

Spitfyre Capital Inc.
(A Capital Pool Company)

Interim Financial Statements (Unaudited)

For the three and nine month periods ended September 30, 2023

and 2022

(In Canadian Dollars)

Notice of No Auditor Review of the Interim Financial Statements

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

Spitfyre Capital Inc.
Interim Statements of Financial Position
As at September 30, 2023 and December 31, 2022
(Unaudited)

(in Canadian Dollars)

Assets	As at September 30, 2023 (Unaudited)		As at December 31, 2022 (Audited)	
Cash held in trust	\$	454,742	\$	526,834
	\$	454,742	\$	526,834
Liabilities				
Accounts payable and accrued liabilities	\$	74,502	\$	41,806
Shareholders' Equity				
Share capital, net of issuance costs (Note 3)	\$	638,750	\$	638,750
Contributed surplus (Note 3)	\$	15,800	\$	15,800
Deficit	\$	(274,310)	\$	(169,522)
	\$	380,240	\$	485,028
	\$	454,742	\$	526,834

Approved by the Board

"Matthew McMillan"
Matthew McMillan
Director

"Simon Sokol"
Simon Sokol
Director

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

Spitfyre Capital Inc.**Interim Statements of Loss and Comprehensive Loss**

For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

(in Canadian Dollars)

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Expenses				
Professional and other fees	\$ 73,787	\$ 4,078	\$ 88,561	\$ 40,946
Transfer Agent and filing fees	\$ 5,540	954	\$ 16,227	15,975
Net loss and comprehensive loss for the period	\$ (79,327)	\$ (5,032)	\$(104,788)	\$ (56,921)
Net loss per share – basic and diluted	(0.01)	(0.00)	(0.02)	(0.01)
Weighted average shares outstanding – basic and diluted	5,750,000	5,750,000	5,750,000	4,980,769

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

Spitfyre Capital Inc.
Interim Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022
(Unaudited)

(in Canadian Dollars)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Cash provided by (used in)		
Operating		
Net loss for the period	\$ (104,788)	\$ (5,032)
Change in accounts payable and accrued liabilities	\$ 32,696	(85,283)
Cash used in operating activities	\$ (72,092)	\$ (90,315)
Financing		
Share issuance, net of issuance costs	-	208,050
Cash, beginning of period	\$ 526,834	\$ 436,675
Net change in cash	\$ (72,092)	\$ 91,784
Cash, end of period	\$ 454,742	\$ 528,459

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

Spitfyre Capital Inc.
Interim Statements of Changes in Shareholders' Equity
(Unaudited)

(in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Shareholders' Equity
Balance, December 31, 2021	4,500,000	\$ 446,500	-	\$ (69,488)	\$ 377,012
Share issuance, net of issuance costs (Note 3)	1,250,000	208,050	-	-	208,050
Agent's Options (Note 3)	-	(15,800)	15,800	-	-
Net loss for the period	-	-	-	\$ (56,921)	\$ (56,921)
Balance, September 30, 2022	5,750,000	\$ 638,750	\$15,800	\$ (126,409)	\$ 528,141
Balance, December 31, 2022	5,750,000	\$ 638,750	\$ 15,800	\$ (169,522)	\$ 485,028
Net loss for the period	-	-	-	\$ (104,788)	\$(104,788)
Balance, September 30, 2023	5,750,000	\$ 638,750	\$ 15,800	\$ (274,310)	\$ 380,240

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

Spitfyre Capital Inc.**Notes to the Interim Financial Statements**

For the nine months ended September 30, 2023 and 2022

(Unaudited)

(in Canadian Dollars)

1. INCORPORATION AND NATURE OF BUSINESS

Spitfyre Capital Inc. (the “Corporation”) was incorporated under the *Business Corporations Act (Ontario)* on June 24, 2021. The Corporation has completed its Initial Public Offering to be classified as a Capital Pool Company as defined under Policy 2.4 – *Capital Pool Companies* (“Policy 2.4”) of the TSX Venture Exchange (the “Exchange”). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined in Policy 2.4 of the Exchange (“Qualifying Transaction”). The Corporation has not commenced commercial operations and has no assets other than cash held in trust. Given the nature of the activities, no separate segmented information is reported. The Corporation’s continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders’ approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception of reasonable general and administrative expenses, not exceeding \$3,000 per month. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

The head office and the registered head office of the Corporation is located at 100 King Street West, Suite 1600, Toronto, Ontario, Canada, M5X 1G5.

On November 27, 2023, the board of directors of the Corporation (the “Board of Directors”) approved the interim financial statements for the three and nine months ended September 30, 2023 and 2022.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Spitfyre Capital Inc.**Notes to the Interim Financial Statements**

For the nine months ended September 30, 2023 and 2022

(Unaudited)

(in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES**Statement of Compliance**

These unaudited interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Use of Estimates and Judgments

The preparation of these interim financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. A key source of measurement uncertainty is stock based compensation. Determining the fair value of equity-settled stock-based compensation awards at the grant date requires estimating the expected term of stock options, the expected volatility of the Corporation’s stock, the expected dividends and the number of stock-based awards that are expected to be forfeited.

Basis of Presentation

The interim financial statements are presented in Canadian dollars (“CAD”), which is the Corporation’s functional and presentation currency. The interim financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these interim financial statements.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Spitfyre Capital Inc.**Notes to the Interim Financial Statements**

For the nine months ended September 30, 2023 and 2022

(Unaudited)

(in Canadian Dollars)

Share-based Compensation

Equity-settled share based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the interim financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation's expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Cash held in trust

Cash held in trust is comprised of cash held in trust with the Corporation's lawyers.

Financial Instruments*Recognition*

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss), and (ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash held in trust is classified as assets at fair value and any period change in fair value is recorded in profit or loss.

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Spitfyre Capital Inc.**Notes to the Interim Financial Statements**

For the nine months ended September 30, 2023 and 2022

(Unaudited)

(in Canadian Dollars)

Financial Instruments - continued*Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statement of financial position.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Spitfyre Capital Inc.**Notes to the Interim financial statements**

For the nine months ended September 30, 2023

(Unaudited)

(in Canadian Dollars)

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

3. SHARE CAPITAL

Authorized

Unlimited common shares

Issued

Balance, December 31, 2022 and September 30, 2023	5,750,000	\$ 638,750
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Filing of Prospectus and Initial Public Offering

On May 18, 2022, the Corporation filed an amended and restated prospectus to offer to sell and issue a minimum of 1,125,000 common shares ("Common Shares") to a maximum of 1,250,000 Common Shares at a price of \$0.20 per Common Share for gross proceeds of \$225,000 to \$250,000, respectively (the "Offering"). In connection with the Offering, the Corporation entered into an agency agreement with Hampton Securities Limited (the "Agent"). On June 17th, 2022 the Corporation completed the maximum Offering, issuing 1,250,000 Common Shares at \$0.20 per Common Share for gross proceeds of \$250,000. In completing the Offering, the Corporation incurred \$25,000 in commissions for the Agent and \$16,950 in other reimbursable costs, for total issue costs of \$41,950.

Spitfyre Capital Inc.**Notes to the Interim financial statements**

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(Unaudited)

(in Canadian Dollars)

Escrowed Shares

During the period ended December 31, 2021, the Corporation issued 4,500,000 Common Shares of the Corporation at \$0.10 per Common Share for gross proceeds of \$450,000 and incurred \$3,500 in share issuance costs.

All Common Shares acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow. 4,781,000 shares have been escrowed at June 30, 2023.

All Common Shares and Common Shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued, releasing from escrow as follows:

Date of Final Exchange Bulletin	25%
Date 6 months following Final Exchange Bulletin	25%
Date 12 months following Final Exchange Bulletin	25%
Date 18 months following Final Exchange Bulletin	25%

Options

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding Common Shares. They are non-transferable and the exercise price of each option granted under the plan shall be determined by the Board of Directors. Options may be granted for a maximum term of ten years from the date of the grant. Options expire not later than 12 months after the optionee ceases to be a director, officer or technical consultant of the Corporation, subject to the expiry date of the option.

Any Common Shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions as described above for escrowed shares.

The stock option plan is subject to regulatory approval.

(in Canadian Dollars)

Agent's Options

In connection with the Offering, the company granted Agent's Options (the "Agent's Options") which entitles the Agent to purchase in aggregate up to 125,000 Common Shares at an exercise price \$0.20 per Common Share. The Agent's Options will expire 36 months from the date the Common Shares were listed on the TSX Venture. The Agent's Options were valued at \$15,800 estimated using the Black-Scholes pricing model with the following assumptions: share price of \$0.20, estimated life of three years, risk-free interest rate of 3.24%, volatility of 100%, and nil forecasted dividend yield.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of Common Shares may only be used to identify and evaluate assets or businesses for future investment, with the exception of reasonable general and administrative expenses, not exceeding \$3,000 per month. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange Policy 2.4.

Risk Disclosures and Fair Values

The Corporation's financial instruments carried at amortized cost consist of accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Spitfyre Capital Inc.**Notes to the Interim financial statements**

For the nine months ended September 30, 2023

(Unaudited)

(in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, 281,000 Common Shares were issued at a price of \$0.20 per share for gross proceeds of \$56,200 to directors and officers of the Corporation as part of the IPO.

During the period ended December 31, 2021, 2,900,000 Common Shares were issued at a price of \$0.10 per share for gross proceeds of \$290,000 to directors and officers of the Corporation.

There was no remuneration paid to key management personnel during the three and nine months ended September 30, 2023 and no other related party transactions have occurred during the period.

6. QUALIFYING TRANSACTION

On June 28, 2023, the Corporation entered into a non-binding letter of intent (the "LOI") with NeoTerrex Corporation ("NeoTerrex"). On October 4, 2023, the Corporation entered into a binding amalgamation agreement (the "Amalgamation Agreement") with NeoTerrex. Pursuant to the Amalgamation Agreement, the Corporation and NeoTerrex propose to complete a business combination transaction which is intended to constitute the Corporation's Qualifying Transaction (the "Proposed Transaction"). On November 23, 2023, the Corporation and NeoTerrex completed a private placement raising aggregate gross proceeds of \$3,516,600, consisting of 600,000 subscription receipts of the Corporation at \$0.25 (the "Spitfyre Subscription Receipts"), 8,038,000 subscription receipts of NeoTerrex at \$0.25 (the "NeoTerrex Subscription Receipts") and 4,523,688 flow through subscription receipts of NeoTerrex at \$0.30 (the "Flow Through Subscriptions Receipts") being issued. Each Spitfyre Subscription Receipt and each NeoTerrex Subscription Receipt will be converted into one common share and one half warrant of the Corporation and each Flow Through Subscription Receipt will be converted into one flow through share of the Corporation upon completion of the Proposed Transaction. The exchange ratio for the Proposed Transaction will be 1:1. The closing date of the Proposed Transaction is anticipated to be November 28, 2023, or such other date as is mutually agreed to between NeoTerrex and the Corporation.