

FRNT Financial Inc.
(also referred to as “FRNT”, the “Corporation”, or the “Company”)

Management’s Discussion & Analysis

The following management’s discussion and analysis should be read in conjunction with the audited consolidated financial statements for the years ended June 30, 2024 and 2023 prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

Date

This management’s discussion and analysis (“MD&A”) is dated October 17, 2024 and is in respect of the year ended June 30, 2024. The discussion in this MD&A focuses on this year. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. This MD&A is prepared in conformity with National Instrument 51- 102F1 and has been approved by the Board of Directors.

Disclaimer for Forward-Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” or similar expressions. These statements represent management’s best projections, but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

Description of the Business

FRNT Financial Inc. (“FRNT” or 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 trade opportunities.

The Company completed its Initial Public Offering (“IPO”) on April 12, 2022 and its common shares were listed on the TSX Venture Exchange on April 19, 2022, under the trading symbol “FRNT”. The Company’s shares are also listed on the OTCQB Market under the trading symbol “FRFLF”.

FRNT is a next generation institutional sales and trading platform. The Company intends to present a new set of opportunities, primarily through synthetic exposure to cryptocurrency, targeted to institutional investors (non-retail) while maintaining a lean, technology-forward operation. FRNT further believes that synthetic products (such as over-the-counter derivatives) offer a more operationally efficient method of exposure in many circumstances, as opposed to direct ownership of the underlying assets.

FRNT leverages different technologies in its business, including: (i) its SEM Trade user interface and chat interface to interact with clients and automatically deliver quotes for OTC derivatives; and (ii) front-end and back-end trading technology developed by FRNT and licensed to different trading firms.

FRNT’s focus is to deliver these clients expertise and products which allow them to effectively access alternative trade opportunities, such as those available in cryptocurrency. FRNT’s client-facing business lines are: (i) OTC derivatives; (ii) technology licensing around ‘deliverable’ services; (iii) treasury management; and (iv) research licensing.

On December 7, 2020, the Company incorporated a new, wholly owned subsidiary, FRNT Asset Management Inc. (“FRNT AM”). FRNT AM is registered as a portfolio manager with the Ontario Securities Commission. FRNT AM solicits asset managers to sub-advise funds on its behalf.

On July 14, 2022, the Company incorporated a new, wholly owned subsidiary, FRNT Financial UK Limited (“FRNT UK”). On September 12, 2024, FRNT UK was granted authorization by the Financial Conduct Authority (“FCA”) to operate in the UK. This is a major development in the Company’s international expansion that broadens FRNT’s global regulatory footprint and allows the Company to continue to satisfy the growing needs of regulated institutional investors operating at the intersection of traditional regulated finance, digital assets and other innovative industries.

Listed Issuer Financing Exemption (“LIFE”) Offering

On May 21, 2024, the Company closed a brokered private placement offering and issued 2,070,000 Units at a price of \$0.60 per Unit for aggregate gross proceeds of \$1,242,000 (the “LIFE Offering”). Each Unit comprised of one common share of the Company (a “Common Share”) and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.90 until May 21, 2027.

In connection with the LIFE Offering, the Company paid to an agent a cash commission of \$74,520 and issued 124,200 warrants of the Company (the “Broker Warrants”). Each Broker Warrant entitles the holder thereof to acquire one Unit at a price of \$0.60 at any time on or before May 21, 2027. An additional \$184,348 in share issuance costs were incurred in conjunction with the LIFE Offering.

Consolidation

The Company’s consolidated financial statements are presented on a consolidated basis and include the accounts of the Company and its controlled subsidiaries. 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 the controlled subsidiaries are as follows:

Entity	Principal activities	Country of incorporation	Percentage Owned	
			June 30, 2024	June 30, 2023
FRNT Asset Management Inc.	Financial technology services	Canada	100%	100%
FRNT Financial UK Limited	Financial technology services	United Kingdom	100%	100%

Summary of Quarterly Results

The following table provides selected quarterly financial data for the eight most recently completed quarters:

Three months ended								
	June 30, 2024	March 31, 2024	Dec 31, 2023	Sept 30, 2023	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept 30, 2022
Revenue	683,576	38,096	648,274	190,027	75,332	109,383	63,176	190,611
Net loss for the period	(661,203)	(695,980)	(310,577)	(350,144)	(688,640)	(395,767)	(1,243,421)	(477,336)
Basic and diluted loss per share	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.04)	(0.01)

The Company incurred a net loss of \$661,203 during the three months ended June 30, 2024 compared to a net loss of \$688,640 during the 2023 comparative period, a decrease in net loss of \$27,437. A primary reason for the decrease in net loss is the higher revenue from capital markets, which increased by \$665,523 due to an increase in transactions facilitated by the Company and total transaction value from trading activity. During the three months ended June 30, 2024, the Company performed an expected credit loss assessment and recorded an allowance of \$290,000 on a balance owing from one customer. No allowances were recorded during the three months ended June 30, 2023. This was offset by a decrease in SR&ED tax credits received during the three months ended June 30, 2024 of \$Nil compared to \$164,655 in the comparative period.

The Company incurred a net loss of \$695,980 during the three months ended March 31, 2024 compared to a net loss of \$395,767 during the 2023 comparative period, an increase in net loss of \$300,213. A primary reason for the increase in net loss is the lower revenue from capital markets, which decreased by \$66,281 due to a decrease in transactions facilitated by the Company and total transaction value from trading activity. Professional fees increased by \$151,895 due to an increase in consulting fees paid to strategic advisors, and legal fees related to general corporate matters. Share-based compensation also increased by \$87,564 due to the January and February 2024 stock option grants. The Company also recognized a gain on the change in fair value of its investments of \$276,248 as compared to a gain of \$390,230 in the comparative period – a variance of \$113,982. The increase in net loss was offset by a decrease in salaries and wages, which decreased by \$72,033 from changes in employee composition.

The Company incurred a net loss of \$310,577 during the three months ended December 31, 2023 compared to a net loss of \$1,243,421 during the 2022 comparative period, a decrease in net loss of \$932,844. A primary reason for the decrease in net loss is due to higher revenue from capital markets and consulting and advisory fees, which increased by \$225,498 and \$359,600, respectively. The Company reduced its spending on advertising and promotion by \$21,221 and investor relations by \$80,216. Salaries and wages decreased by \$116,045 resulting from changes in employee composition and share-based payments decreased by \$70,129 due to fewer tranches vesting in the period. The Company recognized a gain on the change in fair value of its investments of \$178,497 as compared to a loss of \$256,445 in the comparative period – a variance of \$434,942. The Company also incurred \$318,732 more in professional fees in the current period due to an increase in legal fees, and consulting fees paid to strategic advisors.

The Company incurred a net loss of \$350,144 during the three months ended September 30, 2023 compared to a net loss of \$477,336 during the 2022 comparative period, a decrease in net loss of \$127,192. A primary reason for the decrease in net loss is due to the Company reducing its spending on advertising and promotion by \$62,100 and investor relations by \$75,360. Share-based payments also decreased by \$168,765 due to fewer tranches vesting in the period – no options were granted in the current period either. The Company recognized an unrealized gain on its investments of \$278,358 during the three months ended September 30, 2023, in comparison to a gain of \$419,986 in the comparative period – a decrease of \$141,628. The Company also incurred \$91,871 more in professional fees in the current period due to an increase in audit fees, and consulting fees paid to strategic advisors.

Selected Annual Financial Information

The following table sets out selected annual financial information for our Company, which has been prepared in accordance with IFRS:

Year ended June 30,	2024	2023	2022
Total revenue	\$1,559,973	\$438,502	\$292,977
Total operating expenses	\$4,127,743	\$4,028,164	\$3,319,810
Net loss and comprehensive loss	\$(2,017,972)	\$(2,806,766)	\$(2,726,889)
Basic and diluted loss per share	\$(0.06)	\$(0.08)	\$(0.09)
Weighted average number outstanding	35,381,214	35,149,329	32,015,082

As at	June 30, 2024	June 30, 2023
Cash	\$1,552,482	\$447,314
Current assets	\$5,125,309	\$5,860,369
Total assets	\$5,532,996	\$6,382,887
Total liabilities	\$487,654	\$765,579
Shareholders' equity	\$5,045,342	\$5,617,308

Results of Operations for the year ended June 30, 2024

For the year ended June 30, 2024, the Company incurred a net loss and comprehensive loss of \$2,017,972 compared to a net loss and comprehensive loss of \$2,806,776 for the year June 30, 2023, a decrease of \$788,794.

The decrease in net loss and comprehensive loss was primarily due to an increase in revenues, which increased by \$1,121,471 from the comparative period. Capital markets revenue increased \$731,906 due to an increase in transactions facilitated by the Company and total transaction value from trading activity. Consulting and advisory revenue increased by \$389,565 from the comparative period due to an increase in advisory service agreements.

During the year ended June 30, 2024, the Company performed an expected credit loss assessment and recorded an allowance of \$290,000 on a balance owing from one customer. No allowances were recorded in the comparative period.

The Company also recognized a decrease in SR&ED tax credits received during the year ended June 30, 2024 of \$25,797 compared to \$164,655 in the comparative period.

The decrease in net loss and comprehensive loss was offset by an increase of \$99,579 in total operating expenses. The increase in operating expenses was primarily due to an increase of \$700,631 in professional fees relating to an increase in advisory services received from consultants. This was offset by a decrease of \$93,073 in advertising and promotional costs due to a decrease in social media advisory services, a decrease of \$100,446 in investor relations fees due to a decrease in public relations services, a decrease of \$285,677 in salaries and wages expenses from changes in employee composition, and a decrease of \$90,858 in share-based payments due to less tranches vesting in the period.

The Company recognized a gain on the change in fair value of its investments of \$851,753 during the year ended June 30, 2024 compared to a gain of \$651,390 during the year ended June 30, 2023, an increase of \$200,363.

Results of Operations for the three months ended June 30, 2024

For the three months ended June 30, 2024, the Company incurred a net loss and comprehensive loss of \$661,170 compared to a net loss and comprehensive loss of \$690,242 for the three months ended June 30, 2023, a decrease of \$29,072.

The decrease in net loss and comprehensive loss was primarily due to an increase in revenues, which increased by \$608,244 from the comparative period. Capital markets revenue increased \$665,523 due to an increase in transactions facilitated by the Company and total transaction value from trading activity. Consulting and advisory revenue decreased by \$57,279 from the comparative period due to a decrease in advisory service agreements.

The decrease in net loss and comprehensive loss was offset by an increase of \$156,290 in total operating expenses. The increase in operating expenses was primarily due to an increase in professional fees of \$241,178 due to an increase in consulting fees paid to strategic advisors, and legal fees related to general corporate matters. The increase in operating expenses was offset by a decrease in salaries and wages of \$94,896 from changes in employee composition.

During the three months ended June 30, 2024, the Company performed an expected credit loss assessment and recorded an allowance of \$290,000 on a balance owing from one customer. No allowances were recorded during the three months ended June 30, 2023.

The Company also recognized a decrease in SR&ED tax credits received during the three months ended June 30, 2024 of \$Nil compared to \$164,655 in the comparative period.

The Company recognized a gain on the change in fair value of its investments of \$118,650 during the three months ended June 30, 2024 compared to a gain of \$97,619 during the year ended June 30, 2023, an increase of \$21,031.

Disclosure of Outstanding Share Data

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

As of October 17, 2024, the Company had 37,241,779 common shares issued and outstanding. In addition, there are 1,235,000 warrants, 4,835,188 stock options outstanding, and 124,200 broker warrants outstanding.

Liquidity and Capital Resources

Historically and prospectively, the Company's primary source of liquidity and capital resources has been proceeds from the issuance of common shares. Based on our current level of operations and our expected results of operations over the next 12 months, we believe that cash generated from operations will be adequate to meet our anticipated liquidity requirements, capital expenditures and working capital needs for the next 12 months..

As at June 30, 2024, the Company had working capital of \$4,660,751 (June 30, 2023: \$5,197,765), a decrease of \$537,014. The decrease in working capital is primarily attributable to the decrease in trade and other receivables of \$614,354 as the Company received funds from its redemption in the Paradox Fund of \$662,390, \$164,655 from its SR&ED refund application, and recorded an allowance of \$290,000 for expected credit losses, which is offset by an increase in trade receivables from revenue generated during the year ended June 30, 2024. Investments decreased by \$1,211,250 due to the partial redemptions on the Company's investment in the Paradox Fund. The decrease in working capital was offset by cash increasing by \$1,105,168, and the promissory note and loans payable decreasing by \$241,334 and \$38,124, respectively, due to their repayments.

Working capital without the Company's investment in the Paradox Fund as at June 30, 2024 would be \$1,479,232 (June 30, 2023: \$804,996). As at June 30, 2024, the Company had cash on hand of \$1,552,482 (June 30, 2023: \$477,314) to meet accounts payable and accrued liabilities of \$392,492 (June 30, 2023: \$317,888). In the event the Company has insufficient cash to meet its accounts payable and accrued liabilities, it intends to redeem its investment in the Paradox Fund as needed to fund business operations and investment.

Net cash used in operating activities for the year ended June 30, 2024 was \$2,419,658 compared to net cash used of \$2,746,955 in the comparative year, an improvement of \$502,297. The Company continues to generate net losses and negative cash flows from operating activities due to the revenues still being insufficient in size to cover its operating expenses. The Company expects to have sufficient working capital to meet any operating cash outflow or working capital requirements for the immediate future. This expectation relies on the Company redeeming its investment in the Paradox Fund as and if necessary (See "Investment in Paradox Fund").

Net cash provided by investing activities for the year ended June 30, 2024 was \$2,720,398, compared to net cash used of \$134,844 in the comparative year. During the year ended June 30, 2024 the Company received \$2,720,398 in funds from its partial redemption in the Paradox Fund that took place during the year ended June 30, 2024. In the comparative year, the Company made purchases of shares in its investment of Paradox Fund in the amount of \$2,956,576 and received proceeds of \$2,836,077 on partial redemption of its investment in Paradox Fund. The remaining change is due to the difference in equipment acquired during the year ended June 30, 2023.

Net cash provided by financing activities for the year ended June 30, 2024 was \$804,428, compared net cash used of \$74,658 in the comparative year. During the year ended June 30, 2024, the Company received \$1,242,000 in proceeds and incurred \$258,868 in share issuance costs in connection with the LIFE Offering. The Company also made lease liability payments of \$73,071, settled \$65,633 in principal and interest on its promissory note, and repaid \$40,000 on its loans payable. Cash used during the year ended June 30, 2023 solely related to lease liability payments.

Other Factors Affecting Liquidity

The Company may raise additional equity or debt capital or enter into arrangements to secure necessary financing to fund the completion of development projects, to meet obligations or for the general corporate purposes of the Company. Such arrangements may take the form of loans, strategic agreements, or other agreements. The sale of additional equity could result in additional dilution to the Company's existing shareholders, and financing arrangements may not be available to us, or may not be available in sufficient amounts or on acceptable terms.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions as of the date of this MD&A.

Reconciliation of Use of Proceeds from Financing Activities

The following table sets out a comparison of how the Company intends to use the net proceeds from its LIFE Offering that closed in May 2024 (as described in the Offering Document) and its actual use of the proceeds from the closing of the LIFE Offering to date. The Company has not experienced any significant variances compared to its intended use to date.

Objective	Intended use of net proceeds⁽¹⁾	Actual spend to date	Remaining
Sales capacity growth	\$363,836	\$57,156	\$306,680
Regulatory discovery with respect to new business lines	\$65,782	\$10,334	\$55,448
Geographical expansion	\$161,543	\$25,377	\$136,166
Expansion of advisory practice	\$145,535	\$22,863	\$122,672
Technology staff growth	\$122,249	\$19,204	\$103,045
General marketing / awareness initiatives	\$58,214	\$9,145	\$49,069
Total	\$917,159	\$144,079	\$773,080

(1) Net cash proceeds from the LIFE Offering amounted to \$983,132 compared to an estimated maximum of \$2,596,600 as disclosed in the Offering Document. The intended use of funds have been prorated to take into account the reduction in the actual net cash raised and excludes an adjusted amount of \$65,973 allocated to working capital and general corporate purposes.

Investment in Paradox Fund and Long-term Investment

The Company holds a total investment of 5.94% (being \$2,443,519 USD of total assets under management) (June 30, 2023: 18.29%) in the Paradox Fund, a fund registered in the Cayman Islands. As at June 30, 2024, the investment in the Paradox Fund represents approximately 60% of the Company's total assets.

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. On May 7, 2024, FTX filed a plan of reorganization that is currently pending approval from the Delaware Bankruptcy courts. This plan aims to address FTX's outstanding liabilities, including those from legal proceedings and customer claims. As a final filing has yet to be made, the SPC is classified as a long-term investment.

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). The investment has been classified as a long-term investment.

The reconciliations of investments are presented as follows:

	Paradox Fund	Paradox Fund – SPC	Private Company	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)
Fair value gain (loss) on investments	519,219	158,634	(26,463)	651,390
Balance, June 30, 2023	4,392,769	158,634	99,877	4,651,280
Proceeds on redemption of shares	(2,058,008)	-	-	(2,058,008)
Fair value gain (loss) on investments	846,758	1,897	3,098	851,753
Balance, June 30, 2024	3,181,519	160,531	102,975	3,445,025

The Paradox Subscription Agreements placed conditions on the redemption of Paradox Fund shares. These conditions require FRNT, if it were to redeem all or part of its shares, to do so by providing ninety (90) days prior written notice to the Paradox Fund. FRNT would also be subject to a certain redemption fee if the redemption request is made within twelve (12) months of the date of subscribing for the shares being redeemed. Thereafter, subject to certain conditions as set forth in the Memorandum, the Paradox Fund would endeavor to pay the redemption proceeds within thirty (30) days, or if the redemption request is submitted within twelve (12) months of the date of subscribing for the shares being redeemed, the Paradox Fund shall make the redemption payments within ninety (90) days. As of June 30, 2024, all subscriptions have passed the twelve (12) month window and are redeemable without penalties.

On June 30, 2023, the Company redeemed \$500,000 USD of its investment in the Paradox Fund. This redemption was made without penalty and the cash from the redemption was received on July 27, 2023, by the Company for use in operations.

On November 1, 2023, the Company 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.

On March 1, 2024, the Company 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 March 6, 2024, by the Company for use in operations.

Transactions with Related Parties

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.

Related parties consist of the following individuals:

- Stéphane Ouellette, CEO and Director
- Alex McAulay, CFO
- Adam Rabie, Director
- Dan Cristall, Director
- Eric Richmond, Director
- Geoff Browne, Director
- David Washburn, President

Remuneration attributed to key management personnel are summarized as follows:

	Year ended June 30,	
	2024	2023
	\$	\$
Salaries and wages		
Stéphane Ouellette	226,236	225,865
Alex McAulay	18,098	18,115
Share based payments		
Eric Richmond	13,838	14,472
Dan Cristall	13,701	7,675
Geoff Browne	13,701	12,683
Alex McAulay	31,804	98,850
David Washburn	249,335	346,835
Professional fees		
Company controlled by Alex McAulay	152,954	141,852
Company controlled by David Washburn	250,000	250,000
Share issuance costs		
Company controlled by Alex McAulay	8,752	-
Total	978,419	1,116,347

Other related party transactions:

During the year ended June 30, 2024, the Company earned capital markets revenue of \$87,213 (2023: \$273,600) from customer agency trades with Paradox Fund, which is managed by a company controlled by Adam Rabie. Of these amounts \$1,671 (June 30, 2023: \$16,719) remained in trade and other receivables as of June 30, 2024. Refer to information under “Investment in Paradox Fund and Long-term Investment” for investment related balances, transactions and fair value gains associated with the Company’s investment in the Paradox Fund.

As at June 30, 2024, \$14,453 (June 30, 2023: \$6,641) in accounts payable and accrued liabilities were owed to Treewalk (formerly ACM Management Inc.), a company controlled by Alex McAulay.

As at June 30, 2024, \$964 (June 30, 2023: \$1,558) in accounts payable and accrued liabilities were owed to Alex McAulay.

As at June 30, 2024, \$12,054 (June 30, 2023: \$20,769) in accounts payable and accrued liabilities were owed to Stéphane Ouellette.

As at June 30, 2024, \$23,542 (June 30, 2023: \$Nil) in accounts payable and accrued liabilities were owed to Opeongo Advantage Corp., a Company controlled by David Washburn.

Financial Instruments

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. Investments are carried at fair value, while cash, 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 2 or Level 3 within the fair value hierarchy using quoted market prices or quotes from administrators.

As at June 30, 2024 and June 30, 2023, the Company's investment in Paradox Fund and Paradox Fund – SPC was classified at Level 3 in the fair value hierarchy, and the Company's long-term investment in the private company was classified at Level 2 in the fair value hierarchy.

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.

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, 2024, the Company is exposed to the following foreign exchange risk:

		CAD Equivalent
<i>Denominated in USD</i>		
Cash	\$	812,771
Trade and other receivables		34,253
Investment in Paradox Fund		3,181,519
Investment in Paradox Fund – SPC		160,531
Accounts payable		(7,476)
		4,181,598
<i>Denominated in GBP</i>		
Long-term investment		102,975
Trade and other receivables		-
Accounts payable		(5,621)
		97,354
Net assets exposure	\$	4,278,952

The Company does not currently hedge its foreign exchange risk. Based on current exposures as at June 30, 2024 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 \$418,000 (June 30, 2023: \$524,000) 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 (June 30, 2023: \$15,000) 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 is not materially exposed to this risk.

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 \$318,000 (June 30, 2023: \$439,000) on its regular investment, and \$16,000 (June 30, 2023: \$16,000) 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.

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.

During the year ended June 30, 2024, the Company performed an expected credit loss assessment on a \$399,600 balance owing from one customer that had been outstanding for over 90 days. As a result of the assessment, an allowance for expected credit losses of \$290,000 (2023: \$Nil) was recorded. All other customer balances in accounts receivable as at June 30, 2024 and 2023 were current and expected to be collected in full.

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 obligations 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, 2024 and June 30, 2023.

June 30, 2024	On demand	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	\$ 392,492	\$ -	\$ -	\$ 392,492
Lease liability	-	78,137	23,441	101,578
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

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, \$5,045,342 (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.

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.

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, 2024 and June 30, 2023, FRNT Asset Management Inc. was in compliance with its regulatory capital requirements.

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The significant accounting estimates and judgments are set out in Note 4 to the audited consolidated financial statements for the years ended June 30, 2024 and 2023.

Material Accounting Policies

The accounting policies followed by the Company are set out in Note 3 of the audited consolidated financial statements of the Company for the years ended June 30, 2024 and 2023.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

Management's Responsibility for Financial Statements

Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of internal controls over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the year ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under be detected.