

FRNT Financial Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FRNT Financial Inc.:

Opinion

We have audited the consolidated financial statements of FRNT Financial Inc. and its subsidiary (together the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

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Now, for tomorrow

Key audit matter	How our audit addressed the key audit matter
Valuation of Paradox Fund Investment	
Refer to Note 7	Our approach to addressing the matter included the following procedures, among others:
<p>As at June 30, 2023, the Company has an investment of \$4,392,769 in the Paradox Fund. This investment is measured at fair value through profit and loss and classified to Level 3 of the fair value hierarchy.</p> <p>To facilitate the valuation of this investment, management was required to refer to unobservable inputs, which included evidence from fund statements provided directly by third-party administrators.</p> <p>We considered this a key audit matter due to the significance of the investment to the consolidated financial statements and the auditor attention required with respect to the significant judgment and estimation uncertainty applied by management in determining the fair value of the Company's investment in the Paradox Fund.</p>	<ul style="list-style-type: none"> • Obtaining fund statements directly from third-party administrators and agreeing the fair value and ownership percentage reported by management to the fair value and ownership percentage reported in the fund statements. • Assessing the competency and capability of the third-party administrators. • Reviewing the investment reconciliation. • Validating the accuracy of proceeds from redemption of a portion of the investment by agreeing the cash redeemed to the bank statements and to the fund statements. • Recalculating the realized fair value gain on redemption of the investment and unrealized fair value gain for the year ended June 30, 2023, and comparing these amounts to the amounts recorded by management. • Assessing the adequacy of the Company's disclosures in the consolidated financial statements related to the Paradox Fund.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
October 30, 2023

FRNT Financial Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise indicated)

	Notes	June 30, 2023	June 30, 2022
ASSETS			
Current assets			
Cash		\$ 447,314	\$ 3,403,771
Trade and other receivables	5	888,655	3,005,527
Prepaid expenses and deposits	6	131,631	194,691
Investments	7	4,392,769	1,705,704
		5,860,369	8,309,693
Deposits	6	38,588	24,612
Investments	7	258,511	-
Equipment	8	30,382	29,281
Right-of-use asset	9	195,037	275,741
Total assets		\$ 6,382,887	\$ 8,639,327
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 317,888	\$ 263,521
Promissory note payable	11	241,334	227,915
Loans payable	10	38,124	-
Lease liability	12	65,258	66,844
		662,604	558,280
Loans payable	10	-	34,658
Lease liability	12	102,975	176,047
Total liabilities		765,579	768,985
SHAREHOLDERS' EQUITY			
Share capital	13	10,678,834	10,678,834
Stock option reserve	13	3,062,017	2,508,285
Warrant reserve	13	188,228	188,228
Accumulated other comprehensive loss		(1,602)	-
Accumulated deficit		(8,310,169)	(5,505,005)
Total shareholders' equity		5,617,308	7,870,342
Total liabilities and shareholders' equity		\$ 6,382,887	\$ 8,639,327

Nature of operations 1
Subsequent events 20

APPROVED BY THE BOARD OF DIRECTORS:*Stéphane Ouellette*

Director

Adam Rabie

Director

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

FRNT Financial Inc.

Consolidated Statements of Net Loss and Comprehensive Loss

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

	Notes	June 30, 2023	June 30, 2022
Income			
Advisory and management fees	15	\$ 273,600	\$ 52,971
Consulting		164,902	240,006
		438,502	292,977
Operating expenses			
Advertising and promotion		94,535	145,327
Depreciation	8, 9	93,948	53,274
General and administrative	14	668,109	523,374
Investor relations		218,221	505,125
Professional fees	14, 15	1,050,026	450,857
Salaries and wages	15	1,349,593	1,007,248
Share-based payments	13, 15	553,732	634,605
		4,028,164	3,319,810
Loss before the undernoted		(3,589,662)	(3,026,833)
Other income (expenses)			
Realized gain on investments	7	73,808	1,627,679
Unrealized gain (loss) on investments	7	577,582	(841,322)
Interest expense	10, 11, 12	(36,007)	(25,065)
Foreign exchange		4,460	27,067
SR&ED tax credits	5	164,655	145,142
Government assistance	10	-	3,306
Listing expenses		-	(636,863)
		784,498	299,944
Net loss		(2,805,164)	(2,726,889)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Cumulative translation adjustment		(1,602)	-
Net loss and comprehensive loss		\$ (2,806,766)	\$ (2,726,889)
Loss per share – Basic and diluted		\$ (0.08)	\$ (0.09)
Weighted average shares outstanding – Basic and diluted		35,149,329	32,015,082

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

FRNT Financial Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

	Number of Class A common shares	Number of common shares	Share capital	Stock option reserve	Warrant reserve	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance, June 30, 2021	10,808,120	20,341,209	\$ 5,766,716	\$ 1,873,680	\$ -	\$ -	\$ (2,714,366)	\$ 4,926,030
Conversion of Class A common shares	(10,808,120)	10,808,120	-	-	-	-	-	-
Shares issued pursuant to IPO	-	4,000,000	6,000,000	-	-	-	-	6,000,000
Share issuance costs	-	-	(899,654)	-	-	-	-	(899,654)
Share issuance costs – broker's warrants	-	-	(188,228)	-	188,228	-	-	-
Share-based payments	-	-	-	634,605	-	-	-	634,605
Dividends paid	-	-	-	-	-	-	(63,750)	(63,750)
Net loss and comprehensive loss	-	-	-	-	-	-	(2,726,889)	(2,726,889)
Balance, June 30, 2022	-	35,149,329	\$ 10,678,834	\$ 2,508,285	\$ 188,228	\$ -	\$ (5,505,005)	\$ 7,870,342
Share-based payments	-	-	-	553,732	-	-	-	553,732
Net loss and comprehensive loss	-	-	-	-	-	(1,602)	(2,805,164)	(2,806,766)
Balance, June 30, 2023	-	35,149,329	\$ 10,678,834	\$ 3,062,017	\$ 188,228	\$ (1,602)	\$ (8,310,169)	\$ 5,617,308

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

FRNT Financial Inc.

Consolidated Statements of Cash Flows

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

	June 30, 2023	June 30, 2022
Cash flows from operating activities		
Net loss for the year	\$ (2,805,164)	\$ (2,726,889)
Adjustments for non-cash items:		
Unrealized loss (gain) on investments	(577,582)	841,322
Realized gain on investments	(73,808)	(1,627,679)
Share-based payments	553,732	634,605
Interest expense	16,885	11,230
Depreciation	93,948	53,274
Government assistance	-	(3,306)
Changes in non-cash working capital items:		
Trade and other receivables	(56,815)	(125,068)
Prepaid expenses and deposits	49,864	(241,826)
Accounts payable and accrued liabilities	51,985	(59,036)
Net cash used in operating activities	(2,746,955)	(3,243,373)
Cash flows from investing activities		
Proceeds on redemption of investment	2,836,077	1,908,018
Purchase of investment	(2,956,576)	(1,733,737)
Purchase of equipment	(14,345)	(28,582)
Net cash provided by (used in) investing activities	(134,844)	145,699
Cash flows from financing activities		
Proceeds from issuance of shares	-	6,000,000
Share issuance costs	-	(899,654)
Dividends paid	-	(63,750)
Lease liability payments	(74,658)	(33,046)
Net cash provided by (used in) financing activities	(74,658)	5,003,550
Net change in cash	(2,956,457)	1,905,876
Cash, beginning	3,403,771	1,497,895
Cash, ending	\$ 447,314	\$ 3,403,771
Supplemental Cash Flow Disclosures		
Income tax paid	-	-
Interest paid (received)	(19,122)	-
Non-cash transactions	-	-

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

FRNT Financial Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

1. NATURE OF OPERATIONS

FRNT Financial Inc. (the “Company”) was incorporated under the Canada Business Corporations Act on April 24, 2018. The Company’s head office and registered records office is located at 49 Wellington Street East, Unit 200, Toronto, Ontario, M5E 1C9. The Company is a financial technology company that provides a capital markets trading platform for institutional investors to access alternative trading opportunities.

During the year ended June 30, 2022, the Company filed a preliminary prospectus and on April 12, 2022, the Company completed its Initial Public offering (“IPO”) and its common shares were listed on the TSX Venture Exchange on April 19, 2022, under the trading symbol “FRNT”.

2. BASIS OF PRESENTATION**a) Statement of compliance**

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

These consolidated financial statements were authorized for issue by the Board of Directors on October 30, 2023.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

c) Consolidation

These consolidated financial statements are presented on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries, FRNT Asset Management Inc. and FRNT Financial UK Limited. Subsidiaries are consolidated from the date on which the Company obtains control over the subsidiary. Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Details of controlled subsidiaries are as follows:

Entity	Principal activities	Country of incorporation	Percentage Owned	
			June 30, 2023	June 30, 2022
FRNT Asset Management Inc.	Financial technology services	Canada	100%	100%
FRNT Financial UK Limited	Financial technology services	United Kingdom	100%	N/A

FRNT Financial Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Foreign currency transactions*Functional and presentation currency*

The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates. The functional currency of both the Company and FRNT Asset Management Inc. is the Canadian dollar. The functional currency of FRNT Financial UK Limited is the Great British Pound. The presentation currency of the Company is the Canadian dollar.

Transactions and balances

In preparation of the consolidated financial statements of the Company, the results of foreign operations with a functional currency other than Canadian dollars are translated to Canadian dollars upon consolidation. Each entity's assets and liabilities are translated to Canadian dollars at the prevailing exchange rate at the reporting date. The revenue and expenses of these foreign operations are translated to Canadian dollars using average exchange rates prevailing for each reporting period. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of net loss and comprehensive loss and presented in accumulated other comprehensive income or loss within equity. On disposal of a foreign operation, the related cumulative translation difference recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

At the entity level, transactions in currencies other than the entity's functional currency are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the prevailing exchange rates on the date of the statement of financial position. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the prevailing exchange rates on the date when the fair value was determined. Non-monetary items measured at historical costs in foreign currency are not re-translated. Exchange differences arising on the settlement of monetary items, and on the remeasurement of monetary items, are included in profit or loss for the period.

b) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the Company's net earnings (loss) for the period by the weighted average number of shares outstanding. Diluted earnings per share is calculated by dividing the Company's net earnings by the sum of the weighted average number of shares issued and outstanding assuming all additional shares that would have been outstanding if potentially dilutive instruments were converted. Diluted loss per share excludes potentially dilutive instruments from the calculation, as their inclusion would be anti-dilutive. Therefore, diluted loss per share is equivalent to basic loss per share.

FRNT Financial Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

c) Revenue recognition*Advisory and management fees*

Advisory and management fees earned on customer agency transactions are recorded net of commission rebates on the trade date when the client deploys their funds, the pricing is agreed upon, and collection is reasonably assured.

Consulting revenue

Consulting revenue is earned on consulting services provided to customers when the performance obligation has been satisfied, the pricing is agreed upon, and collection is reasonably assured.

d) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. The Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

e) Financial assets and liabilities*Recognition, classification and measurement*

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets in these categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). Financial assets are derecognized when the rights to

FRNT Financial Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its trade and other receivables, accounts payable and accrued liabilities, loans payable, and promissory note payable as amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instruments, or where appropriate, a shorter period. Interest income and expense, foreign exchange gains and losses and impairments are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company has classified its cash and investments as FVTPL. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Realized gain or loss on an investment is calculated as the proceeds received from the sale of the investment less its assigned original cost. The Company's unrealized gain or loss on an investment consists of both the change in fair value on the investment from the beginning of the year and the reversal of any previously recognized unrealized gain or loss on an investment sold during the year.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for trade and other receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

Losses are recognized in profit or loss and reflected in an allowance account against trade and other receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

FRNT Financial Inc.

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For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

f) Derivative financial instruments

The Company enters into back-to-back derivative contracts to hedge the risk of derivative trades, which results in the recognition of derivative assets and corresponding derivative liabilities. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative assets and derivative liabilities are typically not offsetting as the Company does not have a legal right to offset the amounts. The derivative assets and corresponding derivative liabilities are derecognized upon the settlement of the trades.

g) Government assistance

The Company is entitled to certain investment tax credits for qualifying scientific research and experimental development activities performed in Canada (“SR&ED”). SR&ED are recorded as SR&ED tax credits income in profit or loss. The benefits are recognized when the Company has complied with the terms and conditions of the applicable tax legislation provided there is reasonable assurance of realization. The SR&ED tax credits as defined by the Canadian income tax legislation were refundable to the Company until the IPO and are recorded as a receivable.

In response to the negative economic impact of COVID-19, the Government of Canada announced the Temporary Wage Subsidy (“TWS”) and Canada Emergency Business Account (“CEBA”) programs. The 10% TWS was a 3-month measure that allowed eligible employers to reduce the amount of payroll deductions they needed to remit to the Canada Revenue Agency. 25% of the \$40,000 loan and 50% of the \$20,000 loan received through the CEBA program are forgivable if the non-forgivable portion of the loan balance is repaid on or before December 31, 2023 (originally December 31, 2022; extended to December 31, 2023 on January 12, 2022; extended again to January 18, 2024 on September 14, 2023). CEBA loans do not bear interest.

The Company recognizes government assistance when there is reasonable assurance that it complies with the conditions required to qualify for the assistance, and that the assistance will be received. The Company recognizes government assistance, other than SR&ED tax credits, as a reduction to the related expense or as government assistance. The Company recognized \$Nil (2022: \$3,306) in other income pertaining to the forgiveness and low-interest features of the CEBA loans received.

h) Income taxes

Income tax comprises current income tax and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

FRNT Financial Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred tax assets are recognized to the extent future recovery is probable.

At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

i) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the instruments at the grant date using the Black-Scholes option pricing model, and recognized in expense over the vesting periods. Estimated volatility was based on historical stock prices of comparable public companies. Equity-settled share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured. Non-employee share-based payments are either recognized in expense at the date the goods or services are received or treated as share issuance costs deducted against share capital. The corresponding amount is recorded to stock option reserve. Upon the exercise of stock options, consideration received on the exercise is recorded as share capital and the related amount in stock option reserve is transferred to share capital.

Where a grant of options is cancelled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. When unvested options are forfeited, the amount previously recognized in stock-based compensation expense is reversed.

j) Share Capital and Warrants

The Company records proceeds from common share and unit issuances net of issue costs and any related tax effects. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units.

Proceeds from unit offerings, which consist of common shares and share purchase warrants, are bifurcated using the residual value approach whereby the common share component of the unit is measured at fair value, and the warrant component is measured by reference to the residual value, if any. Any value allocated to the warrant component is credited to warrant reserve.

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k) Equipment

Equipment is recorded as cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. This includes the purchase price, any other costs directly attributable to bringing the assets to a working condition for intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Where an item of equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of equipment and depreciated accordingly. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized through profit or loss.

Equipment is depreciated over its estimated useful life. Costs for normal repairs and maintenance that do not extend economic life or improve service potential are expensed as incurred. Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the estimated remaining useful life.

The Company commences recording depreciation when the assets are in a working condition ready for use using the straight-line method at the following rates:

Class	Useful Life
Computer equipment	3 years
Office equipment	5 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if there has been a significant change from the expected pattern of use.

l) Impairment of assets

The carrying amount of the Company's long-lived non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable

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amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

m) Deferred share issuance and listing expenses

Costs related to future issuances of shares and the Company's IPO transaction are capitalized as incurred. Management applies judgement in assessing whether costs relate to share issuance or IPO activities and should thus be capitalized. Upon completion of the related share financing or IPO transaction, these costs are allocated to listing expenses and share issuance costs.

n) New IFRS pronouncements

There are no new or amended IFRS's or IFRIC interpretations effective for the current year that had a material impact on the Company's consolidated financial statements. There are no IFRS's or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company's consolidated financial statements.

4. MANAGEMENT USE OF JUDGEMENTS AND ESTIMATES

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates and judgements which, by their nature, are uncertain. The impact of such estimates and judgements is pervasive throughout these consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

Judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are outlined below.

Functional currency

Functional currency was determined based on the currency that mainly influences salaries and wages, and in which financing is raised. The Company applies judgement in determining its functional currency given that revenue and expenses are denominated in both USD and CAD.

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Investment tax credits

The Company must exercise judgement when assessing the qualification of research and development expenditures for determining SR&ED tax credits receivable.

Deferred share issuance and listing expenses

Management applies judgement when assessing whether costs are incurred in association with issuing shares or the Company's IPO transaction. Costs related to these activities are capitalized. Upon completion of the related share financing or IPO transaction these costs are allocated to share issuance costs and listing expenses, respectively.

Estimates

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below.

Valuation of unquoted equity instruments

For investments where observable inputs are not available, the fair value may be based on quotes obtained from third-party administrators who determines the estimated fair value in accordance with the applicable valuation policy. Unrealized and realized gains and losses on investments are recognized in profit or loss.

Share-based payments

The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date on which they are granted using the Black-Scholes option pricing model. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield, and forfeiture rate.

Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

5. TRADE AND OTHER RECEIVABLES

		June 30, 2023		June 30, 2022
Trade receivables	\$	55,746	\$	20,000
Redemption in Paradox Fund (Note 7)		662,390		2,836,077
SR&ED tax credits receivable		164,655		145,142
Accrued income		5,864		4,308
	\$	888,655	\$	3,005,527

During the year ended June 30, 2023, the Company filed its SR&ED refund application for its fiscal 2022 expenditures. Accordingly, the Company recorded a receivable related to the refund of

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\$164,655, which is presented as SR&ED tax credits. Subsequent to the year ended June 30, 2023, the SR&ED claim was approved by the Canada Revenue Agency and the full amount of the claim was received.

During the year ended June 30, 2022, the Company filed its SR&ED refund application for its fiscal 2021 expenditures. Accordingly, the Company recorded a receivable related to the refund of \$145,142, which is presented as SR&ED tax credits. During the year ended June 30, 2023, the SR&ED claim was approved by the Canada Revenue Agency and the full amount of the claim was received.

6. PREPAID EXPENSES AND DEPOSITS

		June 30, 2023		June 30, 2022
Prepaid expenses	\$	119,768	\$	183,769
Short-term deposits		11,863		10,922
Prepaid expenses and deposits		131,631		194,691
Long-term deposits ⁽¹⁾		38,588		24,612
	\$	170,219	\$	219,303

(1) Security deposits, relating to operating costs and taxes, on the Company's office lease that will be applied to lease payments after the next 12 months are classified as non-current and amounts to \$18,459 (June 30, 2022 - \$24,612). Additionally, a deposit of \$20,129 (12,000 GBP) was made during the year. This deposit forfeits after 2 years from the date of invoice if the firm is not used for a future hire.

7. INVESTMENT

	Paradox Fund (i)	Paradox Fund – SPC (i)	Private Company (ii)	Total
	\$	\$	\$	\$
Balance, June 30, 2021	3,929,705	-	-	3,929,705
Additions	1,733,737	-	-	1,733,737
Proceeds on redemption of shares	(4,744,095)	-	-	(4,744,095)
Realized gain on investment	1,627,679	-	-	1,627,679
Change in unrealized gain on investment	(841,322)	-	-	(841,322)
Balance, June 30, 2022	1,705,704	-	-	1,705,704
Additions	2,830,236	-	126,340	2,956,576
Proceeds on redemption of shares	(662,390)	-	-	(662,390)
Realized gain on investment	73,808	-	-	73,808
Change in unrealized gain (loss) on investment	445,411	158,634	(26,463)	577,582
Balance, June 30, 2023	4,392,769	158,634	99,877	4,651,280

(i) The Company holds a total investment of 18.29% (being \$3,435,592 USD of total assets under management) (June 30, 2022: 0.55%) interest in the Paradox Fund, a fund registered in the Cayman Islands. The investment is measured at fair value using unobservable inputs (Level 3) (Note 17).

During the year ended June 30, 2023, Paradox decided to sell the fund's holdings and right to claims in FTX, a now-bankrupt crypto exchange. Paradox's directors determined it was in the best interests of the fund to side pocket the realized value of the claim sale in an illiquid share class, denoted by

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“SPC”. The SPC is non-redeemable until the directors determine that the realized value of the claim sale is free and clear of claw back risk and the fund's claim value is finally determined by the Bankruptcy courts with all interim adjustments settled out of or into the SPC. It is cited that the resolution of this bankruptcy may take a significant amount of time. As such, the SPC is classified as a long-term investment.

During the year ended June 30, 2023, the change in the unrealized gain (loss) on the regular investment resulted in a gain of \$445,411 (2022: \$841,322 loss), and a gain on the SPC of \$158,634 (2022: \$Nil). During the year ended June 30, 2023, the Company recognized a \$73,808 (2022: \$1,627,679) realized gain on a partial redemption of its investment in the Paradox Fund.

As at June 30, 2023, \$662,390 is included in trade and other receivables related to redemption of shares. This amount was received in full subsequent to June 30, 2023. As at June 30, 2022, \$2,836,077 was included in trade and other receivables related to redemption of shares. This amount was received in full during the year ended June 30, 2023.

(ii) On August 29, 2022, the Company participated in a private placement for an early-stage crypto technology company by investing \$114,755 (75,000 GBP). On March 6, 2023, the Company made an additional investment of \$11,585 (7,065 GBP).

During the year ended June 30, 2023, the change in the unrealized gain (loss) on the investment resulted in a loss of \$26,463 (2022: \$Nil). The fair value of the investment is determined based on the most recently observable market transactions. Management concluded that the most recent financing of this private company is a reasonable indication of the fair value of the investment as at June 30, 2023, which was determined to be a subscription price of 5.92 GBP per share. The investment has been classified as a long-term investment.

Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at June 30, 2023 and June 30, 2022 are shown below:

Description	Input	Sensitivity	June 30, 2023	June 30, 2022
Paradox Fund	Net asset value	10%	\$ 439,277	\$ 170,570
Paradox Fund - SPC	Net asset value	10%	\$ 15,863	N/A

During the year ended June 30, 2023 and June 30, 2022, there were no transfers into or out of Level 1, Level 2 or Level 3 investments.

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8. EQUIPMENT

Cost		Computer equipment		Office equipment		Total
Balance, June 30, 2021	\$	9,161	\$	-	\$	9,161
Additions		20,317		8,265		28,582
Balance, June 30, 2022		29,478		8,265		37,743
Additions		10,631		3,714		14,345
Balance, June 30, 2023	\$	40,109	\$	11,979	\$	52,088
Accumulated Depreciation						
Balance, June 30, 2021	\$	2,266	\$	-	\$	2,266
Depreciation		5,775		421		6,196
Balance, June 30, 2022		8,041		421		8,462
Depreciation		11,595		1,649		13,244
Balance, June 30, 2023	\$	19,636	\$	2,070	\$	21,706
Carrying amounts						
At June 30, 2022	\$	21,437	\$	7,844	\$	29,281
At June 30, 2023	\$	20,473	\$	9,909	\$	30,382

9. RIGHT-OF-USE ASSET

Cost		Office
Balance, June 30, 2021	\$	-
Additions		322,819
Balance, June 30, 2022 and June 30, 2023	\$	322,819
Accumulated Depreciation		
Balance, June 30, 2021	\$	-
Depreciation		47,078
Balance, June 30, 2022		47,078
Depreciation		80,704
Balance, June 30, 2023	\$	127,782
Carrying amounts		
At June 30, 2022	\$	275,741
At June 30, 2023	\$	195,037

10. LOANS PAYABLE

The Company entered into interest free Canada Emergency Business Account “CEBA” loans of \$40,000 and \$20,000. If the loans were repaid by December 31, 2022, 25% being \$10,000 will be forgiven of the \$40,000 and 50% being \$10,000 of the \$20,000 loan will be forgiven. If repayment is not made, the loans will convert into loans with a three-year term bearing interest at 5% per annum.

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The \$40,000 loan was recorded at a fair value of \$23,711 using an effective rate of 10%, considering the below market interest rate and the forgivable portion. The \$20,000 loan was recorded at a fair value of \$8,264 using an effective rate of 10%, considering the below market interest rate and the forgivable portion. The benefit of the below market interest rate of \$6,290 and \$1,735 were recorded as government assistance along with the \$20,000 forgivable portion of the loans.

On January 12, 2022, the Government of Canada extended the loan forgiveness repayment deadline for the CEBA loans to December 31, 2023. Outstanding loans as of January 1, 2024 will convert to two-year terms bearing interest at 5% per annum, with the loans fully due by December 31, 2025. As a result of the extended deadline, a gain of \$3,306 was recognized as government assistance.

Subsequent to June 30, 2023, the repayment deadline for CEBA loans to qualify for partial loan forgiveness of up to 33% was extended to January 18, 2024. The Company is assessing the impact of this extension (Note 20).

During the year ended June 30, 2023, the Company recorded accretion expense of \$3,466 (2022: \$3,306) on these loans.

		June 30, 2023		June 30, 2022
Balance, beginning of year	\$	34,658	\$	34,658
Gain on modified terms		-		(3,306)
Accretion expense		3,466		3,306
Balance, end of year	\$	38,124	\$	34,658

11. PROMISSORY NOTE PAYABLE

On May 9, 2018, the Company issued a promissory note for \$200,000 to a company with a former common director. The note bears an interest rate equal to that of the Canadian Prime Rate per annum, as reported by the Royal Bank of Canada. The parties have since agreed to extend the original maturity date of May 1, 2022 to September 29, 2023. Interest is payable on the maturity date. The note is secured against all of the existing assets of the Company. The Company incurred \$8,000 in professional fees attributable to the issuance of the note. The note was recorded at amortized cost of \$192,000.

On October 28, 2019, the Company entered into an agreement to amend the terms of the promissory note. The lender agreed to provide certain professional services (“Services”) to the Company. Upon achieving profitability, the Company has committed to repayments using up to 50% of the Company’s net profits. The net profits will be first applied to the repayment of the promissory note in full, and second, towards payment in full the fees owing for any Services accrued. During the years ended June 30, 2023 and 2022, no Services were provided.

On June 30, 2023, the Company entered into a Consulting Services Agreement with the lender. The Company agreed to perform certain services for and deliver certain deliverables to the lender to set-off any amounts owing to the lender. These services commence within two weeks from the date of the agreement and conclude within 12 weeks from the date of the agreement. During the year ended June 30, 2023, there were no services provided in relation to the Consulting Services Agreement.

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Subsequent to the year ended June 30, 2023, the Company completed its deliverables in connection with the Consulting Services Agreement. The services reduced the amount of principal owing by \$175,000. The Company is currently in the process of settling the remainder of principal and interest, amounting to \$65,633, in cash.

As at June 30, 2023, the principal balance of \$200,000 (June 30, 2022: \$200,000) and interest of \$41,193 (June 30, 2022: \$27,915) was outstanding.

	Face Value	Carrying Value
Balance, June 30, 2021	\$ 221,850	\$ 219,991
Interest expense	6,065	1,305
Accretion expense	-	6,619
Balance, June 30, 2022	227,915	227,915
Interest expense	13,419	13,419
Balance, June 30, 2023	\$ 241,334	\$ 241,334

12. LEASE LIABILITY

The Company entered into a lease agreement for office space commencing December 1, 2021 for a term of four years at a monthly lease payment of \$7,814. The lease liability is calculated using an incremental borrowing rate of 10%.

	Office
Balance, June 30, 2021	\$ -
Additions	275,938
Lease liability payments	(46,882)
Accretion expense	13,835
Balance, June 30, 2022	242,891
Lease liability payments	(93,764)
Accretion expense	19,106
Balance, June 30, 2023	\$ 168,233
Allocated as:	
	Office
Current	\$ 65,258
Non-current	102,975
Balance, June 30, 2023	\$ 168,233

The maturity analysis of the undiscounted contractual balance of the lease liability and a reconciliation to the recorded lease liability is as follows:

Maturity analysis	June 30, 2023
Less than one year	\$ 78,137
One to three years	109,391
Total undiscounted lease liability	187,528
Amount representing implicit interest	(19,295)
Lease liability	\$ 168,233

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13. SHAREHOLDERS' EQUITY**Share capital**

Authorized share capital of the Company consists of:

- an unlimited number of Class A common shares, non-cumulative discretionary dividends, voting, no par value.
- an unlimited number of common shares, non-cumulative discretionary dividends, voting, no par value.

The Class A common shares and common shares rank equally as the most subordinate classes of shares and accordingly, are classified as equity. The Class A common shares may be converted into common shares on the basis of one common share for each Class A common share. The Class A common shares are mandatorily convertible into common shares in the event that a take-over bid or issuer bid is made solely for the Class A common shares.

	Class A common shares #	Common shares #	Class A Common shares \$	Common shares \$	Total share capital \$
Balance, June 30, 2021	10,808,120	20,341,209	\$ 55	\$ 5,766,661	\$ 5,766,716
Conversion of Class A common shares	(10,808,120)	10,808,120	(55)	55	-
Shares issued pursuant to IPO	-	4,000,000	-	6,000,000	6,000,000
Share issuance costs	-	-	-	(899,654)	(899,654)
Share issuance costs - broker's warrants	-	-	-	(188,228)	(188,228)
Balance, June 30, 2022	-	35,149,329	\$ -	\$ 10,678,834	\$ 10,678,834
Shares issued	-	-	-	-	-
Balance, June 30, 2023	-	35,149,329	\$ -	\$ 10,678,834	\$ 10,678,834

During the year ended June 30, 2023

There were no share capital transactions during the year ended June 30, 2023.

During the year ended June 30, 2022

On March 3, 2022, 10,808,120 Class A common shares were converted into 10,808,120 common shares of the Company.

On April 12, 2022, the Company closed its IPO of 4,000,000 common shares at a price of \$1.50 per common share for total gross proceeds of \$6,000,000. As part of the offering, 200,000 broker warrants were issued, each exercisable into one common share at a price of \$1.50 expiring on April 12, 2025, with a fair value of \$188,228. In addition to the broker warrants, \$899,654 of share issuance costs were incurred in conjunction with the IPO.

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Shares in Escrow

23,342,349 common shares were subject to escrow provisions as a result of the Company's IPO in fiscal 2022. As at June 30, 2023, 14,005,409 common shares (2022 – 21,008,114) remain in escrow. The remaining shares held in escrow will be released over a period of 21.6 months.

Options

The Company has adopted a fixed stock option plan (the “Plan”) under which the aggregate number of common shares reserved for issuance under the Plan, including any common shares which may be issued pursuant to any other stock option granted by the Company outside of the Plan, shall not exceed twenty percent (20%) of the total number of issued and outstanding common shares of the Company (calculated on a non-diluted basis) as at the date of implementation of the Plan by the Company, being 7,029,865 common shares. The Plan is administered by the Board of Directors (the “Board”), which has full and final authority with respect to the granting of all options on such terms and conditions, consistent with the Plan, as the Board shall determine. The Board will establish the exercise price which will not be less than the closing market price of common shares on the date of grant of the stock options. All options granted under the Plan will expire on the fifth anniversary of the vesting date of such options, provided that in no event will the exercise period on an option exceed 10 years from the grant date. Options granted under the Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

Continuity of the Company’s stock options is as follows:

	Number of options	Weighted average exercise price	Weighted average fair value
Outstanding, June 30, 2021	2,076,515	\$ 0.93	\$ 0.50
Granted	1,485,000	1.60	0.70
Forfeited	(233,062)	0.78	0.84
Outstanding, June 30, 2022	3,328,453	\$ 1.24	\$ 0.56
Cancelled	(20,000)	1.50	0.75
Forfeited	(100,000)	1.50	0.80
Outstanding, June 30, 2023	3,208,453	\$ 1.23	\$ 0.55
Exercisable, June 30, 2023	2,314,158	\$ 1.16	\$ 0.50

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As at June 30, 2023, the following options were outstanding:

Grant date	Vesting commencement date	Options outstanding	Options exercisable	Exercise price	Expiry date	Remaining contractual life (years)
January 1, 2019	September 1, 2019 ⁽¹⁾	500,671	500,671	\$0.15	September 1, 2024 – June 1, 2028 ⁽¹⁾	1.17 – 4.92
December 4, 2019	January 1, 2019 ⁽¹⁾	233,062	233,062	\$0.72	January 1, 2024 – October 1, 2027 ⁽¹⁾	0.51 – 4.25
May 1, 2020	May 1, 2021 ⁽¹⁾	155,401	87,413	\$0.78	May 1, 2026 – February 1, 2030 ⁽¹⁾	2.84 – 6.59
November 9, 2020	February 1, 2021 ⁽¹⁾	31,088	19,430	\$0.78	February 1, 2026 – November 1, 2029 ⁽¹⁾	2.59 – 6.34
January 14, 2021	March 1, 2021 ⁽¹⁾	465,731	291,082	\$1.17	March 1, 2026 – December 1, 2029 ⁽¹⁾	2.67 – 6.42
April 19, 2021	May 19, 2021 ⁽²⁾	125,000	125,000	\$1.50	August 31, 2023 ⁽²⁾	0.17
April 19, 2021	May 19, 2021 ⁽²⁾	100,000	100,000	\$2.00	August 31, 2023 ⁽²⁾	0.17
April 19, 2021	May 19, 2021 ⁽²⁾	75,000	75,000	\$2.50	August 31, 2023 ⁽²⁾	0.17
April 30, 2021	June 30, 2021 ⁽³⁾	15,000	15,000	\$1.50	June 30, 2026 – March 31, 2028 ⁽³⁾	3.00 – 4.75
April 30, 2021	April 30, 2022 ⁽⁴⁾	52,500	21,875	\$1.50	April 30, 2027 – January 31, 2030 ⁽⁴⁾	3.83 – 6.59
May 10, 2021	June 30, 2021 ⁽³⁾	90,000	90,000	\$1.50	June 30, 2026 – March 31, 2028 ⁽³⁾	3.00 – 4.75
September 1, 2021	September 1, 2021 ⁽³⁾	90,000	90,000	\$1.50	September 1, 2026 – June 1, 2028 ⁽³⁾	3.17 – 4.92
October 12, 2021	October 12, 2021 ⁽³⁾	75,000	65,625	\$1.50	October 12, 2026 – July 12, 2028 ⁽³⁾	3.29 – 5.03
November 18, 2021	April 19, 2022 ⁽⁵⁾	200,000	166,667	\$1.50	April 19, 2027 – July 19, 2028 ⁽⁵⁾	3.80 – 5.05
November 18, 2021	April 19, 2022 ⁽⁵⁾	100,000	83,333	\$2.00	April 19, 2027 – July 19, 2028 ⁽⁵⁾	3.80 – 5.05
November 18, 2021	April 19, 2022 ⁽⁵⁾	100,000	83,333	\$2.50	April 19, 2027 – July 19, 2028 ⁽⁵⁾	3.80 – 5.05
June 20, 2022	September 20, 2022 ⁽⁴⁾	800,000	266,667	\$1.50	September 20, 2027 – June 20, 2030 ⁽⁴⁾	4.22 – 6.97
		3,208,453	2,314,158			

(1) 1/16 of the stock options vest on the vesting commencement date and thereafter on a quarterly basis for 15 quarters. The stock options expire 5 years after their vesting date.

(2) 1/12 of the stock options vest on the vesting commencement date and thereafter on a monthly basis for 11 months. Given the cessation of services, these vested stock options will expire and be cancelled on August 31, 2023 (i.e. 12 months after the cessation of services).

(3) 1/8 of the stock options vest on the vesting commencement date and thereafter on a quarterly basis for 7 quarters. The stock options expire 5 years after their vesting date.

(4) 1/12 of the stock options vest on the vesting commencement date and thereafter on a quarterly basis for 11 quarters. The stock options expire 5 years after their vesting date.

(5) 1/6 of the stock options vest on the vesting commencement date, which began on the day the Company commenced trading publicly, and thereafter on a quarterly basis for 5 quarters. The stock options expire 5 years after their vesting date.

The weighted average exercise price of options outstanding and exercisable as at June 30, 2023 was \$1.23 and \$1.16, respectively.

The weighted average remaining contractual life of options outstanding and exercisable as at June 30, 2023 was 3.97 and 3.21 years, respectively.

During the year ended June 30, 2023

On February 2, 2023, 20,000 vested stock options were cancelled, and 100,000 unvested stock options were forfeited. The stock options had an exercise price of \$1.50.

During the year ended June 30, 2022

On August 16, 2021, 233,062 stock options with a weighted average exercise price of \$0.78 were forfeited pursuant to the termination of an independent contractor agreement with the Company.

On September 1, 2021, the Company granted 90,000 stock options to a director of the Company. The options are exercisable at a price of \$1.50 per option for a period of five years from the vesting date. These options had a grant date fair value of \$0.69 per option using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$1.50; ii) share price: \$1.00; iii) term: 5 years; iv) volatility: 100%; v) risk free rate: 0.79%. One-eighth of the options vested on September 1, 2021, and 1/8 vest every quarter thereafter for the next seven quarters.

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On September 18, 2021, the Company granted 120,000 stock options to an employee of the Company. The options are exercisable at a price of \$1.50 per option for a period of five years from the vesting date. These options had a grant date fair value of \$0.74 per option using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$1.50; ii) share price: \$1.00; iii) term: 5 years; iv) volatility: 100%; v) risk free rate: 1.07%. 1/12 of the options vested on September 18, 2022, and 1/12 vest every quarter thereafter for the next eleven quarters.

On October 12, 2021, the Company granted 75,000 stock options to a director of the Company. The options are exercisable at a price of \$1.50 per option for a period of five years from the vesting date. These options had a grant date fair value of \$0.69 per option using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$1.50; ii) share price: \$1.00; iii) term: 5 years; iv) volatility: 100%; v) risk free rate: 1.24%. 1/8 of the options vested on October 12, 2021, and 1/8 vest every quarter thereafter for the next seven quarters.

On November 18, 2021, the Company granted 400,000 stock options to the CFO of the Company. 200,000 options are exercisable at a price of \$1.50 per option, 100,000 are exercisable at a price of \$2.00 per option, and the remaining 100,000 options are exercisable at a price of \$2.50 per option. The options are exercisable for a period of five years from the vesting date. These options had a grant date fair value of \$0.70, \$0.66, and \$0.63 respectively, per option using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$1.50 to \$2.50; ii) share price: \$1.00; iii) term: 5 years; iv) volatility: 100%; v) risk free rate: 1.47%. 1/6 of the options vested upon the date which common shares of the Company began trading on the TSX-V, which occurred on April 19, 2022, and 1/6 vest every quarter thereafter for the next five quarters.

On June 20, 2022, the Company granted 800,000 stock options to a Company controlled by the President of the Company. The options are exercisable at a price of \$1.50 per option for a period of five years from the vesting date. These options had a grant date fair value of \$0.62 per option using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$1.50; ii) share price: \$0.88; iii) term: 5 years; iv) volatility: 100%; v) risk free rate: 3.37%. 1/12 of the options vested on September 20, 2022, and 1/12 vest every quarter thereafter for the next eleven quarters.

Compensation Options

Separate of the options set out in the previous section, on February 1, 2021, the Company granted 2,500,000 compensation stock options which vested immediately on the date of grant. 1,000,000 of the options are exercisable at a price of \$1.00 per option, 1,000,000 are exercisable at a price of \$1.50 per option and 500,000 are exercisable at a price of \$2.00 per option. The options are exercisable until June 1, 2024. These options had fair values of \$0.64, \$0.56 and \$0.51, respectively per option using the Black-Scholes option pricing model with the following inputs: i) exercise prices: \$1.00, \$1.50 and \$2.00 respectively; ii) share price: \$1.00; iii) term: 3.33 years; iv) volatility: 100%; v) risk free rate: 0.33%.

Continuity of the Company's compensation options is as follows:

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	Number of compensation options	Weighted average exercise price
Outstanding, June 30, 2021, June 30, 2022 and June 30, 2023	2,500,000	\$ 1.40

The compensation options have a remaining contractual life of 0.92 years.

Warrants

Continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, June 30, 2021	2,000,000	\$ 1.50
Granted	200,000	\$ 1.50
Outstanding, June 30, 2022 and June 30, 2023	2,200,000	\$ 1.50

As at June 30, 2023, the following warrants were outstanding:

Grant date	Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
March 17, 2021	2,000,000	\$1.50	July 17, 2024	1.05
April 12, 2022	200,000	\$1.50	April 12, 2025	1.79
	2,200,000	\$1.50		1.12

On April 12, 2022, the Company issued 200,000 broker's warrants as part of the IPO with each warrant exercisable into one common share at a price of \$1.50 expiring on April 12, 2025, with a fair value of \$188,228. The broker's warrants had a fair value of \$0.94 per warrant using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$1.50; ii) share price: \$1.50; iii) term: 3.00 years; iv) volatility: 100%; v) risk free rate: 2.39%.

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14. OPERATING EXPENSES**General and administrative**

The following is a breakdown of general and administrative expenses for the years ended June 30, 2023 and 2022:

		June 30, 2023		June 30, 2022
Bank charges	\$	24,413	\$	15,824
Insurance		102,299		45,830
Rent and rent related expenses		141,586		57,631
Travel, meals, and entertainment		94,237		82,214
Recruitment and sign on fees		83,515		96,745
Office		26,325		49,873
Telephone, IT, and web services		45,876		63,886
Dues and subscriptions		149,858		111,371
Total	\$	668,109	\$	523,374

Professional fees

The following is a breakdown of professional fees for the years ended June 30, 2023 and 2022:

		June 30, 2023		June 30, 2022
Legal and corporate services	\$	147,784	\$	139,218
Accounting, audit, and related services		209,784		160,790
Transfer agent and filing fees		47,608		60,559
Advisory and consulting services		644,850		90,290
Total	\$	1,050,026	\$	450,857

15. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these consolidated financial statements are summarized below and include transactions with key management personnel of the Company.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel are summarized as follows:

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Notes to the Consolidated Financial Statements

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	June 30, 2023	June 30, 2022
Salaries and wages		
CEO	\$ 225,865	\$ 166,346
CFO	18,115	3,643
Share based payments		
Directors	34,830	143,975
CFO	98,850	182,643
President	346,835	14,644
Professional fees		
Company controlled by CFO	141,852	116,596
Company controlled by President	250,000	58,929
Listing expenses		
Company controlled by CFO	-	22,527
Share issuance cost		
Company controlled by CFO	-	2,893
Total	\$ 1,116,347	\$ 712,196

Other related party transactions

During the year ended June 30, 2023, the Company earned advisory and management fees of \$273,600 (2022: \$52,971) from customer agency trades with Paradox Fund, which is managed by a company controlled by a director of the Company.

As at June 30, 2023, \$6,641 (2022: \$20,476) in accounts payable and accrued liabilities were owed to a Company controlled by the CFO of the Company.

As at June 30, 2023, \$1,558 (2022: \$3,862) in accounts payable and accrued liabilities were owed to the CFO of the Company.

As at June 30, 2023, \$20,769 (2022: \$8,364) in accounts payable and accrued liabilities were owed to the CEO of the Company.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk level. The Company considers its capital for this purpose to be its equity, \$5,617,308 (2022: \$7,870,342).

The Company's primary source of capital is through the issuance of common shares and debt. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company believes it will be able to raise capital as required but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of the Company's capital. There have been no changes in the way in which the Company manages capital in the year.

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The Company's subsidiary, FRNT Asset Management Inc., is subject to the regulatory capital requirements of NI 31-103 for portfolio managers, which require that it maintain minimum working capital of at least \$25,000 plus the Financial Institution Bond ("FIB") insurance deductible and other margin requirements, if any. As at June 30, 2023 and June 30, 2022, FRNT Asset Management Inc. was in compliance with its regulatory capital requirements.

17. FINANCIAL RISK MANAGEMENT*Fair values*

The Company's financial instruments consist of cash, trade and other receivables, investments, accounts payable and accrued liabilities, loans payable, and promissory note payable. Cash and investments are carried at fair value, while trade and other receivables, accounts payable and accrued liabilities, loans payable, and promissory note payable are carried at amortized cost. The fair values of trade and other receivables, accounts payable and accrued liabilities, loans payable, and promissory note payable approximate their carrying value due to their current nature.

The Company classifies its financial assets at FVTPL according to the fair value hierarchy as follows:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments that are recorded at fair value generally are classified within Level 1 or Level 3 within the fair value hierarchy using quoted market prices or quotes from administrators.

As at June 30, 2023 and June 30, 2022, cash was classified at Level 1 in the fair value hierarchy. The Company's investment in Paradox Fund and Paradox Fund – SPC was classified at Level 3 in the fair value hierarchy (Note 7), and the Company's long-term investment in the private company was classified at Level 2 in the fair value hierarchy (Note 7). The Company is exposed in varying degrees to a variety of financial instrument related risks.

The Company's exposure to financial instrument related risks and the methods used to manage those risks have not changed significantly over the last year. Significant risks that are relevant to the Company, as well as methods to manage the various types of risk to which it is exposed, are discussed below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised three types of risk: foreign exchange risk, interest rate risk and other price risk. Market risk arises as a result of the Company generating revenues in foreign currencies, holding assets and liabilities denominated in foreign currencies, holding liabilities with variable interest rates and measuring investments at fair value.

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Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. As at June 30, 2023, the Company is exposed to the following foreign exchange risk:

		CAD Equivalent
<i>Denominated in USD</i>		
Cash	\$	100,382
Trade and other receivables		668,256
Investment in Paradox Fund		4,392,769
Investment in Paradox Fund – SPC		158,634
Accounts payable and accrued liabilities		(83,026)
		<u>5,237,015</u>
<i>Denominated in GBP</i>		
Long-term investment		99,877
Trade and other receivables		55,746
Accounts payable and accrued liabilities		(6,039)
		<u>149,584</u>
Net assets exposure	\$	5,386,599

The Company does not currently hedge its foreign exchange risk. Based on current exposures as at June 30, 2023 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the United States dollar against the Canadian dollar would result in an increase or decrease of approximately \$524,000 (June 30, 2022: \$472,000) in the Company's profit or loss. A 10% depreciation or appreciation of the British pound sterling against the Canadian dollar would result in an increase or decrease of approximately \$15,000 (June 30, 2022: \$Nil) in the Company's profit or loss.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's outstanding promissory note payable bears interest equal to the prime rate. Since this is a floating interest rate, a 1% increase in the interest rate on the promissory note would change net losses by approximately \$2,000 (2022: \$2,000).

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to the individual investment or its issuers or factors affecting all financial instruments traded in the market. A 10% increase (decrease) in the quotes obtained from third-party administrators on the investment would change net losses by approximately \$439,277 (2022: \$170,570) on its regular investment, and \$15,863 (2022: \$Nil) on the SPC.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and trade and other receivables are exposed to credit risk.

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The Company reduces its credit risk on cash by placing these instruments with either Schedule 1 Canadian bank or reputable institutions with a sufficiently long operating history to be considered reliable for credit worthiness purposes.

The Company manages its exposure to accounts receivable credit risk by assessing the associated risk of default prior to accepting new customers, monitoring the level of accounts receivable attributable to each customer, the length of time taken for amounts to be settled, and maintaining reserves for potential credit losses. In addition, if the age of an outstanding invoice reaches one year, the Company records an allowance for the doubtful account for the full amount of the invoice. Where necessary, management takes the appropriate action to collect those balances considered overdue.

Management does not believe that there is significant credit risk arising from the current customer base. The maximum exposure to loss arising from trade and other receivables is equal to their total carrying amounts. \$55,746 of the trade receivables balance at June 30, 2023 relates to one customer in the United Kingdom, and \$5,864 relates to one customer in Canada. Both outstanding balances were collected in full subsequent to June 30, 2023. Trade and other receivables also includes refundable SR&ED tax credits which bears minimal risk as they are receivable from the Canadian government, as well as a receivable in relation to the Company's redemption in the Paradox Fund; both were received subsequent to the year ended June 30, 2023. The Company has determined that no allowance is required as all amounts outstanding are considered collectible.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity by raising capital through the issuance of debt and equity. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

The table below summarized the maturity profile of the Company's financial liabilities based on the remaining period to the contractual maturity date as at June 30, 2023 and June 30, 2022.

June 30, 2023	On demand	Less than 1 year	1-3 years	4-5 years	Total
Accounts payable and accrued liabilities	\$ 317,888	\$ -	\$ -	\$ -	\$ 317,888
Loans payable	-	38,124	-	-	38,124
Promissory note payable	-	241,334	-	-	241,334
Lease liabilities	-	78,137	109,391	-	187,528
June 30, 2022	On demand	Less than 1 year	1-3 years	4-5 years	Total
Accounts payable and accrued liabilities	\$ 263,521	\$ -	\$ -	\$ -	\$ 263,521
Loans payable	-	-	34,658	-	34,658
Promissory note payable	-	227,915	-	-	227,915
Lease liabilities	-	85,950	171,901	23,441	281,292

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18. SEGMENTED INFORMATION

The Company operates in one operating segment focused around developing and offering its capital market trading platform to institutional investors.

All of the Company's non-current assets, excluding financial instruments and deferred tax assets, are located in Canada.

The Company generated 23% of total revenues with customers in Canada, and generated 77% of total revenues from customers located in foreign countries, of which 62% and 15% were generated from customers domiciled in the Cayman Islands and the United Kingdom, respectively.

The Company generated 62%, 23%, and 13% of its total revenues from its three major customers.

19. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.50% (2022: 27%) to the effective tax rate is as follows:

	June 30, 2023	June 30, 2022
Net loss before taxes	\$ (2,805,164)	\$ (2,726,889)
Expected income tax (recovery) expense	(743,000)	(736,000)
Non-deductible expenses and other adjustments	65,000	68,000
Change in estimate	-	(101,000)
Share issuance costs	-	(294,000)
Effect of rate change	21,000	-
Effect of different jurisdiction rates	2,000	-
Change in tax benefits not recognized	655,000	1,063,000
Total income tax expense	\$ -	\$ -

Unrecognized deferred tax asset

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

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	June 30, 2023	June 30, 2022
	\$	\$
Investment	(79,000)	(2,000)
Equipment	6,000	2,000
Right-of-use asset	(39,000)	(62,000)
Lease liability	45,000	66,000
Promissory note payable and loans payable	(6,000)	(7,000)
Share issuance costs	197,000	271,000
Non-capital losses carried forward	1,667,000	868,000
	1,791,000	1,136,000
Less: unrecognized deferred tax assets	(1,791,000)	(1,136,000)
Total	-	-

The Company's Canadian non-capital income tax losses expiring in the years 2040 to 2043 are \$6,261,117. The Company's UK non-capital income tax losses are \$41,453.

20. SUBSEQUENT EVENT

On September 14, 2023, the Prime Minister announced extended deadlines for CEBA loan repayments. The repayment deadline for CEBA loans to qualify for partial loan forgiveness of up to 33 per cent is being extended from December 31, 2023, to January 18, 2024. For CEBA loan holders who make a refinancing application with the financial institution that provided their CEBA loan by January 18, 2024, the repayment deadline to qualify for partial loan forgiveness now includes a refinancing extension until March 28, 2024.

As of January 19, 2024, outstanding loans, including those that are captured by the refinancing extension, will convert to three-year term loans, subject to interest of five per cent per annum, with the term loan repayment date extended by an additional year from December 31, 2025, to December 31, 2026.