

FRNT Financial Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2024 and 2023

(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, 2024	June 30, 2024
ASSETS			
Current assets			
Cash		\$ 661,428	\$ 1,552,482
Trade and other receivables	5	325,298	274,301
Prepaid expenses and deposits	6	86,069	117,007
Investments	7	3,274,343	3,181,519
		<u>4,347,138</u>	<u>5,125,309</u>
Deposits	6	12,306	12,306
Long-term investments	7	229,421	263,506
Equipment	8	14,586	17,543
Right-of-use asset	9	94,156	114,332
Total assets		\$ 4,697,607	\$ 5,532,996
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 255,886	\$ 392,492
Lease liability	10	81,678	72,066
		<u>337,564</u>	<u>464,558</u>
Lease liability	10	-	23,096
Total liabilities		337,564	487,654
SHAREHOLDERS' EQUITY			
Share capital	11	11,565,336	11,565,336
Stock option reserve	11	3,650,186	3,524,891
Warrant reserve	11	284,858	284,858
Accumulated other comprehensive loss		640	(1,670)
Accumulated deficit		(11,140,977)	(10,328,073)
Total shareholders' equity		4,360,043	5,045,342
Total liabilities and shareholders' equity		\$ 4,697,607	\$ 5,532,996

Nature of operations 1

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,	
		2024	2023
Income			
Capital markets	16	\$ 182,248	\$ 37,777
Consulting and advisory		26,228	152,250
		208,476	190,027
Operating expenses			
Advertising and promotion		-	900
Depreciation	8, 9	23,133	23,908
General and administrative	12	140,531	147,065
Investor relations		24,250	1,978
Professional fees	12, 13	491,949	308,123
Salaries and wages	13	265,713	285,493
Share-based payments	11, 13	125,295	62,493
		1,070,871	829,960
Loss before the undernoted		(862,395)	(639,933)
Other income (expenses)			
Fair value gain on investments	7	58,739	278,358
Interest expense	10	(492)	(4,345)
Foreign exchange		(8,756)	15,776
		49,491	289,789
Net loss		(812,904)	(350,144)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Cumulative translation adjustment		2,310	(521)
Net loss and comprehensive loss		\$ (810,594)	\$ (350,665)
Loss per share – Basic and diluted		\$ (0.02)	\$ (0.01)
Weighted average shares outstanding – Basic and diluted		37,225,674	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, 2024 and 2023

(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, 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
Balance, June 30, 2024	37,219,329	11,565,336	3,524,891	284,858	(1,670)	(10,328,073)	5,045,342
Shares issued for options exercised	22,450	-	-	-	-	-	-
Share-based payments	-	-	125,295	-	-	-	125,295
Net loss and comprehensive loss	-	-	-	-	2,310	(812,904)	(810,594)
Balance, September 30, 2024	37,241,779	11,565,336	3,650,186	284,858	640	(11,140,977)	4,360,043

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,	
	2024	2023
Cash flows from operating activities		
Net loss for the period	\$ (812,904)	\$ (350,144)
Adjustments for non-cash items:		
Fair value gain on investments	(58,739)	(278,358)
Share-based payments	125,295	62,493
Interest expense	-	226
Depreciation	23,133	23,908
Changes in non-cash working capital items:		
Trade and other receivables	(50,995)	184,354
Prepaid expenses and deposits	30,985	26,599
Accounts payable and accrued liabilities	(136,608)	(38,679)
Net cash used in operating activities	(879,833)	(369,601)
Cash flows from investing activities		
Proceeds on redemption of investment	-	662,390
Net cash (used in) provided by investing activities	-	662,390
Cash flows from financing activities		
Settlement of promissory note	-	(175,000)
Lease liability payments	(13,484)	(19,652)
Net cash used in financing activities	(13,484)	(194,652)
Impact of currency translation	2,263	-
Net change in cash	(891,054)	98,137
Cash, beginning	1,552,482	447,314
Cash, ending	\$ 661,428	\$ 545,451
Supplemental Cash Flow Disclosures		
Income tax paid		-
Interest received (paid)	(492)	(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, 2024 and 2023

(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.

The Company’s common shares are listed on the TSX Venture Exchange under the trading symbol “FRNT” and on the OTCQB Market under the trading symbol “FRFLF”.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 26, 2024.

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, 2024, 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, 2024.

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. 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, 2024	June 30, 2024
FRNT Asset Management Inc.	Financial technology services	Canada	100%	100%
FRNT Financial UK Limited	Financial technology services	United Kingdom	100%	100%
FRNT Financial (Cayman) Limited	Financial technology services	Cayman Islands	100%	-

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(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. MATERIAL ACCOUNTING POLICIES

The material 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, 2024.

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, 2024.

5. TRADE AND OTHER RECEIVABLES

	September 30, 2024	June 30, 2024
Trade receivables	427,969	401,271
Allowance for expected credit loss	(290,000)	(290,000)
Accrued income	22,079	32,582
Sales tax receivable	165,250	130,448
	325,298	274,301

As at September 30, 2024 and June 30, 2024, the Company performed an expected credit loss assessment and recorded an allowance of \$290,000 (June 30, 2024 - \$290,000) on a balance owing from one customer. There has been no change in the allowance from June 30, 2024 to September 30, 2024.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

6. PREPAID EXPENSES AND DEPOSITS

	September 30, 2024	June 30, 2024
Prepaid expenses	73,740	102,817
Short-term deposits	12,329	14,190
Prepaid expenses and deposits	86,069	117,007
Long-term deposits ⁽¹⁾	12,306	12,306
	98,375	129,313

(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 \$12,306 (June 30, 2024 - \$12,306).

7. INVESTMENTS

	Paradox Fund (i)	Paradox Fund – SPC (i)	Private Company (ii)	Total
	\$	\$	\$	\$
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 on investments	846,758	1,897	3,098	851,753
Balance, June 30, 2024	3,181,519	160,531	102,975	3,445,025
Fair value gain (loss) on investments	92,824	(38,836)	4,751	58,739
Balance, September 30, 2024	3,274,343	121,695	107,726	3,503,764

(i) The Company holds a total investment of 5.34% (being \$2,512,829 USD of total assets under management) (June 30, 2024: 5.94%) 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 15).

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. During the year ended June 30, 2024, FTX filed a plan of reorganization that is currently pending approval from the Delaware Bankruptcy Court. 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.

During the three months ended September 30, 2024, the change in fair value on the regular investment resulted in a gain of \$92,824 (2023: \$276,442 gain), and a loss on the SPC of \$38,836 (2023: \$3,146 gain).

(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).

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

During the three months ended September 30, 2024, the change in fair value on the investment resulted in a gain of \$4,751 (2023: \$1,230 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, 2024, 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, 2024 and June 30, 2024 are shown below:

Description	Input	Sensitivity	September 30, 2024	June 30, 2024
Paradox Fund	Net asset value	10%	\$ 327,434	\$ 318,152
Paradox Fund - SPC	Net asset value	10%	\$ 12,170	\$ 16,053

During the three months ended September 30, 2024 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, 2023	\$	40,109	\$	11,979	\$	52,088
Additions		-		-		-
Balance, June 30, 2024		40,109	\$	11,979	\$	52,088
Additions		-		-		-
Balance, September 30, 2024	\$	40,109	\$	11,979	\$	52,088
Accumulated Depreciation						
Balance, June 30, 2023	\$	19,636	\$	2,070	\$	21,706
Depreciation		11,177		1,662		12,839
Balance, June 30, 2024	\$	30,813	\$	3,732	\$	34,545
Depreciation		2,536		421		2,957
Balance, September 30, 2024	\$	33,349		4,153		37,502
Carrying amounts						
At June 30, 2024	\$	9,296	\$	8,247	\$	17,543
At September 30, 2024	\$	6,760	\$	7,826	\$	14,586

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

9. RIGHT-OF-USE ASSET

Cost		Office
Balance, June 30, 2023	\$	322,819
Additions		-
Balance, June 30, 2024 and September 30, 2024	\$	322,819
Accumulated Depreciation		
Balance, June 30, 2023	\$	127,782
Depreciation		80,705
Balance, June 30, 2024	\$	208,487
Depreciation		20,176
Balance, September 30, 2024		228,663
Carrying amounts		
At June 30, 2024	\$	114,332
At September 30, 2024		94,156

10. 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, 2023	\$	168,233
Lease liability payments		(85,950)
Accretion expense		12,879
Balance, June 30, 2024	\$	95,162
Lease liability payments		2,144
Accretion expense		(15,628)
Balance, September 30, 2024		81,678
Allocated as:		Office
Current		81,678
Non-current		-
Balance, September 30, 2024		81,678

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, 2024
Less than one year	85,950
One to three years	-
Total undiscounted lease liability	85,950
Amount representing implicit interest	(4,272)
Lease liability	81,678

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

11. 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, 2024 and 2023

There were no share capital transactions during the three months ended September 30, 2024 and 2023.

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, 2024, 7,002,703 common shares (June 30, 2024 – 7,002,703) remain in escrow. The remaining shares held in escrow will be released over a period of 6.6 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, 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
Outstanding, June 30, 2024	4,614,320	\$ 0.86	\$ 0.45
Granted	250,000	0.57	0.44
Exercised	(31,292)	0.16	-
Expired	(14,566)	0.72	0.26
Outstanding, September 30, 2024	4,818,462	0.85	0.45
Exercisable, September 30, 2024	2,659,913	0.82	0.44

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

The options have a weighted average remaining contractual life of 4.14 years.

During the three months ended September 30, 2024

On July 1, 2024, 14,566 options expired. The options had an exercise price of \$0.72.

On September 5, 2024, 31,292 options were exercised cashless for the issuance of 22,450 shares. The options had an exercise price of \$0.16. The fair value of the options determined on the original grant date was \$nil.

On September 5, 2024, the Company granted 250,000 options to a consultant. The assumptions used in the stock option pricing model for the options granted were as follows:

Risk-free rate:	3%
Share price:	\$0.58
Expected life:	5.96
Expected volatility:	92%
Expected dividends:	Nil
Weighted average fair value per option:	\$0.44

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.

Warrants

Continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, June 30, 2023	2,200,000	\$ 1.50
Granted	-	-
Outstanding, September 30, 2023	2,200,000	\$ 1.50
Outstanding, June 30, 2024	3,359,200	\$ 1.28
Expired	(2,000,000)	(1.50)
Outstanding, September 30, 2024	1,359,200	\$ 0.96

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

As at September 30, 2024, the following warrants were outstanding:

Grant date	Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
April 12, 2022	200,000	\$1.50	April 12, 2025	0.53
May 21, 2024	1,035,000	\$0.90	May 21, 2027	2.64
May 21, 2024	124,200	\$0.60	May 21, 2027	2.64
	1,359,200	\$0.96		2.33

12. OPERATING EXPENSES**General and administrative**

The following is a breakdown of general and administrative expenses for the three months ended September 30, 2024 and 2023:

	2024	2023
Bank charges	\$ 6,829	\$ 6,089
Insurance	20,190	27,473
Rent and rent related expenses	35,756	33,249
Travel, meals, and entertainment	7,642	21,370
Recruitment and sign on fees	5,250	8,805
Office	8,071	6,227
Telephone, IT and web services	17,887	11,209
Dues and subscriptions	38,906	32,643
	\$ 140,531	\$ 147,065

Professional fees

The following is a breakdown of professional fees for the three months ended September 30, 2024 and 2023:

	2024	2023
Legal and corporate services	\$ 8,074	\$ 30,031
Accounting, audit, and related services	46,126	74,093
Transfer agent and filing fees	10,216	11,095
Advisory and consulting services	427,533	192,904
	\$ 491,949	\$ 308,123

13. 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.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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:

	Three months ended September 30,	
	2024	2023
Salaries and wages		
CEO	\$ 55,014	\$ 56,868
CFO	4,401	4,549
Share-based payments		
Directors	10,971	137
CFO	10,253	1,541
President	39,230	46,182
Professional fees		
Company controlled by CFO	44,893	44,036
Company controlled by President	62,500	62,500
Total	\$ 227,262	\$ 215,813

Other related party transactions

During the three months ended September 30, 2024, the Company earned capital markets revenue of \$141,887 (2023: \$37,777) from customer agency trades with Paradox Fund, which is managed by a company controlled by a director of the Company. Of these amounts \$239 (June 30, 2024: \$1,671) remained in trade and other receivables as of September 30, 2024.

As at September 30, 2024, \$19,310 (June 30, 2024: \$14,453) in accounts payable and accrued liabilities were owed to a Company controlled by the CFO of the Company.

As at September 30, 2024, \$779 (June 30, 2024: \$964) in accounts payable and accrued liabilities were owed to the CFO of the Company.

As at September 30, 2024, \$7,139 (June 30, 2024: \$12,054) in accounts payable and accrued liabilities were owed to the CEO of the Company.

As at September 30, 2024, \$23,542 (June 30, 2024: \$23,542) in accounts payable and accrued liabilities were owed to a Company controlled by the President of the Company.

14. 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, \$4,360,043 (June 30, 2024: \$5,045,342).

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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

15. 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 marker 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, 2024 and June 30, 2024, 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

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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 September 30, 2024, the Company is exposed to the following foreign exchange risk:

		CAD Equivalent
<i>Denominated in USD</i>		
Cash	\$	342,753
Trade and other receivables		39,948
Investment in Paradox Fund		3,274,343
Investment in Paradox Fund – SPC		121,695
Accounts payable and accrued liabilities		(43,381)
		<u>3,735,358</u>
<i>Denominated in GBP</i>		
Long-term investment		107,726
Accounts payable and accrued liabilities		(24,218)
		<u>83,508</u>
Net assets exposure	\$	3,818,866

The Company does not currently hedge its foreign exchange risk. Based on current exposures as at September 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 \$374,000 (September 30, 2023: \$506,000) 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 \$8,000 (September 30, 2023: \$10,000) 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.

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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 \$327,434 (September 30, 2023: \$466,921) on its regular investment, and \$12,170 (September 30, 2023: \$16,178) 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.

As at September 30, 2024 and 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 was recorded. All other customer balances in accounts receivable as at September 30, 2024 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 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, 2024 and June 30, 2024.

September 30, 2024	On demand	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	\$ 255,886	\$ -	\$ -	\$ 255,886
Lease liability	-	85,950	-	85,950

FRNT Financial Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise indicated)

(Unaudited)

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

16. 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 5% of total revenues with one customer in Canada and generated 95% of total revenues from three customers located in foreign countries, of which 68% was generated from one customer domiciled in the Cayman Islands, 8% from one customer in the United States and 19% from one customer in the United Kingdom.

The Company generated 68% and 19% (2023: 80% and 20%), respectively, of its total revenues from its three major customers.