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**FINDEV INC.**  
**UNAUDITED CONDENSED INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

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**NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Findev Inc. ("**Corporation**") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's independent auditor.

**FINDEV INC.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2024**

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## Management's Responsibility

To the Shareholders of Findev Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards (“**IFRS**”) that have been incorporated into Canadian Generally Accepted Accounting Principles (“**CGAAP**”) and for ensuring that all information in the management discussion and analysis is consistent with these consolidated financial statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors (“**Board**”) is composed primarily of directors who are neither management nor employees of Findev Inc. and the Audit Committee is comprised of independent directors. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and with the external auditor. The Board is also responsible for recommending the appointment of the external auditor of Findev Inc.

Dale Matheson Carr-Hilton Labonte LLP, an independent firm of Chartered Professional Accountants, has been appointed to audit the consolidated financial statements and report directly to the audit committee; their report follows. The external auditor has full and free access to and meets periodically and separately with, the Board, Audit Committee, and management to discuss their audit findings.

/s/ “Sruli Weinreb”

Sruli Weinreb  
Chief Executive Officer

/s/ “Claude Ayache”

Claude Ayache  
Chief Financial Officer

Toronto  
November 27, 2024

**FINDEV INC.**  
**UNAUDITED CONDENSED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(All Amounts are in Canadian Dollars)**

As at	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
CURRENT		
Cash	\$ 11,026	\$ 282,452
Receivables	267,454	—
Prepaid expenses	2,294	1,268
Loans and mortgage investments (Note 5 and 11)	25,480,516	23,519,001
Deferred tax asset (Note 16)	496,867	1,301,921
	\$ 26,258,157	\$ 25,104,642

**LIABILITIES**

CURRENT		
Accounts payables and accrued liabilities	\$ 108,113	\$ 101,001
Due to related parties (Note 7)	214,856	214,856
	322,969	315,857

**SHAREHOLDERS' EQUITY**

Share capital (Note 6)	34,474,681	34,474,681
Contributed surplus (Note 7)	12,646,481	12,646,481
Accumulated deficit	(21,185,974)	(22,332,377)
	25,935,188	24,788,785
	\$ 26,258,157	\$ 25,104,642

Nature of Organization (Note 1)  
 Commitments and Contingencies (Note 12)

Approved on behalf of the board of directors:

          /s/ "Brice Scheschuk"            
 Brice Scheschuk, Director

          /s/ "Yisroel Weinreb"            
 Yisroel Weinreb, Director

**FINDEV INC.**  
**UNAUDITED CONDENSED INTERIM**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(All Amounts are in Canadian Dollars)**

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
Balance, January 1, 2023	28,647,441	\$ 34,474,681	\$ 12,646,481	\$ (23,469,343)	\$ 23,651,819
Dividends declared (Note 10)	—	—	—	(644,568)	(644,568)
Comprehensive income	—	—	—	1,497,168	1,497,168
Balance, September 30, 2023	<u>28,647,441</u>	<u>\$ 34,474,681</u>	<u>\$ 12,646,481</u>	<u>\$ (22,616,743)</u>	<u>\$ 24,504,419</u>
Balance, January 1, 2024	28,647,441	\$ 34,474,681	\$ 12,646,481	\$ (22,332,377)	\$ 24,788,785
Dividends declared (Note 10)	—	—	—	(644,568)	(644,568)
Comprehensive income	—	—	—	1,790,971	1,790,971
Balance, September 30, 2024	<u>28,647,441</u>	<u>\$ 34,474,681</u>	<u>\$ 12,646,481</u>	<u>\$ (21,185,974)</u>	<u>\$ 25,925,157</u>

**FINDEV INC.**  
**UNAUDITED CONDENSED INTERIM**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(All Amounts are in Canadian Dollars)**

<b>September 30,</b>	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>REVENUE</b>				
Interest income (Notes 5 and 11)	\$ 973,329	\$ 870,242	\$ 2,803,284	\$ 2,513,224
<b>Expenses</b>				
General and administrative (Notes 9 and 11)	69,206	78,534	205,692	238,777
Unrealized loss (Note 5)	1,567	88,292	1,567	115,914
	<u>70,773</u>	<u>166,828</u>	<u>207,259</u>	<u>354,691</u>
<b>INCOME BEFORE TAX PROVISION</b>	902,556	703,416	2,596,025	2,158,533
<b>PROVISION FOR INCOME TAX</b>	<u>(271,092)</u>	<u>(279,212)</u>	<u>(805,054)</u>	<u>(661,365)</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 631,464</u>	<u>\$ 424,204</u>	<u>\$ 1,790,971</u>	<u>\$ 1,497,168</u>
Net loss per common share	\$ 0.02	\$ 0.01	\$ 0.06	\$ 0.05
Weighted average number of common shares outstanding (Note 12)				
Basic and diluted	28,647,441	28,647,441	28,647,441	28,647,441

**FINDEV INC.**  
**UNAUDITED CONDENSED INTERIM**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(All Amounts are in Canadian Dollars)**

<b>September 30,</b>	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the year	\$ 631,464	\$ 424,204	\$ 1,790,971	\$ 1,497,168
Non-cash expenses:				
Loan (provision) recovery	14,000	11,500	38,933	31,000
Recovery of deferred tax benefit	271,092	279,212	805,054	661,365
Unrealized loss on securities	1,567	75,663	1,567	103,285
Loan and mortgage investments:				
Investment in loans and mortgages	(719,132)	(612,371)	(2,042,015)	(1,729,114)
Repayments of loans and mortgages	40,000		40,000	
Net change in operating assets and liabilities				
Receivable	(267,454)	—	(267,454)	—
Prepaid expenses	5,347	4,494	(1,026)	(3,361)
Accounts payable and accrued liabilities	(60,447)	519	7,112	23,522
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>(83,563)</b>	<b>183,221</b>	<b>373,142</b>	<b>658,865</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid	214,856	214,856	(644,568)	(644,568)
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>214,856</b>	<b>214,856</b>	<b>(644,568)</b>	<b>(644,568)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(298,419)</b>	<b>(31,635)</b>	<b>(271,426)</b>	<b>(644,568)</b>
- Beginning of the period	309,445	332,089	282,452	286,157
- End of the period	<u>\$ 11,026</u>	<u>\$ 300,454</u>	<u>\$ 11,026</u>	<u>\$ 300,454</u>
Capitalized interest	<u>\$ 719,132</u>	<u>\$ 612,371</u>	<u>\$ 2,042,015</u>	<u>\$ 1,729,114</u>

**FINDEV INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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## **1. Nature of Organization**

### ***Description of the Business***

Findev Inc. (“**Findev**” or “**Corporation**”) was incorporated under the Canada Business Corporations Act on August 4, 2004. The Corporation’s principal office is located at 10 Wanless Avenue, Suite 201, Toronto, Ontario. The principal business is to provide real estate financing secured by investment properties and real estate developments. These financings are generally for a period of one to five years to bridge a period during the various stages of development.

The Corporation’s common shares are listed on the TSX Venture Exchange (“**TSXV**”) under the symbol FDI.

These consolidated financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on November 27, 2024.

## **2. Basis of Presentation**

### ***Statement of Compliance***

These unaudited condensed interim consolidated financial statements (“**Financial Statements**”) for the period from January 1, 2024 to September 30, 2024 have been prepared by management in accordance with International Accounting Standards (“**IAS**”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and incorporated into Canadian Generally Accepted Accounting Principles (“**CGAAP**”). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”). These financial statements have not been reviewed by the Corporation’s external auditors.

### ***Basis of Presentation and Basis of Measurement***

These Financial Statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business and under the historical cost convention, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

### ***Principles of Consolidation***

These Financial Statements include the accounts of Findev and its wholly-owned subsidiary, Findev Lending Inc. (“**FLI**”). All intercompany balances, transactions and gains and losses from intercompany transactions have been eliminated on consolidation.

### ***Functional and Presentation Currency***

These Financial Statements are presented in Canadian dollars, which is the Corporation’s and its subsidiary’s functional currency. Foreign exchange transactions were converted into Canadian dollars at the exchange rate on the date of the transaction. Monetary items denominated in foreign currencies were converted at the period-end exchange rate. Non-monetary items are measured at historical cost and will continue to be carried at the exchange rate at the date of the original transaction.

### ***Critical Judgments and Estimates***

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the dates of the Financial Statements and the reported amounts of income and expenses. Actual results may differ from these estimates.

**FINDEV INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM**  
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**2. Basis of Presentation** – continued

In making estimates, the Corporation relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior periods and there are no known trends, commitments, events or uncertainties that the Corporation believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these Financial Statements. The areas involving greater judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed separately.

Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these Financial Statements and the reported amounts of revenue and expenses during the periods presented. Actual results could also differ from those estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Critical judgements and estimates are disclosed in Note 4.

**3. Material Accounting Policy Information**

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality for disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements in accordance with IFRS.

***Marketable Securities***

Marketable securities are comprised of securities that trade on an exchange and the book value is recorded at fair market value.

***Financial assets and liabilities***

***Classification***

The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss (“**FVTPL**”), at fair value through other comprehensive income (loss) (“**FVTOCI**”) or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation’s business model for managing the financial assets and their contractual cash flow characteristics.

For other equity instruments, on the day of acquisition, the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Corporation has opted to measure them at FVTPL.

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**3. Material Accounting Policy Information – continued**

The following table summarizes the classification under IFRS 9 for each financial instrument:

<b>Financial assets/liabilities</b>	<b>Classification</b>
Cash	FVTPL
Loan investment	FVTPL
Mortgage investments	Amortized cost
Accounts payable	Amortized cost
Dividends payable	Amortized cost

***Measurement***

***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

***Financial assets and liabilities at FVTPL***

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations and comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Corporation's own credit risk will be recognized in other comprehensive income (loss).

***Impairment of financial assets at amortized cost***

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Corporation measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Corporation measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Corporation recognizes in the consolidated statements of operations and comprehensive income as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

***Derecognition***

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations and comprehensive income. However, gains and losses on the derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of operations and comprehensive income.

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**3. Material Accounting Policy Information – continued**

Business Model Assessment

Business model assessment involves determining whether financial assets are managed in order to generate a collection of contractual cash flows. The Corporation takes into consideration the following factors:

- i. How the performance of assets in a particular portfolio is evaluated and reported;
- ii. The risks that affect the performance of assets held within a business model and how those risks are managed; and
- iii. Whether the assets are held for trading purposes.

Cash Flow Characteristics Assessments

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (“**SPPI**”).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement.

If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Investments in Debt Instruments Measured at Amortized Cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent SPPI. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in interest income in the consolidated statement of operations and comprehensive income.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (“**ACL**”) in the consolidated statement of financial position.

Investments in Debt Instruments Measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest.

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**3. Material Accounting Policy Information – continued**

These instruments are measured at fair value in the consolidated statement of financial position, with transaction costs recognized immediately in the consolidated statement of operations and comprehensive income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the consolidated statement of operations and comprehensive income.

Investments in Equity Instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of non-interest income in the consolidated statement of operations and comprehensive income.

The Corporation can elect to classify non-trading equity instruments at FVTOCI. This election will be used for certain equity investments for strategic or longer-term investment purposes. The FVTOCI election is made upon initial recognition on an instrument-by-instrument basis and once made is irrevocable.

Impairment

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (“**SIR**”) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Measurement of expected credit loss

The probability of default (“**PD**”), exposure at default (“**EAD**”), and loss given default (“**LGD**”) inputs are used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

PD: The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

EAD: The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD: The loss-given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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**3. Material Accounting Policy Information – continued**

Macroeconomic Factors

In its models, the Corporation relies on forward-looking information as economic inputs, such as house price indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Assessment of SIR

At each reporting date, the Corporation assesses whether there has been a SIR for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors, management judgement and delinquency and monitoring.

The common assessments for SIR on investment portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments, the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 90 days overdue.

Presentation of allowance for credit losses in the statement of financial position:

- i. Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets; and
- ii. Loan investments measured at FVTPL: no allowance is recognized in the consolidated statement of financial position because the carrying value of these assets is their fair value.

Definition of default

The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- i. Significant financial difficulty of the borrow;
- ii. Default or delinquency in interest or principal payments;
- iii. High probability of the borrower entering a phase of bankruptcy or financial reorganization; and
- iv. Measurable decrease in the estimated future cash flows of the loan or the underlying assets that back the loan.

The Corporation considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is applicable.

***Share Capital***

Share capital, common shares and equity instruments are any contracts that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

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**3. Material Accounting Policy Information – continued**

***Warrants***

The Corporation measures the fair value of warrants issued using the Black-Scholes Option Pricing Model. The fair value of each warrant is estimated based on their respective issuance dates considering volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus.

***Unearned Income***

Unearned income includes commitment fees received from borrowers, which are amortized over the contractual terms of the respective loan and mortgage investments.

***Revenue Recognition – Interest Income and Fees Earned***

Interest income and fees earned is recognized in the consolidated statements of operations and comprehensive income using the effective interest rate method (“EIM”). The EIM discounts the estimated future cash receipts through the expected life of the loan and mortgage to its carrying amount. When estimating future cash flows, the contractual terms of the mortgage are considered, including origination revenue, interest receipts, principal receipts and contractual end-of-term participation receipts, where applicable. Participation receipts that are contingent upon future events, such as the profitability of the underlying security, are not included in the estimated cash flows. Such amounts are recorded in income when management is reasonably assured of its collectability.

***Share-based Compensation***

The Corporation has an incentive stock option plan for grants to eligible directors, officers, senior management and consultants under its incentive stock option plan. The expense of the equity-settled incentive option plan is measured based on the fair value of the options granted of each tranche at the grant date. The expense is recognized in proportion to the vesting features of each tranche of the grant and is reflected in the contributed surplus. When incentive stock options are exercised, any consideration paid, together with the amount recorded in contributed surplus, are recorded in share capital.

***Provisions***

Provisions for legal claims, where applicable, are recognized in other liabilities when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

***Deferred Financing Costs***

Financing costs related to the Corporation’s financings are recorded as deferred financing costs. These costs will be deferred until the financing is completed; at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to the statements of operations and comprehensive income.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common shares are charged to share capital upon the raising of equity. Costs associated with the issuance of debt are amortized using the EIM over the life of the debt.

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**3. Material Accounting Policy Information – continued**

***Income Tax***

Income tax comprises current and deferred taxes. Income tax is recognized in the consolidated statements of operations and comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case, the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted, or substantively enacted, at the end of the reporting period.

Deferred tax is determined based on the temporary differences between the carrying value and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in income. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to the Corporation's taxable income for the period in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

***Earnings per Share***

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of shares outstanding, adjusted for the dilutive effects of all convertible securities and granted incentive stock options and warrants, issued and outstanding, if any. No effect is given to the potential exercise of stock options and warrants in the calculation of diluted net earnings (loss) per share if the effect would be anti-dilutive. Stock options and warrants have a dilutive effect only when the average market price per common share during the period exceeds the exercise price.

**Future Accounting standards issued**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Corporation's Financial Statements.

**4. Significant Accounting Policies, Judgements and Estimation Uncertainty**

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

***Fair Value of Financial Instruments***

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

***Impairment of Mortgages***

At the end of each reporting period, the Corporation reviews the carrying amounts of its loans and mortgages to determine the expectation of future impairment losses, taking into consideration the value of the recoverable amount and an adjustment to the expected future impairment, if any, with such amount being reflected as a reduction in revenues within the consolidated statement of operations and comprehensive income.

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**4. Significant Accounting Policies, Judgements and Estimation Uncertainty – continued**

***Income Taxes***

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

***Fair value of the Investment in Convertible Debentures***

The Corporation measures the investments in convertible debentures at fair value. Estimating fair value for the convertible debentures requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the debentures. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model such as the time to expiration, volatility, dividend yield, risk rate of the debentures and discount rate.

**5. Loan and Mortgage Investments**

As at September 30, 2024, the Corporation had a net principal balance of loan and mortgage investments of \$25,480,516 (December 31, 2023 - \$23,519,001). The loan and mortgage investments carry a weighted average effective interest rate of 16.28% (December 31, 2023 – 15.50%) and a weighted average term to maturity of 0.60 years (December 31, 2023 – 0.60), with maturities as follows:

Maturity	September 30, 2024	December 31, 2023
Mortgage investments, less than one year	\$ 25,624,516	\$ 23,622,501
Loan investment, less than one year	736,122	736,122
	26,360,638	24,358,623
Fair value adjustment of loan investment	(736,122)	(736,122)
Allowance for loan and mortgage investments loss	(144,000)	(103,500)
	\$ 25,480,516	\$ 23,519,001

The Corporation increased the fair value adjustment by \$Nil (December 31, 2023 – \$141,362 increase) to fully impair the convertible debenture loan and increased its loan and mortgage loss allowance during the period by \$40,500 (September 30, 2023 – increased by \$31,000, December 31, 2022 - increased by \$35,500).

There is one loan issued to Plazacorp Investments Limited (“**Plazacorp**”), a related party (Note 11), for a total of \$10,640,000 (December 31, 2023 - \$10,680,000) maturing June 30, 2025, that can be repaid at any time without penalty.

The loan and mortgage investments are secured by mortgages registered on title and/or other forms of security, including, but not limited to, floating charge debentures, general security agreements, postponement of specific claims and joint and several guarantees.

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**5. Loan and Mortgage Investments – continued**

The following table presents details of the loan and mortgage investments as at September 30, 2024:

	Net Investment	% of net investments
Residential housing development (Note 11)	\$ 25,624,516	97.21
Carrying value of loan investment before fair value adjustment	736,122	2.79
	<u>26,360,638</u>	<u>100.00</u>
Fair value adjustment change for loan investment	(736,122)	(2.79)
Allowance for loan and mortgage investments loss	(144,000)	(0.55)
	<u>\$ 25,480,516</u>	<u>96.66</u>

The loan investment is an investment in 500 convertible debentures of Vertical Peak Holdings Inc. (Formerly High Fusion Inc.) (“**VPH**”), with a face value of \$1,000 each originally due on August 3, 2021 bearing a coupon rate at 10% per annum if paid in cash or 12% per annum if paid by issuing shares at the 20-day volume weighted average price of the borrow prior to the interest due date. The convertible debentures were initially convertible at any time with a conversion price of \$14.00 per common share on a post-consolidation basis, subject to certain price adjustment provisions. Due to the convertible debenture price adjustment provisions, the conversion price has been reduced and is currently at \$0.05.

On November 18, 2020, the holders of these convertible debentures agreed to extend the maturity to August 3, 2022, and in exchange, all of the interest that would have been earned over the remaining term is added to the principal amount due with no additional interest to accrue, so that should the holders choose to convert, all of the otherwise future interest would be convertible into common shares of the borrower.

On August 3, 2022, the holders of these convertible debentures agreed to further extend the maturity to February 3, 2023, then March 3, 2023 and then to August 3, 2024. With the extension of the maturity date of these convertible debentures, the interest on the debentures to maturity increased to 24% per annum and later reduced to 12% effective March 3, 2023. One-half of the interest earned between August 3, 2022 and March 3, 2023 was added to the principal amount increasing the principal outstanding balance with the remaining half of the interest was settled in with 3,762,829 subordinated voting shares of the borrower at a price equal to the 20-day volume weighted average price as approved by the Canadian Stock Exchange (“**CSE**”). To date, the Corporation has yet to receive the payment for the interest for the period subsequent to December 31, 2022, and therefore the loan investment is in default. On December 6, 2023 the common shares of VPH were suspended from trading due the their in ability to file their financial statements. As at September 30, 2024, the fair value of the 3,762,829 subordinated voting shares of VPH is \$Nil.

As at September 30, 2024, the fair value of these convertible debentures is estimated to be \$Nil based on the fact that the borrower is in default on several loans (December 31, 2023 - \$Nil based on the fair value of the shares expected to be received on maturity less a discount for lack of marketability). Due to the financial difficulty of VPH, the Corporation is not anticipating recovering anything from the sale of the assets, as the main operating business from which VPH receives a management fee is also in default with its sales and excise tax filing in addition to its own debt obligations. Furthermore, that entity’s management determined that VPH was in default of its operating agreement and used that argument to terminate its agreement with VPH.

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**6. Accounts Payable and Accrued Liabilities**

As at	September 30, 2024	December 31, 2023
Accounts payable (Note 11)	\$ 74,038	\$ 41,401
Accrued liabilities (Note 11)	34,075	59,600
	<b>\$ 108,113</b>	<b>\$ 101,001</b>

**7. Share capital**

The Corporation is authorized to issue an unlimited number of common shares.

**8. Contributed Surplus**

The Corporation's contributed surplus consists of the following:

	General	Incentive Stock Option	Warrants	Total
Balance, January 1, 2023, December 31, 2023 and September 30, 2024	\$ 12,202,601	\$ 443,880	\$ —	\$ 12,646,481

a) Incentive Stock options

The Corporation's Incentive Stock Option Plan ("Plan") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. The option period for options granted under the Plan is for a maximum period of 10 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified within the terms of the option.

The number of common shares reserved for issuance under the Plan is a rolling 10% of the issued and outstanding common shares. Stock option issuances are recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest that have not yet been forfeited. Stock compensation expense adjustments for anticipated forfeitures have been determined to be immaterial.

No options were granted during the periods ending December 31, 2023 and September 30, 2024. The following table reconciles outstanding incentive stock options as at December 31, 2023 and September 30, 2024:

	Number	Weighted Average Exercise Price
Balance, January 1, 2023	1,450,000	\$ 0.600
Granted	—	N/A
Exercised	—	N/A
Expired	—	N/A
Forfeited	—	N/A
Balance, December 31, 2023 and September 30, 2024	<b>1,450,000</b>	<b>\$ 0.600</b>

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**8. Contributed Surplus – continued**

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at September 30, 2024.

Exercise Price	Options Outstanding	Expiry Date	Outstanding		Exercisable	
			Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
\$ 0.600	1,250,000	October 20, 2024	0.1 years	\$ 0.60	1,250,000	\$ 0.600
0.600	200,000	November 2, 2024	0.1 years	0.60	200,000	0.600

b) Warrants

For the period ended December 31, 2023 and September 30, 2024, no warrants were issued or outstanding.

**9. Expenses by Nature**

For the period from To September 30,	April 1,		January 1,	
	2024	2023	2024	2023
Bank charges	\$ 236	\$ 224	\$ 778	\$ 721
Insurance	2,355	6,930	9,375	20,789
Interest	19	147	539	1,076
Management fees (Note 11)	22,500	23,475	67,500	74,325
Professional fees (Note 11)	32,631	35,285	99,250	113,886
Regulatory reporting	11,465	12,473	28,250	27,880
	<u>\$ 69,206</u>	<u>\$ 78,534</u>	<u>\$ 205,692</u>	<u>\$ 238,777</u>

**10. Dividend Payable**

The following table are the dividends declared, ex-dividend and the dates when dividends are to be paid as well as the total amounts paid out and the dividend per common share declared and not yet paid as of September 30, 2024.

Ex-Dividend	Record Date	To Be Paid on	Total Amount Declared	Total Amount Declared	Declared paid per Share	Amount paid per Share
September 25, 2024	September 25, 2024	October 16, 2024	\$ 214,856	\$ 214,856	\$ 0.0075	\$0.0075
December 20, 2024	December 20, 2024	January 16 2025	214,856	214,856	0.0075	0.0075
March 28, 2025	March 28, 2025	April 17, 2025	214,856	214,856	0.0075	0.0075

The following table summarizes the dividends that have been paid during the period:

For the period from To September 30,	April 1		January 1	
	2024	2023	2024	2023
Declared	\$ 214,856	\$ 214,856	\$ 644,568	\$ 644,568
Paid	214,856	214,856	644,568	644,568
Declared per common share	0.0075	0.0075	0.0225	0.0225
Paid per common share	0.0075	0.0075	0.0225	0.0225

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**11. Transactions with Related Parties and Payments to Key Management**

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions:

For the Period From to September 30,	2024	July 1 2023	2024	January 1 2023
Revenues				
Interest income	\$ 267,454	\$ 268,459	\$ 797,585	\$ 531,381
Expenses				
Management Fees	22,500	22,500	67,500	67,500
Professional Fees	18,258	18,000	55,058	55,102
Loans and mortgage investments (Note 5)			10,640,000	10,680,000
Management and professional fees included with accounts payable and accrued liabilities (Note 6)			70,700	69,241

Payments to key management were as follows:

For the Period From to September 30,	2024	July 1 2023	2024	January 1 2023
Management Fees	\$ 22,500	\$ 22,500	\$ 67,500	\$ 67,500
Professional Fees	18,258	18,000	55,058	55,102

The key management personnel of the Corporation include the Chief Executive Officer, Chief Financial Officer, Corporate Secretary and the Board of Directors.

During the periods ended December 31, 2023 and September 30, 2024, no key management personnel were indebted to the Corporation, with the exception that certain loans and mortgage investments of the Corporation were issued to Plazacorp and/or its affiliates which are owned and controlled by a director of the Corporation (Note 5).

**12. Commitments and Contingencies**

The Corporation, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Corporation is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Corporation.

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**13. Capital Management**

The Corporation manages its common shares, stock options, and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets in order to adjust the amount of cash on its balance sheet.

To facilitate the management of its capital requirements, the Corporation prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry and market conditions.

The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

Management reviews its approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

**14. Financial instruments and risk management**

The Corporation's financial instruments have been classified into categories that determine their basis of measurement and for items carried at fair value, where changes in fair value are recognized in the statement of operations and comprehensive income:

Financial Assets	Measurement Basis	September 30, 2024	December 31, 2023
Cash	FVTPL	\$ 11,026	\$ 282,452
Loan investment	FVTPL	—	—
Mortgage investments	Amortized cost	25,480,516	23,519,001
Financial Liabilities	Measurement Basis	September 30, 2024	December 31, 2023
Accounts payable	Amortized cost	\$ 74,038	\$ 41,401
Dividends payable	Amortized cost	214,856	214,856

***Fair value***

The Corporation's financial instruments expose the Corporation to market risk, credit risk, and liquidity risk. The Corporation manages its exposure to these risks by operating in a manner that minimizes these risks. Management employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

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**14. Financial instruments and risk management – continued**

**(a) Fair Value of Non-Derivative Financial Instruments**

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

**(b) Fair Value Hierarchy**

The Corporation values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in these Financial Statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

As at September 30, 2024	Level 1	Level 2	Level 3	Total
Assets				
Cash	\$ 11,026	\$ —	\$ —	\$ 11,026
Total Assets	\$ 11,026	\$ 1,567	\$ —	\$ 11,026

Level 3 fair values are based on several valuation techniques other than observable market data (Note 5).

**Credit risk**

Credit risk is the possibility that a borrower under one of the loans and mortgages investments, may be unable to honour their debt commitment as a result of a negative change in the borrowers' financial position or market conditions that could result in a loss to the Corporation.

Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Corporation's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans that comprise the Corporation's investment portfolio. This could result in impairments in the mortgage loans or loan losses in the event the real estate security has to be realized upon by the lender. The Corporation's maximum exposure to credit risk is represented by the carrying values of the loans and mortgage investment portfolio.

For the period ended September 30, 2024, the Corporation's three largest borrowers accounted for 100% (December 31, 2023 – 100%) of revenues of continuing operations. The loans to the three largest borrowers represent 100% of the loan portfolio (December 31, 2023 - 100%).

The Corporation's exposure to credit risk for its loans and mortgage portfolio by geographic area is limited to Ontario, Canada.

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**14. Financial instruments and risk management – continued**

The Corporation's credit risk is with respect to cash, which mainly relates to balances with large Canadian chartered banks. This risk's maximum exposure as at September 30, 2024 is comprised of \$11,026 (December 31, 2023 - \$282,452).

***Interest rate risk on income and expense***

Interest rate risk is the risk that fair value of future cash flows of financial assets or financial liabilities will fluctuate because of changes in the market interest rates.

The Corporation's current loan and mortgage portfolio is not subject to interest rate fluctuations, nor are its current liabilities. There is, however, the risk of not being able to reinvest its capital at the same or greater rates due to the fluctuation of interest rates. In addition, as the Corporation expands its operations the loans which it may make may incorporate variable interest rates that shall fluctuate with the market.

Currently, if a shift in interest rates of 1% were to occur, the impact on cash and the related gain (loss) for over a twelve-month period would have an annual impact on revenues of approximately \$380,000 (2022 - \$350,000). Management does not deem this to be material as it could and would continue to meet its operating expenses as well as its dividend policy.

***Liquidity risk***

Liquidity risk is the risk the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's objective for liquidity risk management is to maintain sufficient liquid financial resources to fund operations and to meet commitments and obligations in the most cost-effective manner possible. The Corporation achieves this by maintaining sufficient cash and cash equivalents and managing working capital. The Corporation monitors its financial resources regularly and updates its expected use of cash resources based on the latest available data.

The Corporation's financial liabilities, classified as current, primarily consist of trade payables and accrued liabilities. Current liabilities were \$322,9696 (December 31, 2023 - \$315,857) with all of it having expected settlement dates within one year or where conditions exist that could result in accelerated payment. Liquidity risk is assessed as low.

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**15. Earnings Per Share**

In calculating the diluted earnings per share, issued and outstanding incentive stock options and warrants were not considered as they would have been anti-dilutive.

For the three-months ended September 30,	2024	2023
Denominator basic and diluted earnings per share		
Weighted average number of Common shares outstanding	28,647,441	28,647,441
Dilutive effect of incentive stock options	—	—
Dilutive effect of warrants	—	—
Diluted weighted average Common shares	28,647,441	28,647,441
For the nine-months ended September 30,	2024	2023
Denominator basic and diluted earnings per share		
Weighted average number of Common shares outstanding	28,647,441	28,647,441
Dilutive effect of incentive stock options	—	—
Dilutive effect of warrants	—	—
Diluted weighted average Common shares	28,647,441	28,647,441