



Stack Capital Group Inc.

Condensed Interim Financial Statements

For the Three and Nine months ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, 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	Notes	September 30, 2023	December 31, 2022
Assets			
Cash		\$ 25,762,195	\$ 29,891,193
Cash collateral		-	1,501,612
Investments, at fair value	3	75,036,775	70,688,122
Prepaid expenses		253,770	250,264
Derivative asset		-	97,500
Total Assets		\$ 101,052,740	\$ 102,428,691
Liabilities			
Accounts payable and accrued liabilities	7	\$ 341,384	\$ 214,851
Amounts due to Manager	7	148,662	155,961
Total Liabilities		490,046	370,812
Equity			
Share capital	4	94,018,559	95,566,206
Warrant reserve	5,6	7,538,624	7,540,960
Deficit		(994,890)	(1,049,287)
Total Equity		100,562,694	102,057,879
Total Equity and Liabilities		\$ 101,052,740	\$ 102,428,691

General Information (Note 1)

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

Approved on Behalf of the Board:

“Jeffrey Parks, Signed”

Jeffrey Parks, Director

“John Bell, Signed”

John Bell, Director

Stack Capital Group Inc.

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

(Expressed in Canadian Dollars, Unaudited)

	Notes	For the Three Months Ended		For the Nine Months Ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Income					
Interest income		\$ 352,949	\$ 253,030	\$ 1,035,098	\$ 468,729
Change in unrealized fair value of investments	3	445,971	(3,742,035)	720,983	(1,941,997)
Change in unrealized foreign exchange on investments, at fair value	3	1,523,466	4,351,170	(36,792)	5,108,961
Gain on conversion of convertible debentures		-	-	-	3,927,644
Unrealized gain (loss) on forward foreign currency contract		234,750		(97,500)	
Realized gain (loss) on forward currency contract		(799,750)	-	168,250	-
		\$ 1,757,386	\$ 862,165	\$ 1,790,039	\$ 7,563,337
Expenses					
Management fees	7	424,404	457,350	1,279,086	1,379,084
Professional fees	7	166,773	90,127	533,269	473,224
Insurance		65,301	134,380	319,645	457,440
General and administrative		86,438	58,422	225,815	239,088
Loss (gain) on foreign exchange		(8,783)	4,268	18,294	(44,769)
Share-based compensation (recovery)	5	401	922	(1,935)	922
		\$ 734,534	\$ 745,469	2,374,174	\$ 2,504,989
Net Income (Loss) and Comprehensive Income (Loss) for the Period					
		\$ 1,022,852	\$ 116,696	\$ (584,135)	\$ 5,058,348
Basic (Loss) Earnings per Share					
		\$ 0.11	\$ 0.01	\$ (0.06)	\$ 0.56
Diluted (Loss) Earnings per Share					
		\$ 0.11	\$ 0.01	\$ (0.06)	\$ 0.56
Weighted Average Number of Common Shares Outstanding					
Basic		9,015,649	9,121,822	9,070,718	9,103,074
Diluted		9,015,649	9,125,822	9,070,718	9,107,074

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)

(unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Operating Activities:					
Net gain (loss) for the period		\$ 1,022,852	\$ 116,696	\$ (584,135)	\$ 5,058,348
Changes in non-cash operating items:					
Change in unrealized fair value of investments	3	(445,971)	3,742,035	(720,983)	1,941,997
Unrealized loss (gain) on forward currency contract		(234,750)	-	97,500	
Share-based compensation expense (recovery)	5	401	922	(1,935)	922
Interest income from convertible debenture		-	-	-	
Gain on conversion of convertible debenture		-	-	-	(3,927,644)
Change in unrealized foreign exchange on fair value of investments	3	(1,523,467)	(4,351,170)	36,792	(5,108,961)
Loss (gain) on foreign exchange		(8,783)	4,268	18,294	(44,769)
Changes in cash operating items:					
Acquisition of investments, net of share issuance	3,4	(953,258)	(1,139,742)	(3,664,462)	(30,788,158)
Changes in non-cash working capital items:					
Prepaid expenses		(193,052)	144,905	(3,506)	(191,588)
Accounts payable and accrued liabilities	7	136,423	(16,753)	153,283	(126,355)
Amounts due to Manager	7	1,169	(165,901)	(7,299)	19,707
Net Cash Used in Operating Activities		\$ (2,225,186)	\$ (1,664,740)	\$ (4,703,201)	\$(33,166,501)
Financing activities					
Share repurchase		(135,780)	-	(909,115)	-
Net Cash Provided by Financing Activities		\$ (135,780)	\$ -	\$ (909,115)	\$ -
Net Change in Cash		\$ (2,360,966)	\$ (1,664,740)	\$ (5,612,316)	\$(33,166,501)
Cash and cash equivalents, beginning of period		28,114,378	44,885,517	31,392,805	76,338,241
Effect of foreign exchange changes		8,783	(4,268)	(18,294)	44,769
Cash and cash equivalents, end of period		\$ 25,762,195	\$ 43,216,509	\$ 25,762,195	\$ 43,216,509

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	Deficit	Total
Balance, December 31, 2021		9,093,334	\$ 95,401,161	\$ 7,538,624	\$ (577,270)	\$ 102,362,515
Share swap private placement	3,4	139,440	1,019,306	-	-	1,019,306
Share-based payments	4	-	-	922	-	922
Net gain for the period		-	-	-	5,058,348	5,058,348
Balance, September 30, 2022		9,232,774	\$ 96,420,467	\$ 7,539,546	\$ 4,481,078	\$ 108,441,091
Share repurchase	4	(81,800)	(854,261)	-	376,691	(477,570)
Share-based payments	4	-	-	1,414	-	1,414
Net loss for the period		-	-	-	(5,907,056)	(5,907,056)
Balance, December 31, 2022		9,150,974	\$ 95,566,206	\$ 7,540,960	\$ (1,049,287)	\$ 102,057,879
Share repurchase	4	(150,400)	(1,570,657)	-	638,532	(932,125)
Share issuance private placement	4	2,171	23,010	-	-	23,010
Share-based recovery	5	-	-	(1,935)	-	(1,935)
Net loss for the period		-	-	-	(584,135)	(584,135)
Balance, September 30, 2023		9,002,745	\$ 94,018,559	\$ 7,539,025	\$ (994,890)	\$ 100,562,694

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, 2023

(Expressed in Canadian Dollars, Unaudited)

Private Investments

Investments	Investment type	Portfolio weight at period end	Cost	Fair value
Varo Money, Inc.	Common shares	2.99%	\$ 6,335,194	\$ 3,008,984
FNEX Ventures LLC - Series 103 (SpaceX) ⁱ	Units	10.48%	6,464,130	10,543,674
Bolt Financial Inc.	Series D Preferred shares	2.71%	2,568,361	2,722,467
Bolt Financial Inc.	Series E-1 Preferred shares	5.42%	5,091,044	5,450,227
Prove Identify Inc. ⁱⁱ	Common shares	6.18%	6,004,207	6,219,771
Prove Identify Inc.	Series E-1 Preferred shares	4.11%	3,921,236	4,137,263
Hopper Inc.	Series A-1 Preferred shares	10.81%	10,368,105	10,872,629
Newfront Insurance Holdings, Inc.	Series D-1 Preferred shares	10.77%	10,133,737	10,831,422
GoEuro Corp. (Omio) ⁱⁱⁱ	Series E-1 Preferred shares	9.42%	9,095,738	9,477,424
GoEuro Corp. (Omio)	Common shares	0.95%	952,516	952,112
Locus Robotics Corp.	Series F Preferred shares	10.76%	10,822,368	10,820,802
		74.60%	\$ 71,756,636	\$ 75,036,775
Cash		25.64%		\$ 25,762,195
Other assets and liabilities		(0.24%)		(236,276)
Total		100.00%		\$ 100,562,694

ⁱ the Company invested in units of FNEX Ventures LLC – Series 103 which is substantially fully invested in Space Exploration Technologies Corp. (“SpaceX”).

ⁱⁱ the Company invested in shares of GoEuro Corp. which does business as Omio.

ⁱⁱⁱ the fair value of Prove Identity Inc. common shares is net of an unrealized deferred gain of \$1,134,413. Refer to Note 3 iv).

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian Dollars, Unaudited)

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”. 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 2, 2023.

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 as issued by the International Accounting Standards Board (“IFRS”), 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 year ended December 31, 2022, and should be read in conjunction with those statements.

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 year ended December 31, 2022. There have been no significant changes in the methods or techniques used in the areas of estimation and critical judgments made during the nine months ended September 30, 2023.

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

3. Investments, at Fair Value

A summary of changes in the fair value of the Company's investments for the nine months ended September 30, 2023 is as follows:

	Balance as of January 1, 2023	Additions	Conversion	Unrealized Gain (Loss) on Investments	Unrealized Foreign Currency Gains (Losses)	Balance as of September 30, 2023
Equity:						
Varo Money (C/S) ⁱ	\$ 3,501,461	\$ -	\$ -	\$ (489,274)	\$ (3,203)	\$ 3,008,984
SpaceX (Units) ⁱⁱ	9,327,040	-	-	1,210,257	6,377	10,543,674
Bolt Financial (Sr. D Pref.) ⁱⁱⁱ	2,725,327	-	-	-	(2,860)	2,722,467
Bolt Financial (Sr. E Pref.) ⁱⁱⁱ	5,455,951	-	-	-	(5,724)	5,450,227
Prove Identity (C/S) ^{iv*}	6,226,279	-	-	-	(6,508)	6,219,771
Prove Identity (Sr. E Pref.) ^{iv}	4,141,609	-	-	-	(4,346)	4,137,263
Hopper (Sr.A Pref.) ^v	8,148,110	2,711,204	-	-	13,315	10,872,629
Newfront (Sr. D-1 Pref.)	10,842,799	-	-	-	(11,377)	10,831,422
Omio (Sr. E-1 Pref.) ^{vi}	9,487,379	-	-	-	(9,955)	9,477,424
Omio (C/S) ^{vi}	-	953,258	-	-	(1,146)	952,112
Locus Robotics (Sr. F Pref.) ^{vii}	10,832,167	-	-	-	(11,365)	10,820,802
	\$ 70,688,122	\$ 3,664,462	\$ -	\$ 720,983	\$ (36,792)	\$ 75,036,775

* The fair value of Prove Identity Inc. common shares is net of an unrealized deferred Day 1 gain of \$1,134,413. Refer to Note 3 iv).

A summary of changes in the fair value of the Company's investments for the year ended December 31, 2022 is as follows:

	Balance as of January 1, 2022	Additions	Conversion	Unrealized Gain (Loss) on Investments	Unrealized Foreign Currency Gains (Losses)	Balance as of December 31, 2022
Equity:						
Varo Money (C/S) ⁱ	\$ 6,417,763	\$ -	\$ -	\$ (3,130,386)	214,084	\$ 3,501,461
SpaceX (Units) ⁱⁱ	7,408,834	-	-	1,347,688	570,518	\$ 9,327,040
Bolt Financial (Sr. D Pref.) ⁱⁱⁱ	2,552,480	438	-	-	172,409	\$ 2,725,327
Bolt Financial (Sr. E Pref.) ⁱⁱⁱ	-	-	5,110,797	-	345,154	\$ 5,455,951
Prove Identity (C/S) ^{iv*}	1,072,051	5,055,870	-	(159,299)	257,657	\$ 6,226,279
Prove Identity (Sr. E Pref.) ^{iv}	3,879,603	-	-	-	262,006	\$ 4,141,609
Hopper (Sr. A Pref.) ^v	-	7,656,901	-	-	491,209	\$ 8,148,110
Newfront (Sr. D-1 Pref.)	-	10,133,737	-	-	709,062	\$ 10,842,799
Omio (Sr. E-1 Pref.) ^{vi}	-	9,095,738	-	-	391,641	\$ 9,487,379
Locus Robotics (Sr. F Pref.) ^{vii}	-	10,822,368	-	-	9,799	\$ 10,832,167
Convertible Debentures:						
Bolt Financial 3% Sept. 24,	5,112,464	-	(5,112,464)	-	-	\$ -
	\$ 26,443,195	\$ 42,765,052	\$ (1,667)	\$ (1,941,997)	\$ 3,423,539	\$ 70,688,122

- 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 2021, the Company invested \$6,335,194 in common shares of Varo, which had a fair value, including foreign currency losses for the period, of \$3,008,904 as at September 30, 2023 (December 31, 2022: \$3,501,461). As at September 30, 2023, the Company estimated the fair value of Varo using recent indicative transactions. The unrealized loss on this investment during the period was \$489,274 (September 30, 2022: unrealized loss of \$3,130,386).

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

3. Investments, at Fair Value (Continued)

- ii) FNEX Ventures, LLC – Series 103 (“SpaceX SPV”) is a special purpose vehicle, which primarily invests 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 2021, the Company invested \$6,464,130 in limited partnership units in SpaceX SPV, which had a fair value, including foreign currency losses for the period, of \$10,543,674 as at September 30, 2023 (December 31, 2022: \$9,327,040) based on market transactions within the past year. The unrealized gain on this investment during the period was \$1,210,257 (September 30, 2022: unrealized gain \$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 2021, the Company invested \$2,568,361 in Series D preferred shares and \$5,091,044 in convertible debentures of Bolt.

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 with a conversion price at a higher valuation. As a result, the Company recognized an unrealized gain on their investment in the Series D preferred shares and Series E-1 preferred shares totalling \$7,691,099 for the three-month period ended March 31, 2022, on the Statements of (Loss) Income and Comprehensive (Loss) Income.

This unrealized gain was reversed during the remainder of 2022 as the Company noted there was a change in market conditions surrounding public technology companies and our analysis determined that the current fair value estimate of the investment declined. The fair value of the Bolt’s Series D and Series E-1 preferred shares as at September 30, 2023 was \$2,722,467 and \$5,450,227 (December 31, 2022: \$2,725,327 and \$5,455,951), respectively, including converted accrued interest and foreign currency losses.

- 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.

In 2021, the Company invested \$1,083,556 and \$3,921,236 in common shares and Series E-1 preferred shares of Prove, respectively, 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. In addition, during the quarter ended December 31, 2022, the Company acquired additional common shares of Prove in a private transaction for US\$100,000 in cash. On initial recognition, the fair value of the acquired common shares of Prove was estimated at \$3,429,818. Given the nature of the private transaction, the fair value of acquired common shares exceeded the transaction price of \$2,272,548 by \$1,157,270. Following the IFRS 9 *Financial Instruments* requirements, this difference, referred hereafter as Day 1 gain, was deferred on the Statements of Financial Position as the fair value of Prove is determined using the valuation technique that includes unobservable (L3) inputs. The carrying value of common shares on the Unaudited Condensed Interim Statements of Financial Position is net of the unrealized deferred Day 1 gain.

As at September 30, 2023, the Company estimated the fair value of Prove based on recent market transaction data, and the common shares and Series E-1 Preferred shares of Prove had a fair value, including foreign currency losses for the period, of \$6,219,771 and \$4,137,263, respectively (December 31, 2022: \$6,226,279 and \$4,141,609). As at September 30, 2023, the unrealized loss during the period on the common shares and preferred shares is \$nil (September 30, 2022: \$159,299 common shares, \$nil preferred shares).

- 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 \$7,656,901 in Class A-1 preferred shares of Hopper. During the quarter ended June 30, 2023 additional

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

3. Investments, at Fair Value (Continued)

Class A-1 preferred shares were purchased for \$2,711,204. As at September 30, 2023, management has determined that the transaction price is representative of fair value of \$10,872,799 (December 31, 2022: \$8,148,110), which includes foreign currency losses.

- 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 \$10,133,737 in Series D-1 preferred shares of Newfront. As at September 30, 2023, management has determined that the transaction price is representative of fair value of \$10,831,422 (December 31, 2022: \$10,842,799), which includes foreign currency losses.
- vii) GoEuro Corp. (known as “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 \$9,095,738 in Series E-1 preferred shares of Omio. During the current period, the company also invested in \$953,258 in common shares of Omio. As at September 30, 2023, management has determined that the transaction price of Series E-1 preferred shares and common shares are representative of fair values of \$9,477,424 and \$952,112 respectively (December 31, 2022: \$9,487,379 and \$nil), which includes foreign currency losses.
- viii) Locus Robotics Corp. (“Locus”), headquartered in Wilmington, Massachusetts, is a provider of enterprise robotics solutions for some of the world’s most dynamic warehouses and leading brands operating in third-party logistics, retail & e-commerce, healthcare, and the industrial sectors. During the quarter ended December 31, 2022, the Company invested \$10,822,368 in Series F preferred shares of Locus. As at September 30, 2023, management has determined that the transaction price is representative of fair value of \$10,820,802 (December 31, 2022: \$10,832,167), which includes foreign currency losses.

4. Share Capital

a. Authorized Share Capital

As at September 30, 2023, the authorized share capital consisted of an unlimited number of common shares.

b. Common Shares Issued

The issued share capital was as follows:

	Number of Common Shares	Amount
Balance, December 31, 2021	9,093,334	\$ 95,401,161
Issued on share swap private placement	139,440	1,019,306
Share repurchase	(81,800)	(854,261)
Balance, December 31, 2022	9,150,974	\$ 95,566,206
Share repurchase ⁱ	(150,400)	(1,570,657)
Share issuance private placement ⁱⁱ	2,171	23,010
Balance, September 30, 2023	9,002,745	\$ 94,018,559

- i) For the nine months ended September 30, 2023, the Company repurchased and cancelled a total of 150,400 (2022: Nil) common shares for \$932,124 cash (2022: \$Nil).

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

4. Share Capital (Continued)

b. Common Shares Issued (Continued)

- ii) During the period ended September 30, 2023, the company issued 2,171 common shares at \$11.28 per common share, for total proceeds of \$24,489 offset by legal fees of \$1,449, for total gross proceeds of \$23,010, related to consulting services to the Company.

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.

4,000 options were cancelled in May 2023 with the departure of an employee of the Manager. As none of these options had vested at the time of termination, they were all cancelled during the quarter ended June 30, 2023.

During the period ended September 30, 2023, the Company granted 3,750 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.

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 – 3.940%, expected life in years 0.5 years, expected volatility – 37.50%, expected dividend – 0% and expected forfeiture – 0%. The remaining contractual life of options outstanding as at September 30, 2023 was 4.94 years.

6. Warrants

The following table reflects the continuity of warrants for the period April 1, 2021 (incorporation) to September 30, 2023:

	Number of Warrants	Amount
Balance, April 1, 2021 (Incorporation)	-	\$ -
Issued	4,913,167	7,538,624
Balance, December 31, 2021, December 31, 2022 and September 30, 2023	4,913,167	\$ 7,538,624

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)	Number of Warrants Outstanding
June 16, 2024	15.00	0.71	4,913,167

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

7. Related Party Transactions

During the three and nine months ended September 30, 2023, the Company incurred \$500,654 and \$1,507,836 (September 30, 2022: 534,226 and 1,607,207) respectively to related parties. These fees consisted of director fees of \$76,250 and \$228,750 (September 30, 2022: \$76,876 and \$228,123) respectively, and management fees of \$424,404 and \$1,279,086 (September 30, 2022: \$457,350 and \$1,379,084) respectively, pursuant to the Management Agreement. In addition, during the three and nine months ended September 30, 2023 included in general and administrative expenses are \$12,833 and \$51,333 (September 30, 2022: 35,419 and \$86,292) respectively, reimbursed to the Manager for accounting and administrative services provided by an employee of the Manager.

As at September 30, 2023, included in accounts payable and accrued liabilities are \$228,750 (December 31, 2022: \$nil) pertaining to director fees. Additionally included in accounts payable and accrued liabilities are, amounts due to Manager of \$148,662 (December 31, 2022: \$155,961) which include management fees of \$142,246 (December 31, 2022: \$144,361) and \$6,417 (December 31, 2022: \$11,600) 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").

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, 2023, there was no performance fee (2022: no performance fee) incurred to the Manager.

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.

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

8. Financial Instruments (Continued)

a. Fair Value Estimation (Continued)

The following table presents the Company's financial assets and liabilities that are measured at fair value as at September 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Cash	\$ 25,762,195	\$ -	\$ -	\$ 26,762,195
Investments, at fair value	-	-	75,036,775	75,036,775
Total Net Financial Assets	\$ 26,762,195	\$ -	\$ 75,036,775	\$ 100,798,970

The following table presents the Company's financial assets and liabilities that are measured at fair value as at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Cash and cash collateral	\$ 31,392,805	\$ -	\$ -	\$ 31,392,805
Investments, at fair value	-	-	70,688,122	70,688,122
Forward foreign currency contract	-	97,500	-	97,500
Total Net Financial Assets	\$ 31,392,805	\$ 97,500	\$ 70,688,122	\$ 102,178,427

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 2 instrument includes forward foreign currency contract. The Company's foreign currency forward contracts are valued using standard calculations/models that are primarily based on observable inputs, such as foreign currency exchange rates, or can be corroborated by observable market data.

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.

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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, 2023.

	Amount
Balance, December 31, 2021	\$ 26,443,195
Purchase of investment	42,765,052
Unrealized loss on investment recognized in profit of loss	(1,941,997)
Reversal of accrued interest on convertible note	(1,667)
Unrealized foreign exchange gain (loss) on investments, at fair value	3,423,539
Balance, December 31, 2022	\$ 70,688,122
Purchases	3,664,462
Unrealized gain on investment recognized in profit of loss	720,983
Unrealized foreign exchange gain (loss) on investments, at fair value	(36,792)
Balance, September 30, 2023	\$ 75,036,775

There were no transfers into or out of level 1 and level 2 during the period ended September 30, 2023.

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. There were no significant changes in the types of risk exposures the Company is exposed to or the framework used to monitor, evaluate and manage the Company's risk exposures at September 30, 2023 compared to those identified at December 31, 2022, unless otherwise described below.

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, 2023, 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, 2023 by approximately \$7,600,761 (December 31, 2022: \$6,103,000).

The Company previously used a forward foreign currency contract to manage foreign currency risk relating to foreign exchange rates, the previous contract expired during the period ended September 30, 2023, and was not renewed, the company may look into employing this method to manage risk again the future. The Company does not use these instruments for speculative or trading purposes. The Company's objective is to reduce the risk to earnings and cash flows associated with changes in foreign currency exchange rates.

Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

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8. Financial Instruments (Continued)

b. Financial Risk Factors (Continued)

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, 2023 and December 31, 2022.

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 \$75,036,775 as at September 30, 2023 (December 31, 2022: \$70,688,122). The effect of a 10% decline or increase in the value of investments would affect the value of investments as at September 30, 2023 by approximately \$7,504,000 (December 31, 2022: \$7,069,000).

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, 2023.

The undeployed cash and investments at September 30, 2023 provide adequate liquidity to meet the Company's known 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, 2023, there were no performance fee obligations (December 31, 2022: \$Nil) (Note 7).

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Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023

(Expressed in Canadian Dollars, Unaudited)

9. Subsequent Events

Prove announced on October 17, 2023 that they have completed a US\$40 million funding round led by MassMutual Ventures and Capital One Ventures. These funds will be used to continue their global expansion and further build out their technology.