
| November 24, 2025 | 7.50 | 100,000 | 14,344 |
| October 28, 2025 | 7.00 | 300,000 | 164,400 |
| December 6, 2026 | 10.00 | 105,264 | 718,371 |
| April 20, 2027 | 10.00 | 37,898 | 176,975 |
| | | **993,162** | **1,645,494** |

## 13. Stock options

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, and re-approved by its shareholders at the annual and special meeting of shareholders held on March 6, 2024. 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.

**(Expressed in Canadian Dollars)**

### 13. Stock options (continued)

a) The following table reflects the continuity of common stock options for the years presented:

| | Number of stock options | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2021 | 3,943,927 | 0.40 |
| Granted | 500,000 | 0.34 |
| Balance, December 31, 2022 | 4,443,927 | 0.40 |
| Granted | 975,000 | 0.05 |
| Forfeited | (428,927) | (0.32) |
| **Balance, December 31, 2023 and March 31, 2024** | 4,990,000 | 0.32 |

The grant date fair value of options granted during the period ended December 31, 2023 has been estimated at $.01 per option using Black-Scholes option pricing model.

The Company applied the following assumptions in determining fair value of options granted during the following periods:

| | Three months ended March 31, 2024 | Year ended December 31, 2023 |
|---|---|---|
| Exercise price per option | N/A | $ 0.05 |
| Risk free interest rate | N/A | 4.15% |
| Expected volatility | N/A | 182% |
| Expected life | N/A | 5 years |
| Forfeiture rate | N/A | N/A |
| Estimated fair value per option | N/A | $ 0.01 |

The following table reflects the common share stock options issued and outstanding as of March 31, 2024:

| Expiry Date | Exercise price ($) | years to maturity | Weighted average remaining contractual life (years) | Number of options outstanding | Grant date fair value ($) | Number of options vested (exercisable) |
|---|---|---|---|---|---|---|
| December 2, 2024 | 0.10 | 0.67 | 0.19 | 1,450,000 | 200,100 | 1,450,000 |
| February 10, 2025 | 0.1575 | 0.86 | 0.07 | 400,000 | 64,000 | 400,000 |
| May 26, 2025 | 0.83 | 1.17 | 0.17 | 715,000 | 438,295 | 715,000 |
| July 14, 2025 | 0.64 | 1.29 | 0.09 | 350,000 | 165,550 | 350,000 |
| August 24, 2025 | 0.65 | 1.42 | 0.01 | 50,000 | 24,000 | 50,000 |
| October 9, 2025 | 0.72 | 1.53 | 0.05 | 150,000 | 88,650 | 150,000 |
| October 28, 2025 | 0.70 | 1.58 | 0.10 | 300,000 | 164,400 | 300,000 |
| November 5, 2025 | 0.79 | 1.59 | 0.03 | 100,000 | 61,900 | 100,000 |
| January 20, 2027 | 0.175 | 2.80 | 0.28 | 500,000 | 70,142 | 375,000 |
| October 10, 2028 | 0.05 | 4.53 | 0.88 | 975,000 | 9,750 | 243,750 |
| | 0.32 | | 1.87 | 4,990,000 | 1,286,787 | 4,133,750 |

**(Expressed in Canadian Dollars)**

### 13. Stock options (continued)

b) The following table reflects the continuity of Series A preferred share options for the years presented:

| | Number of stock options | Weighted average exercise price ($) |
|---|---|---|
| **Balance, December 31, 2021** | **-** | **-** |
| Granted | 12,500 | - |
| **Balance, December 31, 2022** | 12,500 | 0.90 |
| Granted October, 2023 | 85,000 | 6.32 |
| **Balance, December 31, 2023 and March 31, 2024** | **97,500** | **7.22** |

The grant date fair value of Series A Preferred share options granted during the year ended December 31, 2023 was estimated at $0.20 per option using the Black-Scholes option pricing model. The Company applied the following assumptions in determining fair value of common share options granted during the following periods:

| | Three months ended March 31, 2024 | Year ended December 31, 2023 |
|---|---|---|
| Weighted average exercise price per option | N/A | $ 7.25 |
| Risk free interest rate | N/A | 4.15% |
| Expected volatility | N/A | 182% |
| Expected life | N/A | 5 years |
| Forfeiture rate | N/A | N/A |
| Weighted average fair value per option | N/A | $ 0.20 |

The following table reflects the Series A preferred stock options issued and outstanding as of March 31, 2024:

| Expiry Date | Exercise price ($) | remaining contractual life (years) | Weighted average remaining contractual life (years) | Number of options outstanding | Grant date fair value ($) | Number of options vested (exercisable) |
|---|---|---|---|---|---|---|
| January 20, 2027 | 7.00 | 2.83 | 0.36 | 12,500 | 74,252 | 9,375 |
| October 10, 2028 | 7.25 | 4.50 | 3.92 | 85,000 | 17,000 | 21,250 |
| | | | **4.29** | **97,500** | **79,892** | **30,625** |

(1) These stock options will convert to Series A preferred shares if and when exercised.

c) For the three months ended March 31, 2024, the Company reported share-based compensation expense of $7,043 (three months ended March 31, 2023 - $30,111).

**(Expressed in Canadian Dollars)**

## 14. General and administrative

| | Three months ended March 31, 2024 | 2023 |
|---|---|---|
| Consulting fees | **109,467** | 93,708 |
| Professional fees | **54,820** | 24,944 |
| Investor relations | **15,000** | 15,000 |
| Salaries & benefits | **66,084** | 81,044 |
| Office & general | **42,320** | 2,891 |
| Travel expenses | **3,662** | - |
| Regulatory fees | **15,171** | 9,077 |
| | **306,523** | 226,664 |

## 15. Loss per share

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Loss for the period | **$ (736,087)** | $ (258,304) |
| Weighted average number of common shares - basic and diluted | **59,097,178** | 59,097,178 |
| Basic and diluted loss per share | **$ (0.01)** | $ (0.00) |

Basic loss per share is calculated based on net loss and the weighted-average number of common shares outstanding. The Company recorded losses for the period ended March 31, 2024 and 2023 and therefore any addition to basic number of common shares is anti-dilutive.
The impact of all shares issued under the stock option plan in calculating the weighted average number of diluted shares did not materially impact on the calculation of net income (loss) per share.

## 16. 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.

## 17. 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 March 31, 2024 | 2023 |
|---|---|---|
| Consulting fees | **100,000** | 79,867 |
| Share-based compensation | **2,742** | - |
| Salaries and benefits | **36,816** | - |
| | **$ 139,558** | $ 79,867 |

**(Expressed in Canadian Dollars)**

**17. Related party transactions (continued)**

As at March 31, 2024, the Company recorded a prepayment of $ 190,826 (December 31, 2023 - $160,901) for consulting fees for the Company's two Co-Chief Executive Officers. As at March 31, 2024, the Company recorded accounts payable and accruals of $65,083 (December 31, 2023 - $46,833) for consulting fees for the Company's other Officers.

Accounts payable at March 31, 2024 include $18,871 due to an Investee Entity for services provided to the Company (December 31, 2023 - $14,188). See also note 4. Advances to (from) investees.

*Investments in companies with common management personnel:*

As at March 31, 2024, the Company held investment positions in the following issuers with common officers and directors:

| Entity | Type of investment | Holdings (# of shares) | Fair value ($) |
|---|---|---|---|
| CXTL Recycling (Canada) Corp. (1) | Common shares | 115,592 | nil |
| Previcare, Inc. (2), (3) | Common shares | 1,600,000 | nil |
| Ignite Alliance Corp. | Common shares | 50,000 | nil |
| Bluenose Quartz Ltd. (5) | 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.

**18. Advisory Fees**

Advisory fees are generated from providing management advisory services to Investee Entities.

**19. Subsequent events**

On May 7, 2024 the Company was granted a Management Cease Trade Order by the Alberta Securities Commission, ( the "ASC") as a result of the Company being late to file the 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 continuing 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.

On July 15, 2024, the TSX Venture Exchange (the "TSXV") suspended trading in the Company's securities on July 15, 2024 as a result of the CTO issued by the ASC.