

FRNT Financial Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

Notice to Reader

Under National Instrument 51-102 Continuous Disclosure Obligations, 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 consolidated financial statements have been prepared by management and were not reviewed by FRNT Financial Inc.'s independent auditor.

FRNT Financial Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

As at	Notes	September 30, 2023		June 30, 2023	
ASSETS					
Current assets					
Cash		\$	545,451	\$	447,314
Trade and other receivables	5		41,911		888,655
Prepaid expenses and deposits	6		105,032		131,631
Investments	7		4,669,211		4,392,769
			<u>5,361,605</u>		<u>5,860,369</u>
Deposits	6		38,340		38,588
Investments	7		260,427		258,511
Equipment	8		26,650		30,382
Right-of-use asset	9		174,861		195,037
Total assets		\$	5,861,883	\$	6,382,887
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		\$	279,482	\$	317,888
Promissory note payable	11		65,633		241,334
Loans payable	10		39,051		38,124
Lease liability	12		66,903		65,258
			<u>451,069</u>		<u>662,604</u>
Lease liability	12		81,678		102,975
Total liabilities			532,747		765,579
SHAREHOLDERS' EQUITY					
Share capital	13		10,678,834		10,678,834
Stock option reserve	13		3,124,510		3,062,017
Warrant reserve	13		188,228		188,228
Accumulated other comprehensive loss			(2,123)		(1,602)
Accumulated deficit			(8,660,313)		(8,310,169)
Total shareholders' equity			5,329,136		5,617,308
Total liabilities and shareholders' equity		\$	5,861,883	\$	6,382,887
Nature of operations	1				
Subsequent events	19				

APPROVED BY THE BOARD OF DIRECTORS:

Stéphane Ouellette

Director

Adam Rabie

Director

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

FRNT Financial Inc.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

	Notes	Three months ended September 30,	
		2023	2022
Income			
Advisory and management fees	15	\$ 37,777	\$ 130,611
Consulting		152,250	60,000
		190,027	190,611
Operating expenses			
Advertising and promotion		900	63,000
Depreciation	8, 9	23,908	23,215
General and administrative	14	147,065	192,214
Investor relations		1,978	77,338
Professional fees	14, 15	308,123	216,252
Salaries and wages	15	285,493	288,196
Share-based payments	13, 15	62,493	231,258
		829,960	1,091,473
Loss before the undernoted		(639,933)	(900,862)
Other income (expenses)			
Unrealized gain on investments	7	278,358	419,986
Interest expense	10, 11, 12	(4,345)	(8,970)
Foreign exchange		15,776	12,510
		289,789	423,526
Net loss		(350,144)	(477,336)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Cumulative translation adjustment		(521)	-
Net loss and comprehensive loss		\$ (350,665)	\$ (477,336)
Loss per share – Basic and diluted		\$ (0.01)	\$ (0.01)
Weighted average shares outstanding – Basic and diluted		35,149,329	35,149,329

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

FRNT Financial Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

	Number of common shares	Share capital	Stock option reserve	Warrant reserve	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance, June 30, 2022	35,149,329	\$ 10,678,834	\$ 2,508,285	\$ 188,228	\$ -	\$ (5,505,005)	\$ 7,870,342
Share-based payments	-	-	231,258	-	-	-	231,258
Net loss and comprehensive loss	-	-	-	-	-	(477,336)	(477,336)
Balance, September 30, 2022	35,149,329	\$ 10,678,834	\$ 2,739,543	\$ 188,228	\$ -	\$ (5,982,341)	\$ 7,624,264
Balance, June 30, 2023	35,149,329	\$ 10,678,834	\$ 3,062,017	\$ 188,228	\$ (1,602)	\$ (8,310,169)	\$ 5,617,308
Share-based payments	-	-	62,493	-	-	-	62,493
Net loss and comprehensive loss	-	-	-	-	(521)	(350,144)	(350,665)
Balance, September 30, 2023	35,149,329	\$ 10,678,834	\$ 3,124,510	\$ 188,228	\$ (2,123)	\$ (8,660,313)	\$ 5,329,136

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

FRNT Financial Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise indicated)
(Unaudited)

	Three months ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss for the period	\$ (350,144)	\$ (477,336)
Adjustments for non-cash items:		
Unrealized gain on investments	(278,358)	(419,986)
Share-based payments	62,493	231,258
Interest expense	226	8,970
Depreciation	23,908	23,215
Changes in non-cash working capital items:		
Trade and other receivables	184,354	127,955
Prepaid expenses and deposits	26,599	83,747
Accounts payable and accrued liabilities	(38,679)	43,757
Net cash used in operating activities	(369,601)	(378,420)
Cash flows from investing activities		
Proceeds on redemption of investment	662,390	2,836,077
Purchase of investments	-	(2,944,991)
Purchase of equipment	-	(4,982)
Net cash (used in) provided by investing activities	662,390	(113,896)
Cash flows from financing activities		
Settlement of promissory note	(175,000)	-
Lease liability payments	(19,652)	(23,441)
Net cash used in financing activities	(194,652)	(23,441)
Net change in cash	98,137	(515,757)
Cash, beginning	447,314	3,403,771
Cash, ending	\$ 545,451	\$ 2,888,014
Supplemental Cash Flow Disclosures		
Income tax paid	-	-
Interest received (paid)	(4,119)	-
Non-cash transactions	-	-

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

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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”.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2023.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standards (“IAS”) 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). They have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended June 30, 2023, except that they do not include all the disclosures required for the annual audited financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the Company for year ended June 30, 2023.

b) Consolidation

These condensed interim 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 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	
			September 30, 2023	June 30, 2023
FRNT Asset Management Inc.	Financial technology services	Canada	100%	100%
FRNT Financial UK Limited	Financial technology services	United Kingdom	100%	100%

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

c) Basis of measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2023.

4. MANAGEMENT USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed interim consolidated financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. In preparing these condensed interim consolidated financial statements, the significant estimates and critical judgments were the same as those applied to the annual consolidated financial statements as at and for the year ended June 30, 2023.

5. TRADE AND OTHER RECEIVABLES

	September 30,		June 30,
	2023		2023
Trade receivables	\$ 27,874	\$	55,746
Redemption in Paradox Fund (Note 7)	-		662,390
SR&ED tax credits receivables	-		164,655
Accrued income	5,077		5,864
Sales tax receivable	8,960		-
	\$ 41,911	\$	888,655

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 \$164,655, which was presented as SR&ED income during the year ended June 30, 2023. During the three months ended September 30, 2023, the SR&ED claim was approved by the Canada Revenue Agency and the full amount of the claim was received.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

6. PREPAID EXPENSES AND DEPOSITS

	September 30, 2023	June 30, 2023
Prepaid expenses	\$ 92,169	\$ 119,768
Short-term deposits	12,863	11,863
Prepaid expenses and deposits	105,032	131,631
Long-term deposits ⁽¹⁾	38,340	38,588
	\$ 143,372	\$ 170,219

(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, 2023 - \$18,459). Additionally, a deposit of \$20,129 (12,000 GBP) was made during the year ended June 30, 2023. The deposit forfeits after 2 years from the date of invoice if the firm is not used for a future hire. As at September 30, 2023, this deposit has not been applied and was revalued to \$19,881.

7. INVESTMENTS

	Paradox Fund (i)	Paradox Fund – SPC (i)	Private Company (ii)	Total
	\$	\$	\$	\$
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
Change in unrealized gain (loss) on investment	276,442	3,146	(1,230)	278,358
Balance, September 30, 2023	4,669,211	161,780	98,647	4,929,638

(i) The Company holds a total investment of 18.03% (being \$3,557,901 USD of total assets under management) (June 30, 2023: 18.29%) 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 "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 three months ended September 30, 2023, the change in the unrealized gain (loss) on the regular investment resulted in a gain of \$276,442 (2022: \$420,028 gain), and a gain on the SPC of \$3,146 (2022: \$Nil).

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 during the three months ended September 30, 2023.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

(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 three months ended September 30, 2023, the change in the unrealized gain (loss) on the investment resulted in a loss of \$1,230 (2022: \$42 loss). 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 September 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 September 30, 2023 and June 30, 2023 are shown below:

Description	Input	Sensitivity	September 30, 2023	June 30, 2023
Paradox Fund	Net asset value	10%	\$ 466,921	\$ 439,277
Paradox Fund - SPC	Net asset value	10%	\$ 16,178	\$ 15,863

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

8. EQUIPMENT

Cost		Computer equipment		Office equipment		Total
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
Additions		-		-		-
Balance, September 30, 2023	\$	40,109	\$	11,979	\$	52,088
Accumulated Depreciation						
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
Depreciation		3,311		421		3,732
Balance, September 30, 2023	\$	22,947	\$	2,491	\$	25,438
Carrying amounts						
At June 30, 2023	\$	20,473	\$	9,909	\$	30,382
At September 30, 2023	\$	17,162	\$	9,488	\$	26,650

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

9. RIGHT-OF-USE ASSET

Cost		Office
Balance, June 30, 2022	\$	322,819
Additions		-
Balance, June 30, 2023 and September 30, 2023	\$	322,819
Accumulated Depreciation		
Balance, June 30, 2022	\$	47,078
Depreciation		80,704
Balance, June 30, 2023		127,782
Depreciation		20,176
Balance, September 30, 2023	\$	147,958
Carrying amounts		
At June 30, 2023	\$	195,037
At September 30, 2023	\$	174,861

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 CEBA loans will convert into loans with a three-year term bearing interest at 5% per annum.

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 would 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.

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% was extended from December 31, 2023, to January 18, 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 5% per annum, with the term loan repayment date extended by an additional year from December 31, 2025, to December 31, 2026. Management assessed the impact of this extension and did not identify any material impacts to the CEBA loans.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

During the three months ended September 30, 2023, the Company recorded accretion expense of \$927 (2022: \$843) on these loans.

		September 30, 2023		June 30, 2023
Balance, beginning of period	\$	38,124	\$	34,658
Accretion expense		927		3,466
Balance, end of period	\$	39,051	\$	38,124

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 three months ended September 30, 2023, 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 three months ended September 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 September 30, 2023, the principal balance of \$25,000 (June 30, 2023: \$200,000) and interest of \$40,633 (June 30, 2023: \$41,193) was outstanding.

		Carrying Value
Balance, June 30, 2022	\$	227,915
Interest expense		13,419
Balance, June 30, 2023	\$	241,334
Settlement of promissory note		(175,000)
Interest expense		(701)
Balance, September 30, 2023	\$	65,633

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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, 2022	\$	242,891
Lease liability payments		(93,764)
Accretion expense		19,106
Balance, June 30, 2023	\$	168,233
Lease liability payments		(23,441)
Accretion expense		3,789
Balance, September 30, 2023	\$	148,581

Allocated as:		Office
Current	\$	66,903
Non-current		81,678
Balance, September 30, 2023	\$	148,581

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		September 30, 2023
Less than one year	\$	78,137
One to three years		85,950
Total undiscounted lease liability		164,087
Amount representing implicit interest		(15,506)
Lease liability	\$	148,581

13. SHAREHOLDERS' EQUITY**Share Capital**

Authorized share capital of the Company consists of an unlimited number of common shares, non-cumulative discretionary dividends, voting, no par value.

During the three months ended September 30, 2023 and 2022

There were no share capital transactions during the three months ended September 30, 2023 and 2022.

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 September 30, 2023, 14,005,409 common shares (June 30, 2023 – 14,005,409) remain in escrow. The remaining shares held in escrow will be released over a period of 18.6 months.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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, 2022	3,328,453	\$ 1.24	\$ 0.56
Granted	-	-	-
Forfeited	-	-	-
Outstanding, September 30, 2022	3,328,453	\$ 1.24	\$ 0.56
Outstanding, June 30, 2023	3,208,453	\$ 1.23	\$ 0.55
Cancelled	(300,000)	1.92	0.69
Forfeited	-	-	-
Outstanding, September 30, 2023	2,908,453	\$ 1.16	\$ 0.54
Exercisable, September 30, 2023	2,202,005	\$ 1.09	\$ 0.49

The options have a weighted average remaining contractual life of 4.11 years.

During the three months ended September 30, 2023

On August 31, 2023, 300,000 vested stock options were cancelled. The stock options had weighted average exercise price of \$1.92.

During the three months ended September 30, 2022

During the three months ended September 30, 2022, there were no stock option transactions.

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

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

until June 1, 2024. These options had a fair value 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) discount rate: 0.33%.

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

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

The compensation options have a remaining contractual life of 0.67 years.

Warrants

Continuity of the Company's warrants is as follows:

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

As at September 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	0.80
April 12, 2022	200,000	\$1.50	April 12, 2025	1.53
	2,200,000	\$1.50		0.86

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-

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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%.

14. OPERATING EXPENSES**General and administrative**

The following is a breakdown of general and administrative expenses for the three months ended September 30, 2023 and 2022:

	2023		2022	
Bank charges	\$	6,089	\$	6,324
Insurance		27,473		26,426
Rent and rent related expenses		33,249		34,950
Travel, meals, and entertainment		21,370		23,958
Recruitment and sign on fees		8,805		45,236
Office		6,227		13,213
Telephone, IT and web services		11,209		10,727
Dues and subscriptions		32,643		31,380
	\$	147,065	\$	192,214

Professional fees

The following is a breakdown of professional fees for the three months ended September 30, 2023 and 2022:

	2023		2022	
Legal and corporate services	\$	30,031	\$	39,237
Accounting, audit, and related services		74,093		57,011
Transfer agent and filing fees		11,095		10,518
Advisory services		192,904		109,486
	\$	308,123	\$	216,252

15. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the condensed interim consolidated financial statements not disclosed elsewhere in these condensed interim 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.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

Remuneration attributed to key management personnel are summarized as follows:

	Three months ended September 30,	
	2023	2022
Salaries and wages		
CEO	\$ 56,868	\$ 57,115
CFO	4,549	4,615
Share-based payments		
Directors	137	16,261
CFO	1,541	42,798
President	46,182	130,259
Professional fees		
Company controlled by CFO	44,036	44,282
Company controlled by President	62,500	62,500
Total	\$ 215,813	\$ 357,830

Other related party transactions

During the three months ended September 30, 2023, the Company earned advisory and management fees of \$37,777 (2022: \$130,611) from customer agency trades with Paradox Fund, which is managed by a company controlled by a director of the Company.

As at September 30, 2023, \$14,981 (June 30, 2023: \$6,641) in accounts payable and accrued liabilities were owed to a Company controlled by the CFO of the Company.

As at September 30, 2023, \$1,521 (June 30, 2023: \$1,558) in accounts payable and accrued liabilities were owed to the CFO of the Company.

As at September 30, 2023, \$51,076 (June 30, 2023: \$20,769) in accounts payable and accrued liabilities were owed to the CEO of the Company.

As at September 30, 2023, \$23,542 (June 30, 2023: \$Nil) in accounts payable and accrued liabilities were owed to a Company controlled by the President 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, \$5,329,136 (June 30, 2023: \$5,617,308).

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.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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 period.

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 September 30, 2023 and June 30, 2023, 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 September 30, 2023 and June 30, 2023, 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:

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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.

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 September 30, 2023, the Company is exposed to the following foreign exchange risk:

		CAD Equivalent
<i>Denominated in USD</i>		
Cash	\$	259,464
Trade and other receivables		5,073
Investment in Paradox Fund		4,669,211
Investment in Paradox Fund – SPC		161,780
Accounts payable and accrued liabilities		(34,514)
		<u>5,061,014</u>
<i>Denominated in GBP</i>		
Long-term investment		98,647
Accounts payable and accrued liabilities		(3,269)
		<u>95,378</u>
Net assets exposure	\$	5,156,392

The Company does not currently hedge its foreign exchange risk. Based on current exposures as at September 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 \$506,000 (September 30, 2022: \$525,000) 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 \$10,000 (September 30, 2022: \$11,000) 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, which is a floating interest rate. A 1% increase in the interest rate on the promissory note would not result in a material impact to net loss.

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 currency 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 \$466,921 (September 30, 2022: \$507,000) on its regular investment, and \$16,178 (September 30, 2022: \$Nil) on the SPC.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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.

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. \$27,627 of the trade receivables balance at September 30, 2023 relates to one customer in the United Kingdom, \$247 relates to one customer in the Cayman Islands. Both outstanding balances were not collected in full subsequent to September 30, 2023; however, the Company does not anticipate any collection issues on these amounts given its relationship with both customers. Trade and other receivables also include \$5,077 in accrued income with one customer in the Cayman Islands, and \$8,960 in sales tax receivable. The amounts sitting in accrued income were collected subsequent to September 30, 2023. The Company's sales tax receivable bears minimal risk as they are receivable from the Canadian government. 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 September 30, 2023 and June 30, 2023.

September 30, 2023	On demand	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	\$ 279,482	\$ -	\$ -	\$ 279,482
Promissory note payable	-	65,633	-	65,633
Loans payable	-	39,051	-	39,051
Lease liability	-	78,137	85,950	164,087

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

June 30, 2023	On demand	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	\$ 317,888	\$ -	\$ -	\$ 317,888
Promissory note payable	-	241,334	-	241,334
Loans payable	-	38,124	-	38,124
Lease liability	-	78,137	109,391	187,528

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 80% of total revenues with one customer in Canada and generated 20% of total revenues from one customer located in a foreign country, of which 100% were generated from one customer domiciled in the Cayman Islands.

The Company generated 80% and 20% of its total revenues from its two major customers.

19. SUBSEQUENT EVENTS

On November 1, 2023, the Company granted 45,000 stock options with an exercise price of \$0.35 to an employee of the Company.

On November 1, 2023, the Company partially redeemed \$750,000 USD of its investment in the Paradox Fund. This redemption was made without penalty and the cash from the redemption was received on November 15, 2023, by the Company for use in operations.