



**Stack Capital Group Inc.**

**Condensed Interim Financial Statements**

**September 30, 2022**

*(Expressed in Canadian Dollars, Unaudited)*

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102 - *Continuous Disclosure Obligations*, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of 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 financial statements of Stack Capital Group Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Stack Capital Group Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars, Unaudited)

As at	Note	September 30, 2022	December 31, 2021
<b>Assets</b>			
Cash		\$ 43,216,509	\$ 76,338,241
Investments, at fair value	3	65,345,267	26,443,195
Prepaid expenses		395,169	203,581
<b>Total Assets</b>		<b>\$ 108,956,945</b>	<b>\$ 102,985,017</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 351,588	\$ 477,943
Amounts due to Manager	7	164,266	144,559
<b>Total Liabilities</b>		<b>515,854</b>	<b>622,502</b>
<b>Equity</b>			
Share capital	4	96,420,467	95,401,161
Equity reserves	5, 6	7,539,546	7,538,624
Retained earnings (deficit)		4,481,078	(577,270)
<b>Total Equity</b>		<b>108,441,091</b>	<b>102,362,515</b>
<b>Total Equity and Liabilities</b>		<b>\$ 108,956,945</b>	<b>\$ 102,985,017</b>

**General Information** (Note 1)

**Subsequent Event** (Note 10)

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

**Approved on Behalf of the Board:**

*“Signed, Jeffrey Parks”*

Jeffrey Parks, Director

*“Signed, John Bell”*

John Bell, Director

# Stack Capital Group Inc.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars, Unaudited)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021 <sup>(1)</sup>
<b>Income</b>					
Interest income		\$ 253,030	\$ 97,971	\$ 468,729	\$ 97,971
Unrealized gain (loss) on investments, at fair value	3	(3,742,035)	-	(1,941,997)	-
Gain on conversion of convertible debenture	3	-	-	3,927,644	-
Unrealized foreign exchange gain on investments, at fair value	3	4,351,170	144,000	5,108,961	144,000
		<b>862,165</b>	<b>241,971</b>	<b>7,563,337</b>	<b>241,971</b>
<b>Expenses</b>					
Management fees	7	457,350	434,730	1,379,084	505,646
Professional fees	7	90,127	153,857	473,224	241,391
Insurance		134,380	163,468	457,440	190,712
General and administrative		58,422	13,091	239,088	28,766
Loss (gain) on foreign exchange		4,268	(46,374)	(44,769)	(46,374)
Share-based compensation	5	922	-	922	-
		<b>745,469</b>	<b>718,772</b>	<b>2,504,989</b>	<b>920,141</b>
<b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>		<b>\$ 116,696</b>	<b>\$ (476,801)</b>	<b>\$ 5,058,348</b>	<b>\$ (678,170)</b>
<b>Basic Earnings (Loss) per Share</b>		<b>\$ 0.01</b>	<b>\$ (0.05)</b>	<b>\$ 0.56</b>	<b>\$ (0.13)</b>
<b>Diluted Earnings (Loss) per Share</b>		<b>\$ 0.01</b>	<b>\$ (0.05)</b>	<b>\$ 0.56</b>	<b>\$ (0.13)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>					
Basic	9	<b>9,121,822</b>	<b>9,080,019</b>	<b>9,103,074</b>	<b>5,275,926</b>
Diluted	9	<b>9,125,822</b>	<b>9,080,019</b>	<b>9,107,074</b>	<b>5,275,926</b>

(1) For the period from April 1, 2021 (incorporation) to September 30, 2021.

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

# Stack Capital Group Inc.

## Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars, Unaudited)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021 <sup>(1)</sup>
<b>Operating Activities</b>					
Net earnings (loss) for the period		\$ 116,696	\$ (476,801)	\$ 5,058,348	\$ (678,170)
Changes in non-cash operating items:					
Unrealized loss (gain) on investments, at fair value	3	3,742,035	-	1,941,997	-
Gain on conversion of convertible debenture	3	-	-	(3,927,644)	-
Share-based compensation	5	922	-	922	-
Accrued interest from convertible debenture	3	-	(2,932)	-	(2,932)
Acquisition of investments, net of share issuance	3, 4	(1,139,742)	(20,468,457)	(30,788,158)	(20,468,457)
Unrealized foreign exchange loss on investments	3	(4,351,170)	(144,000)	(5,108,961)	(144,000)
Loss on foreign exchange		4,268	-	(44,769)	-
Changes in non-cash working capital items:					
Prepaid expenses		144,905	(190,873)	(191,588)	(206,125)
Accounts payable and accrued liabilities	7	(16,753)	(221,932)	(126,355)	554,190
Amounts due to Manager	7	(165,901)	13,913	19,707	289,540
<b>Net Cash Used in Operating Activities</b>		<b>(1,664,740)</b>	<b>(21,491,082)</b>	<b>(33,166,501)</b>	<b>(20,655,954)</b>
<b>Financing Activities</b>					
Proceeds from initial public offering	4	-	-	-	100,020,000
Proceeds from management private placement	4	-	-	-	7,000,008
Proceeds from over-allotment in initial public offering	4	-	2,686,400	-	2,686,400
Costs of issuance	4	-	(288,966)	-	(6,766,623)
<b>Net Cash Provided by Financing Activities</b>		<b>-</b>	<b>2,397,434</b>	<b>-</b>	<b>102,939,785</b>
<b>Net Change in Cash</b>		<b>(1,664,740)</b>	<b>(19,093,648)</b>	<b>(33,166,501)</b>	<b>82,283,831</b>
Cash, beginning of period		44,885,517	101,377,479	76,338,241	-
Effect of foreign exchange changes		(4,268)	-	44,769	-
<b>Cash, end of period</b>		<b>\$ 43,216,509</b>	<b>\$ 82,283,831</b>	<b>\$ 43,216,509</b>	<b>\$ 82,283,831</b>

(1) For the period from April 1, 2021 (incorporation) to September 30, 2021.

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

# Stack Capital Group Inc.

## Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars, Unaudited)

	Notes	Common Shares (#)	Common Shares (\$)	Equity Reserves	Net Earnings (Deficit)	Total
<b>Opening Balance, April 1, 2021</b>		-	\$ -	\$ -	\$ -	-
Initial public offering	4, 6	8,335,000	93,463,689	6,556,311	-	100,020,000
Share issuance costs	4	-	(6,766,623)	-	-	(6,766,623)
Management private placement	4, 6	583,334	6,541,157	458,851	-	7,000,008
Exercise of over-allotment option	4, 6	175,000	2,162,938	523,462	-	2,686,400
Net loss for the period		-	-	-	(577,270)	(577,270)
<b>Balance, December 31, 2021</b>		<b>9,093,334</b>	<b>\$ 95,401,161</b>	<b>\$ 7,538,624</b>	<b>\$ (577,270)</b>	<b>\$ 102,362,515</b>
Share swap private placement	3, 4	139,440	1,019,306	-	-	1,019,306
Share-based payments	5	-	-	922	-	922
Net earnings for the period		-	-	-	5,058,348	5,058,348
<b>Balance, September 30, 2022</b>		<b>9,232,774</b>	<b>\$ 96,420,467</b>	<b>\$ 7,539,546</b>	<b>\$ 4,481,078</b>	<b>\$ 108,441,091</b>

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

## Stack Capital Group Inc.

Interim Schedule of Investment Portfolio as at September 30, 2022

(Expressed in Canadian Dollars, Unaudited)

Investments	Investment Type	Portfolio Weight at Period End	Cost	Fair Value
Bolt Financial Inc.	Series D Preferred shares	2.57%	\$ 2,568,361	\$ 2,784,689
Bolt Financial Inc.	Series E-1 Preferred shares	9.13%	5,091,044	9,899,094
Newfront Insurance Holdings, Inc.	Series D-1 Preferred shares	10.22%	10,133,737	11,078,975
Prove Identity Inc.	Common shares*	5.74%	6,004,207	6,223,136
Prove Identity Inc.	Series E-1 Preferred shares	3.90%	3,921,236	4,231,821
GoEuro Corp. (Omio)	Series E-1 Preferred shares	8.94%	9,095,738	9,694,031
FNEX Ventures LLC – Series 103 (SpaceX)	LP Units	8.79%	6,464,128	9,530,201
Hopper Inc.	Series A-1 Preferred shares	7.68%	7,656,901	8,325,590
Varo Money, Inc.	Common shares	3.30%	6,335,206	3,577,730
		<b>60.27%</b>	<b>\$ 57,270,557</b>	<b>\$ 65,345,267</b>
Cash		39.85%		\$ 43,216,509
Other assets and liabilities		(0.12%)		(120,685)
<b>Total</b>		<b>100.00%</b>		<b>\$108,441,091</b>

\* The fair value of Prove Identity Inc. common shares is net of an unrealized deferred gain of \$1,022,050. Refer to Note 3 iv).

# Stack Capital Group Inc.

Notes to Condensed Interim Financial Statements  
For the Three Months and Nine Months Ended September 30, 2022  
(Expressed in Canadian Dollars, Unaudited)

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## 1. General Information

Stack Capital Group Inc. (the “Company”) is an investment holding company. Its business objective is to invest in equity, debt and/or other securities of growth-to-late-stage private businesses. On June 16, 2021, the Company completed its initial public offering, at which time, the Company’s common shares commenced trading on the Toronto Stock Exchange (“TSX”) under the symbol “STCK”, pursuant to the TSX Sandbox initiative for the listing of new issuers. Effective August 5, 2022, the Company satisfied exit conditions and successfully exited the TSX Sandbox program. SC Partners Ltd. (the “Manager”) has taken the initiative in creating the Company and acts as the Company’s administrator and is responsible to source and advise with respect to all investments for the Company.

The Company is federally incorporated and domiciled in Ontario, Canada. The registered office of the Company and the Manager is located at 155 Wellington St. W, Suite 3140, Toronto, ON, M5V 3H1.

The unaudited condensed interim financial statements were approved for issuance by the Company’s Board of Directors on November 10, 2022.

## 2. Basis of Presentation, Significant Accounting Policies, and Use of Estimates and Judgments

The unaudited condensed interim financial statements of the Company were prepared in accordance with International Financial Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of the unaudited condensed interim financial statement, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The unaudited condensed interim statements of financial position of the Company are presented on a non-classified basis. Except for Investments, all other assets expected to be realized and liabilities expected to be settled within the Company’s normal operating cycle of one year are considered current.

The accounting policies and methods of application in these unaudited condensed interim financial statements, including comparatives, are consistent with those used in the Company’s audited annual financial statements for the period ended December 31, 2021, and should be read in conjunction with those statements. The followings are significant accounting policies newly applied and updated by the Company in 2022.

### *Share-based Compensation*

The Company has a long-term incentive plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company’s estimate of equity instruments that will eventually vest. Forfeitures are adjusted for on an actual basis. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

For stock options granted to non-employees the compensation expense is measured at the fair value of goods and services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instruments granted. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from equity reserve to share capital.

# Stack Capital Group Inc.

Notes to Condensed Interim Financial Statements  
For the Three Months and Nine Months Ended September 30, 2022  
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## 2. Basis of Presentation, Significant Accounting Policies, and Use of Estimates and Judgments (Continued)

### *Valuation of Investments*

Investments are measured at fair value in accordance with IFRS 13 *Fair Value Measurement*. Investments for private issuers for which reliable quotations are not readily available, or for which there is no closing bid price, are valued at fair value using management's best estimates. Several valuation methodologies may be considered in determining the fair value estimate, including reviewing recent transactions, earnings multiples for comparable companies, relevant industry data, the transaction price of the investment and its underlying assets, where available, discounted cash flow analysis and industry valuation benchmarks. During the initial period after an investment has been made, transaction price may represent the most reasonable estimate of fair value. Management assesses the reasonability of this judgment by analysis of relevant industry information, and to the extent available information from the underlying portfolio companies, and/or through observations of public or non-public information which may be relevant to the impairment of or estimated fair value of the investment. In situations where the transaction price is not representative of the fair value of the investment, the investment will be recognized at fair value and the difference between the fair value and transaction price is recognized as a deferred gain or loss on the Statement of Financial Position. The deferred gain or loss will remain unrecognized until all market inputs used to value the investment become observable or until the investment is disposed of.

The preparation of unaudited condensed interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the carrying amount of its assets and liabilities that are not readily apparent from other sources. On an ongoing basis, management reviews these estimates, which are based on its best knowledge of current events and actions the Company may undertake in the future. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last audited annual financial statements for the period ended December 31, 2021.

The following is an update to the areas of estimation and judgment during the three and nine months ended September 30, 2022.

### *Long-term Incentive Plan*

In determining the fair value of the long-term incentive plan, the Company makes assumptions about future events and market conditions. In particular, judgment must be formed as to the likely number of stock options that will vest, and the fair value of the award granted. The fair value of stock options granted is determined using the Black-Scholes option-pricing model, which is dependent on further estimates, including the Company's future dividend policy and the future volatility in the price of the common shares. See Note 5 for the assumptions used. Such assumptions are based on publicly available information and reflect market expectation. Different assumptions about these factors to those made by the Company could materially affect reported net income.

# Stack Capital Group Inc.

Notes to Condensed Interim Financial Statements  
For the Three Months and Nine Months Ended September 30, 2022  
(Expressed in Canadian Dollars, Unaudited)

## 3. Investments, at Fair Value

A summary of changes in the fair value of the Company's investments from April 1, 2021 (incorporation) to December 31, 2021 is as follows:

	Balance as of April 1, 2021 (Incorporation)	Purchases	Accrued Interest	Unrealized Gain on Investments	Unrealized Foreign Currency Gains (Losses)	Balance as of December 31, 2021
<b>Equities:</b>						
Varo Money Inc. Common shares <sup>i</sup>	\$ -	\$ 6,335,194	\$ -	\$ -	\$ 82,569	\$ 6,417,763
FNEX Ventures LLC – Series 103 (SpaceX) <sup>ii</sup>	-	6,464,128	-	918,837	25,869	7,408,834
Bolt Financial Inc. Sr. D Pref. shares <sup>iii</sup>	-	2,567,923	-	-	(15,443)	2,552,480
Prove Identity Inc. common shares <sup>iv</sup>	-	1,083,556	-	-	(11,505)	1,072,051
Prove Identity Inc. Sr. E-1 Pref. shares <sup>iv</sup>	-	3,921,236	-	-	(41,633)	3,879,603
<b>Convertible Debenture:</b>						
Bolt Financial Inc. 3% Sept. 24, 2023 <sup>iii</sup>	-	5,102,400	41,210	-	(31,146)	5,112,464
	<b>\$ -</b>	<b>\$ 25,474,437</b>	<b>\$ 41,210</b>	<b>\$ 918,837</b>	<b>\$ 8,711</b>	<b>\$ 26,443,195</b>

A summary of changes in the fair value of the Company's investments for nine months ended September 30, 2022 is as follows:

	Balance as of January 1, 2022	Purchases	Conversion	Unrealized Gain (Loss) on Investments	Unrealized Foreign Currency Gains	Balance as of September 30, 2022
<b>Equities:</b>						
Varo Money Inc. Common shares <sup>i</sup>	\$ 6,417,763	\$ -	\$ -	\$ (3,130,386)	\$ 290,353	\$ 3,577,730
FNEX Ventures LLC – Series 103 (SpaceX) <sup>ii</sup>	7,408,834	-	-	1,347,688	773,679	9,530,201
Bolt Financial Inc. Sr. D Pref. shares <sup>iii</sup>	2,552,480	438	-	-	231,771	2,784,689
Bolt Financial Inc. Sr. E-1 Pref. shares <sup>iii</sup>	-	-	9,040,108	-	858,986	9,899,094
Prove Identity Inc. Common shares <sup>iv</sup>	1,072,051	4,920,650	-	(159,299)	389,734	6,223,136
Prove Identity Inc. Sr. E-1 Pref. shares <sup>iv</sup>	3,879,603	-	-	-	352,218	4,231,821
Hopper Inc. Sr. A-1 Pref. shares <sup>v</sup>	-	7,656,901	-	-	668,689	8,325,590
Newfront Insurance Holdings, Inc. Sr. D-1 Pref. shares <sup>vi</sup>	-	10,133,737	-	-	945,238	11,078,975
GoEuro Corp. (Omio) Sr. E-1 Pref. shares <sup>vii</sup>	-	9,095,738	-	-	598,293	9,694,031
<b>Convertible Debenture:</b>						
Bolt Financial Inc. 3% Sept. 24, 2023 <sup>iii</sup>	5,112,464	-	(5,112,464)	-	-	-
	<b>\$ 26,443,195</b>	<b>\$ 31,807,464</b>	<b>\$ 3,927,644</b>	<b>\$ (1,941,997)</b>	<b>\$ 5,108,961</b>	<b>\$ 65,345,267</b>

\* The fair value of Prove Identity Inc. common shares is net of an unrealized deferred Day 1 gain of \$1,022,050. Refer to Note 3 iv).

- i) Varo Money, Inc. (“Varo”), based in San Francisco, California, is the first all-digital bank in the United States to secure a national bank charter allowing it to offer more products, including loans, to its clients.

During the quarter ended September 30, 2021, the Company invested in common shares of Varo, which had a fair value of \$3,577,730 as at September 30, 2022 (December 31, 2021: \$6,417,763).

As at September 30, 2022, the Company estimated the fair value of its investment in Varo using a market approach. The investment in Varo is classified as a level 3 instrument and the Company utilize comparable public trading multiples in arriving at the valuation for this position. A 10% change in the next twelve months (“NTM”) revenue multiple would affect the valuation by approximately US\$ 253,000. The year-to-date unrealized loss on this investment was \$3,130,386.

# Stack Capital Group Inc.

Notes to Condensed Interim Financial Statements

For the Three Months and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, Unaudited)

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## 3. Investments, at Fair Value (Continued)

- ii) FNEX Ventures, LLC – Series 103 (“SpaceX SPV”) is a special purpose vehicle, which primarily invested into preferred shares of Space Exploration Technologies Corp. (“SpaceX”). As such, substantially all of SpaceX SPV’s value is derived from SpaceX. SpaceX, based in Hawthorne, California, is a designer and provider of space transportation services, as well as a satellite communications provider through its Starlink brand.

During the quarter ended September 30, 2021, the Company invested in limited partnership units in SpaceX SPV, which had a fair value of \$9,530,201 as at September 30, 2022 (December 31, 2021: \$7,408,834).

During the quarter ended September 30, 2022, SpaceX completed an extension of the Q2-2022 offering at approximately a \$127 billion USD valuation which did not impact the valuation this quarter. The year-to-date unrealized gain on this investment was \$1,347,688.

- iii) Bolt Financial Inc. (“Bolt”), based in San Francisco, California, is a software developer of a one-click checkout process and fraud protection for online retailers.

During the quarter ended September 30, 2021, the Company invested in Series D preferred shares of Bolt, which had a fair value of \$2,784,689 as at September 30, 2022 (December 31, 2021: \$2,552,480) and invested in Bolt’s convertible debenture which had a yield of 3% per annum with an expiry of September 24, 2023, which had a fair value of \$5,112,464 as at December 31, 2021.

On January 25, 2022, Bolt completed US\$355 million in Series E-1 financing which triggered the conversion of the Company’s convertible debenture and accrued interest to Series E-1 preferred shares. As a result, the Company recognized a gain on conversion of convertible debenture of \$3,927,643 on the Statements of Income (Loss) and Comprehensive Income (Loss). The fair value of Bolt’s Series E-1 preferred shares as at September 30, 2022 was \$9,899,094, including converted accrued interest.

For the period ended September 30, 2022, our analysis determined that the fair value of Series D and Series E-1 preferred shares of Bolt is at their cost base which is also at its liquidation preference. As a result, the Company recognized an unrealized loss on the investment of \$3,742,035 to mark Series D preferred shares of Bolt to the liquidation preference, during the period ended September 30, 2022, on the Statements of Income (Loss) and Comprehensive Income (Loss).

- iv) Prove Identity Inc. (“Prove”), based in New York City, New York, is a software developer of identity-verification software designed to protect against identity theft and social engineering attacks from professional attackers.

Prior to this quarter, the Company invested in common shares and Series E-1 preferred shares of Prove in two market transactions. During the quarter ended September 30, 2022, the Company acquired additional common shares of Prove in a private transaction with a motivated seller for a combination of 139,440 common shares of the Company and US\$ 855,605 in cash. On initial recognition, the fair value of the acquired common shares of Prove was estimated at \$3,159,378. Given the nature of the private transaction, the fair value of acquired common shares exceeded the transaction price of \$2,137,328 by \$1,022,050. Following the IFRS 9 *Financial Instruments* requirements, this difference, referred hereafter as Day 1 gain, was deferred on the Statement of Financial Position. The carrying value of common shares on the balance sheet is net of the unrealized deferred Day 1 gain. The Day 1 gain will remain deferred until there is a change in a factor (including time) that market participants would take into account when pricing Prove common shares.

As at September 30, 2022, the common shares and Series E-1 Preferred shares of Prove had a fair value of \$6,223,136 and \$4,231,821, respectively (December 31, 2021: \$1,072,052 and \$3,879,602). The year-to-date unrealized loss on this investment was \$159,299.

# Stack Capital Group Inc.

Notes to Condensed Interim Financial Statements  
For the Three Months and Nine Months Ended September 30, 2022  
(Expressed in Canadian Dollars, Unaudited)

## 3. Investments, at Fair Value (Continued)

- v) Hopper Inc. (“Hopper”), based in Montreal, Quebec, is an AI-powered and mobile focused online travel agency, specializing in hotels, flights, car rentals and homes. During the quarter ended March 31, 2022, the Company invested in Class A-1 preferred shares of Hopper, which had a fair value of \$8,325,590 as at September 30, 2022 (December 31, 2021: \$Nil).
- vi) Newfront Insurance Holdings, Inc. (“Newfront”), based in Sacramento, California, is an insurance brokerage focused on leveraging technology intended to assist large businesses in purchasing insurance packages based on insight-based recommendations. During the quarter ended June 30, 2022, the Company invested in Series D-1 preferred shares of Newfront, which had a fair value of \$11,078,975 as at September 30, 2022 (December 31, 2021: \$Nil).
- vii) GoEuro Corp. (“Omio”), headquartered in Berlin, Germany and domiciled in the United States, is an operator of a multi-modal travel booking platform intended to help travellers in Europe, the United States and Canada to compare, plan and book trains, buses, ferries, and flights. During the quarter ended June 30, 2022, the Company invested in Series E-1 preferred shares of Omio, which had a fair value of \$9,694,031 as at September 30, 2022 (December 31, 2021: \$Nil).

## 4. Share Capital

### a. Authorized Share Capital

As at September 30, 2022, the authorized share capital consisted of an unlimited number of common shares.

### b. Common Shares Issued

As at September 30, 2022, the issued share capital was as follows:

	Number of Common Shares	Amount
<b>Balance, April 1, 2021 (Incorporation)</b>	-	\$ -
Issued on initial public offering <sup>i</sup>	8,335,000	93,463,689
Share issuance costs <sup>i</sup>	-	(6,766,623)
Issued on private placement <sup>iii</sup>	583,334	6,541,157
Exercise of over-allotment option <sup>iii</sup>	175,000	2,162,938
<b>Balance, December 31, 2021</b>	<b>9,093,334</b>	<b>\$ 95,401,161</b>
Issued on share swap private placement <sup>iv</sup>	139,440	1,019,306
<b>Balance, September 30, 2022</b>	<b>9,232,774</b>	<b>\$ 96,420,467</b>

- i) On June 16, 2021, the Company completed an initial public offering of 8,335,000 units of (“Units”) at a price of \$12.00 per Unit (the “Offering Price”) for aggregate gross proceeds of \$100,020,000. Each Unit consisted of one common share and one-half of a common share purchase warrant. Each warrant entitles the holder to acquire, subject to adjustment in certain circumstances, one common share of the Company at an exercise price per share of \$15.00 until June 16, 2024. Cash payments made for share issuance costs were \$6,618,871.

The resulting 4,167,500 warrants issued in conjunction with the initial public offering were valued at \$6,556,311, estimated using relative value method, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 30%; a risk-free interest rate of 0.54% and an expected life of three years. The difference between the value assigned to the warrants and the total amount of proceeds was allocated to common shares.

# Stack Capital Group Inc.

Notes to Condensed Interim Financial Statements  
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## 4. Share Capital (Continued)

### b. Common Shares Issued (Continued)

- ii) Concurrent with the closing of the Company's initial public offering on June 16, 2021, certain directors and officers of the Manager (the "Management Investors") purchased an aggregate of 583,334 Units, for total gross proceeds of \$7,000,008, on a non-brokered, private placement basis at the Offering Price (the "Management Investment"). As part of the terms of the Management Investment, each Management Investor agreed to a five-year voluntary lock-up and will retain all of the Units acquired in the Offering and the Management Investment during such period, subject to certain customary exceptions.

The resulting 291,667 warrants issued in conjunction with this concurrent private placement were valued at \$458,851, estimated using relative value method, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 30%; a risk-free interest rate of 0.54% and an expected life of three years. The difference between the value assigned to the warrants and the total amount of proceeds was allocated to common shares.

- iii) On July 7, 2021, the Company issued 175,000 common shares and 454,000 common share purchase warrants pursuant to the partial exercise of the over-allotment option granted to a syndicate of agents in connection with the Company's recent initial public offering. Pursuant to the partial exercise of the over-allotment option, the agents purchased an additional 175,000 common shares at a price of \$11.20 per common share and an additional 454,000 warrants at a price of \$1.60 per warrant, for total gross proceeds of \$2,686,400. Cash payments made for share issuance costs were \$147,752.

The resulting 454,000 warrants issued in conjunction with this over-allotment exercise were valued at \$523,462, estimated using relative value method, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 30%; a risk-free interest rate of 0.66% and an expected life of 2.95 years. The difference between the value assigned to the warrants and the total amount of proceeds was allocated to common shares.

- iv) On September 12, 2022, the Company issued 139,440 common shares as partial consideration in the purchase of common shares of Prove (See Note 3(iv)).

### c. Capital Management

The Company actively manages capital to maintain a strong and efficient capital base to maximize risk-adjusted returns to shareholders and to invest in future growth opportunities, while ensuring there is available capital to fund the Company's operation. The Company's capital consists of share capital and warrants.

## 5. Long-term Incentive Plan

The Company has a long-term incentive plan ("LTIP"), which was approved by shareholders on May 18, 2022 at the annual and special general meeting of shareholders. The LTIP will facilitate the granting of stock options, restricted share units ("RSUs"), performance share units ("PSUs"), and deferred share units ("DSUs"), representing the right to receive one Common Share of the Company in accordance with the terms of the LTIP. The LTIP is not intended to be granted to the founders of the Company and the Manager. As per the terms of the LTIP, the maximum aggregate number of Common Shares reserved for issuance under the LTIP shall not exceed a combined total of 10% of the Company's issued and outstanding Common Shares.

During the three months ended September 30, 2022, the Company granted 4,000 (2021: Nil) stock options with a weighted average exercise price of \$7.00. All outstanding stock options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant.

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## 5. Long-term Incentive Plan (Continued)

The estimated weighted average grant date fair value for these grants was \$7.00 per stock option, as determined using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 2.71%, expected life in years – 5, expected volatility – 32.6%, expected dividends – 0% and expected forfeiture rate – 0%. The remaining weighted average contractual life of options outstanding as at September 30, 2022 was 4.84 years (December 31, 2021 – Nil).

## 6. Warrants

The following table reflects the continuity of warrants for the period April 1, 2021 (incorporation) to September 30, 2022:

	Number of Warrants	Amount
<b>Balance, April 1, 2021 (Incorporation)</b>	-	\$ -
Issued	4,913,167	7,538,624
<b>Balance, December 31, 2021 and September 30, 2022</b>	<b>4,913,167</b>	<b>\$ 7,538,624</b>

The following table reflects the warrants outstanding and exercisable as of September 30, 2022:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)	Number of Warrants Outstanding
June 16, 2024	15.00	1.71	4,913,167

## 7. Related Party Transactions

During the three months ended September 30, 2022, the Company incurred \$534,226 (2021: \$510,980) to related parties consisting of director fees of \$76,876 (2021: \$76,250) and management fees of \$457,350 (2021: \$434,730) pursuant to the Management Agreement. In addition, included in general and administrative expenses are \$35,419 (2021: \$Nil) reimbursed to the Manager for accounting and administrative services provided by an employee of the Manager and promotion costs.

During the nine months ended September 30, 2022, the Company incurred \$1,607,207 (2021: \$594,430) to related parties consisting of director fees of \$228,123 (2021: \$88,784) and management fees of \$1,379,084 (2021: \$505,646). In addition, included in general and administrative expenses are \$86,292 (2021: \$204,711) reimbursed to the Manager for accounting and administrative services provided by an employee of the Manager and promotion costs.

As at September 30, 2022, included in accounts payable and accrued liabilities are \$228,123 (2021: \$88,784) pertaining to director fees. Included in amounts due to Manager are \$164,266 (2021: \$144,559) which include management fees of \$153,389 (2021: \$144,559) and \$10,877 (2021: Nil) for expenses reimbursed to the Manager.

### Management Agreement

At the time of the Company's initial public offering on June 16, 2021, the Company entered into a Management Agreement with the Manager to provide administration and investment services to the Company (the "Management Agreement"). As compensation for the provision of the services to be provided to the Company by the Manager, the Company will pay the management fee and, if applicable, the performance fee, in each case, together with any applicable sales taxes thereon, to the Manager. The management fee is a monthly amount equal to 1/12 of 1.5% of the total assets less the total liabilities, excluding any deferred taxes, plus any sales taxes thereon (defined in the Management Agreement as "Book Value").

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## 7. Related Party Transactions (Continued)

### *Management Agreement (Continued)*

The performance fee is 15% of the Book Value on a per share basis using the time-weighted average common shares outstanding (defined in the Management Agreement as “Book Value per Share”) that exceeds the amount of Book Value per Share at any time which must be achieved before any performance fee would be payable. This amount of Book Value per Share is sometimes referred to as the “High Watermark.” The performance fee is calculated and paid for after the Company’s year-end results have been filed each calendar year. The performance fee will be payable in cash, or at the option of the Manager, in Common Shares of the Company.

For the period ended September 30, 2022, there was no performance fee incurred to the Manager.

### *Intellectual Property Licensing Agreement*

The Company has entered into a Licensing Agreement with the Manager with an indefinite term pursuant to which the Manager has granted a non-exclusive, royalty-free license to use the name “Stack”, “Stack Capital”, and the Stack brand logo, in. Other than under this limited license, the Company does not have a legal right to the “Stack”, “Stack Capital” name, and the Stack brand.

A party will be permitted to terminate the Licensing Agreements upon 90 days’ prior written notice if the other party is in material breach of the agreement, and the breaching party fails to rectify the breach to the reasonable satisfaction of the other party within such 90-day period. The Manager may terminate the Licensing Agreement immediately upon termination of the Management Agreement. The Licensing Agreement will automatically terminate upon written notice of termination by the Manager to the Company if any of the following occurs:

- if a decree or order of a court of competent jurisdiction is entered adjudging the Company a bankrupt or insolvent or approving as properly filed a petition seeking the winding-up of the Company;
- if the Company becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under any bankruptcy, insolvency or analogous laws, seeks relief under any bankruptcy, insolvency or analogous laws, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrate or other person or entity with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors’ rights or consents to, or acquiesces in, the filing of such a petition;
- if any proceeding or filing will be instituted or made against the Company seeking to have an order to adjudicate it bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition under any law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking appointment of a receiver, trustee, custodian or other similar official or for any substantial part of its properties or assets; and/or
- permanent discontinuance of the business of the Company occurs or is about to occur.

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## 8. Financial Instruments

### a. Fair Value Estimation

The carrying value of cash, and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term maturities of these financial instruments. The three levels of the fair value hierarchy are described below:

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

**Level 2** – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

**Level 3** – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents the Company's assets and liabilities that are measured at fair value as at December 31, 2021:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Cash	\$ 76,338,241	\$ -	\$ -	\$ 76,338,241
Investments, at fair value	-	-	26,443,195	26,443,195
<b>Total Financial assets</b>	<b>\$ 76,338,241</b>	<b>\$ -</b>	<b>\$ 26,443,195</b>	<b>\$ 102,781,436</b>

The following table presents the Company's assets and liabilities that are measured at fair value as at September 30, 2022:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Cash	\$ 43,216,509	\$ -	\$ -	\$ 43,216,509
Investments, at fair value	-	-	65,345,267	65,345,267
<b>Total Financial assets</b>	<b>\$ 43,216,509</b>	<b>\$ -</b>	<b>\$ 65,345,267</b>	<b>\$ 108,561,776</b>

The fair value of financial instruments traded in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Level 1 instrument includes cash deposit in Canadian chartered banks.

Level 3 instrument includes investments measured at fair value. The fair values of private investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of these investments. The Company's investments are focused on private issuers which may have unobservable inputs.

# Stack Capital Group Inc.

Notes to Condensed Interim Financial Statements  
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## 8. Financial Instruments (Continued)

### a. Fair Value Estimation (Continued)

The following table presents changes in level 3 instruments for the period ended September 30, 2022.

	Amount
<b>Balance, April 1, 2021 (Incorporation)</b>	<b>\$ -</b>
Purchase of investment	25,474,437
Interest accrual	41,210
Unrealized gain on investment recognized in profit of loss	918,837
Unrealized foreign exchange gain on investments, at fair value	8,711
<b>Balance, December 31, 2021</b>	<b>\$ 26,443,195</b>
Purchase of investment	31,807,464
Conversion of convertible debenture	3,927,644
Unrealized gain on investment recognized in profit of loss	(1,941,997)
Unrealized foreign exchange gain on investments, at fair value	5,108,961
<b>Balance, September 30, 2022</b>	<b>\$ 65,345,267</b>

There were no transfers into or out of level 1 and level 2 during the period ended September 30, 2022.

### b. Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. In the normal course of business, the Company manages these risks as they arise as a result of its use of financial instruments.

#### Market Risk

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as foreign exchange rate, interest rates, and equity and commodity prices.

#### i) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in exchange rates.

As at September 30, 2022, some of cash and substantially all of the Company's investments, at fair value are denominated in U.S. dollars. The impact of fluctuations in foreign currency on cash and investments are primarily subject to fluctuations between the U.S. dollar and the Canadian dollar. A 10% change in the value of the Canadian dollar relative to the U.S. dollar would affect the value of cash and investments as at September 30, 2022 by approximately \$6,534,000 (2021: \$2,644,000).

#### ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Typically, as interest rates rise, the fair values of fixed income investments decline and, conversely, as interest rates decline, the fair values of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates.

The Company has exposure to the risk related to changes in interest rates on its cash balances. The Company does not have outstanding debt and does not have exposure to interest rate risk related to this for the period ended September 30, 2022.

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## 8. Financial Instruments (Continued)

### b. Financial Risk Factors (Continued)

#### *Market Risk (Continued)*

##### iii) Price Risk

Price risk is the risk that the fair value or future cash flows of an equity investment or limited partnership investment will fluctuate due to changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market.

The Company is not exposed to commodity price risk. The Company is exposed to equity securities price risk on investments. The Company's investments that have price risk include investments in private issuers of \$65,345,267 as at September 30, 2022 (2021: \$26,443,195). The effect of a 10% decline or increase in the value of investments would affect the value of investments as at September 30, 2022 by approximately US\$ 4,459,000 (2021: US\$ 1,980,000).

#### *Credit Risk*

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company and arises predominantly with respect to cash and cash equivalents, restricted cash deposits, term deposits, short term investments and investments in debt instruments.

The Company is exposed to credit risk, which 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 has no debt outstanding, and the credit risk is considered limited. The Company's only exposure to variable rates is with the interest derived from its bank balance.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable must be remitted to the tax jurisdiction as they are due. There were no significant changes to the Company's exposure to liquidity risk or the framework used to monitor, evaluate and manage liquidity risk as at September 30, 2022.

The undeployed cash and investments at September 30, 2022 provide adequate liquidity to meet the Company's remaining known significant commitments over the next twelve months, which are principally comprised of the management fees and operating expenses. The Company has adequate working capital to support its operations.

As at September 30, 2022, there were no performance fee obligations (2021: \$Nil) (Note 6).

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## 9. Earnings (loss) per Share

Basic and diluted earnings per common share are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021 <sup>(1)</sup>
<b>Net Earnings (Loss) Available to Common Shareholders</b>	<b>\$ 116,696</b>	<b>\$ (476,801)</b>	<b>\$ 5,058,348</b>	<b>\$ (678,170)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>				
Basic	9,121,822	9,080,019	9,103,074	5,275,926
Diluted	9,125,822	9,080,019	9,107,074	5,275,926
<b>Earnings (Loss) per Share</b>				
Basic	<b>\$ 0.01</b>	<b>\$ (0.05)</b>	<b>\$ 0.56</b>	<b>\$ (0.13)</b>
Diluted	<b>\$ 0.01</b>	<b>\$ (0.05)</b>	<b>\$ 0.56</b>	<b>\$ (0.13)</b>

(1) For the period from April 1, 2021 (incorporation) to September 30, 2021.

Diluted earnings per share did not include the effect of warrants as they are anti-dilutive.

## 10. Subsequent Event

Subsequent to the period, Hopper raised US\$96 million from Capital One at an undisclosed valuation to extend their existing partnership. The impact to the valuation of the Company's investment cannot be made as of the date of the financial statements.