



**Stack Capital Group Inc.**

**Condensed Interim Financial Statements**

**For the Three and nine months ended September 30, 2024**

*(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)

	Notes	September 30, 2024	December 31, 2023
<b>Assets</b>			
Cash		\$ 10,752,923	\$ 25,074,005
Investments, at fair value	3	90,509,479	71,852,516
Prepaid expenses		133,169	174,259
<b>Total Assets</b>		<b>\$ 101,395,571</b>	<b>\$ 97,100,780</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 191,988	\$ 204,172
Deferred stock unit liability	7	153,750	-
Amounts due to manager	7	149,115	147,131
<b>Total Liabilities</b>		<b>494,853</b>	<b>351,303</b>
<b>Equity</b>			
Share capital	4	\$ 95,835,327	\$ 93,480,730
Equity reserves	5,6	207,034	7,741,289
Retained earnings		3,075,070	(253,544)
Income (deficit)		1,783,287	(4,218,998)
<b>Total Equity</b>		<b>100,900,718</b>	<b>96,749,477</b>
<b>Total Equity and Liabilities</b>		<b>\$ 101,395,571</b>	<b>\$ 97,100,780</b>

## 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,	
		2024	2023	2024	2023
<b>Income</b>					
Interest income		\$ 246,455	\$ 352,949	\$ 823,285	\$ 1,035,098
Change in unrealized fair value of investments	3	-	445,971	1,693,048	720,983
Realized gain on sale of investments		48,500	-	48,500	-
Change in unrealized foreign exchange on investments, at fair value	3	(1,205,123)	1,523,466	1,407,218	(36,792)
Unrealized gain (loss) on forward foreign currency contract		-	234,750	-	(97,500)
Realized gain (loss) on forward currency contract		-	(799,750)	-	168,250
		\$ (910,168)	\$ 1,757,386	\$ 3,972,051	\$ 1,790,039
<b>Expenses</b>					
Management fees	7	431,639	424,404	1,279,599	1,279,086
Professional fees	7	138,584	166,773	420,290	533,269
Insurance		89,363	65,301	219,419	319,645
General and administrative		60,452	86,438	195,068	225,815
Loss (gain) on foreign exchange		807	(8,783)	(83,731)	18,294
Share-based compensation (recovery)	5	52,578	401	158,119	(1,935)
		\$ 773,423	\$ 734,534	\$ 2,188,764	\$ 2,374,174
<b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>		\$ (1,683,591)	\$ 1,022,852	\$ 1,783,287	\$ (584,135)
<b>Basic (Loss) Earnings per Share</b>		\$ (0.18)	\$ 0.11	\$ 0.19	\$ (0.06)
<b>Diluted (Loss) Earnings per Share</b>		\$ (0.18)	\$ 0.11	\$ 0.19	\$ (0.06)
<b>Weighted Average Number of Common Shares Outstanding</b>					
Basic		9,224,716	9,053,091	9,160,901	9,098,873
Diluted		9,224,716	9,053,091	9,361,628	9,098,873

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)

	Notes	Three months ended		Nine months ended	
		September 30,		September 30,	
		2024	2023	2024	2023
<b>Operating Activities:</b>					
Net gain (loss) for the period		\$ (1,683,591)	\$ 1,022,852	\$ 1,783,287	\$ (584,135)
Changes in non-cash operating items:					
Change in unrealized fair value of investments	3	-	(445,971)	(1,693,048)	(720,983)
Unrealized gain on forward currency contract		-	(234,750)	-	97,500
Share-based compensation expense (recovery)	5	52,578	401	158,119	(1,935)
Change in unrealized foreign exchange on fair value of investments	3	1,205,123	(1,523,467)	(1,407,218)	36,792
Loss (gain) on foreign exchange		807	(8,783)	(83,731)	18,294
Changes in cash operating items:					
Acquisition of investments, net of share issuance	3,4	(106,548)	(953,258)	(13,086,982)	(3,664,462)
Changes in non-cash working capital items:					
Prepaid expenses		(54,251)	(193,052)	41,090	(3,506)
Accounts payable and accrued liabilities	7	70,985	109,673	24,651	126,533
Amounts due to Manager	7	(2,522)	1,169	1,984	(7,299)
<b>Net Cash Used in Operating Activities</b>		<b>\$ (517,419)</b>	<b>\$ (2,225,186)</b>	<b>\$ (14,261,848)</b>	<b>\$ (4,703,201)</b>
<b>Financing activities</b>					
Share repurchase		(121,748)	(135,780)	(142,965)	(909,115)
<b>Net Cash Provided by Financing Activities</b>		<b>\$ (121,748)</b>	<b>\$ (135,780)</b>	<b>\$ (142,965)</b>	<b>\$ (909,115)</b>
<b>Net Change in Cash</b>		<b>\$ (639,167)</b>	<b>\$ (2,360,966)</b>	<b>\$ (14,404,813)</b>	<b>\$ (5,612,316)</b>
Cash and cash equivalents, beginning of period		11,392,897	28,114,378	25,074,005	31,392,805
Effect of foreign exchange changes		(807)	8,783	83,731	(18,294)
<b>Cash and cash equivalents, end of period</b>		<b>\$ 10,752,923</b>	<b>\$ 25,762,195</b>	<b>\$ 10,752,923</b>	<b>\$ 25,762,195</b>

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	Retained Earnings (Deficit)	Total
<b>Balance, December 31, 2022</b>		<b>9,150,974</b>	<b>\$ 95,566,206</b>	<b>\$ 7,540,960</b>	<b>\$ (1,049,287)</b>	<b>\$ 102,057,879</b>
Share repurchase		(201,900)	(2,108,486)	-	795,743	(1,312,743)
Share issuance private placement		2,171	23,010	-	-	23,010
Share-based payments		-	-	200,329	-	200,329
Net loss for the period		-	-	-	(4,218,998)	(4,218,998)
<b>Balance, December 31, 2023</b>		<b>8,951,245</b>	<b>\$ 93,480,730</b>	<b>\$ 7,741,289</b>	<b>\$ (4,472,542)</b>	<b>\$ 96,749,477</b>
Share repurchase	4	(2,600)	(151,953)	-	8,988	(142,965)
Share issuance private placement	4	275,686	2,506,550	-	-	2,506,550
Share-based payments	5	-	-	4,369	-	4,369
Equity reserves	6	-	-	(7,538,624)	7,538,624	-
Net income for the period		-	-	-	1,783,287	1,783,287
<b>Balance, September 30, 2024</b>		<b>9,224,331</b>	<b>95,835,327</b>	<b>207,034</b>	<b>4,858,357</b>	<b>100,900,718</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, 2024

(Expressed in Canadian Dollars, Unaudited)

## Private Investments

Investments	Investment type	Portfolio weight at period end	Cost	Fair value
Space X (Space LP)	Units	13.81%	\$ 6,464,130	\$ 13,929,862
Hopper	Series A-1 Preferred shares	10.76%	10,368,105	10,858,154
Canva	Common shares	10.73%	10,864,716	10,830,570
Newfront Insurance Holdings, Inc.	Series D-1 Preferred shares	10.72%	10,133,737	10,817,002
Locus Robotics	Series F preferred shares	10.71%	10,822,368	10,806,396
Locus Robotics	Common shares	2.46%	2,486,406	2,486,398
Omio <sup>ii</sup>	Series E-1 Preferred shares	9.38%	9,095,738	9,464,807
Omio	Common shares	1.68%	952,112	1,691,424
Prove Identify <sup>iii</sup>	Common shares	5.97%	6,004,207	6,020,894
Prove Identify	Series E-1 Preferred shares	3.33%	3,921,236	3,362,183
Bolt Financial	Series E-1 Preferred shares	3.33%	5,091,044	3,360,209
Bolt Financial	Series D Preferred shares	1.67%	2,568,361	1,686,905
Varo Money	Common shares	2.98%	6,335,194	3,004,977
Defence AI LP	Units	2.17%	2,058,560	2,189,697
<b>Total</b>		<b>89.70%</b>	<b>\$ 87,165,914</b>	<b>\$ 90,509,479</b>
Cash		10.66%	\$	10,752,923
Other assets and liabilities		(0.36%)		(361,684)
<b>Total</b>		<b>100.00%</b>	<b>\$</b>	<b>100,900,718</b>

<sup>i</sup> the Company invests in units of Space, LP which is primarily invested into Space Exploration Technologies Corp. ("SpaceX")

<sup>ii</sup> the Company invested in shares of GoEuro Corp. which carries on business as Omio.

<sup>iii</sup> the fair value of Prove Identity Inc. common shares is net of an unrealized deferred gain of \$958,951 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, 2024  
(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”. 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 on October 30, 2024 by the Company’s Board of Directors for issuance on October 31, 2024.

## 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, 2023, 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, 2023. 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, 2024.

# Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements  
For the Three and nine months ended September 30, 2024  
(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, 2024 is as follows:

Investments	Investment type	Balance as of January 1, 2024	Additions	Unrealized Gain (Loss) on Investments	Unrealized Foreign Currency Gains (Losses)	Balance as of September 30, 2024
Space X (Space LP) <sup>i</sup>	Units	\$ 12,009,093	\$ -	\$ 1,693,048	\$ 227,722	\$ 13,929,862
Hopper <sup>ii</sup>	Series A-1 Preferred shares	10,636,198	-	-	221,956	10,858,154
Canva <sup>iii</sup>	Common shares	18,878	10,845,838	-	(34,146)	10,830,570
Newfront <sup>iv</sup>	Series D-1 Preferred shares	10,595,887	-	-	221,115	10,817,002
Locus Robotics <sup>v</sup>	Series F preferred shares	10,585,498	-	-	220,898	10,806,396
Locus Robotics <sup>v</sup>	Common shares	-	2,486,407	-	(9)	2,486,398
Omio <sup>vi</sup>	Series E-1 Preferred shares	9,271,333	-	-	193,474	9,464,807
Omio <sup>vi</sup>	Common shares	1,656,849	-	-	34,575	1,691,424
Prove Identity <sup>vii*</sup>	Common shares	5,898,262	-	-	122,632	6,020,894
Prove Identity <sup>vii</sup>	Series E-1 Preferred shares	3,293,455	-	-	68,728	3,362,183
Bolt Financial <sup>viii</sup>	Series E-1 Preferred shares	3,291,522	-	-	68,687	3,360,209
Bolt Financial <sup>viii</sup>	Series D Preferred shares	1,651,990	-	-	34,915	1,686,905
Varo Money <sup>ix</sup>	Common shares	2,943,551	-	-	61,426	3,004,977
Defence AI LP <sup>x</sup>	Units	-	2,224,452	-	(34,755)	2,189,697
<b>Total</b>		<b>\$ 71,852,516</b>	<b>\$ 15,556,697</b>	<b>\$ 1,693,048</b>	<b>\$ 1,407,218</b>	<b>\$ 90,509,479</b>

\* The fair value of Prove Identity Inc. common shares is net of an unrealized deferred Day 1 gain of \$958,951 Refer to Note 3 iv).

A summary of changes in the fair value of the Company's investments for the year ended December 31, 2023 is as follows:

Investments	Investment type	Balance as of January 1, 2023	Additions	Unrealized Gain (Loss) on Investments	Unrealized Foreign Currency Gains (Losses)	Balance as of December 31, 2023
Space X(Space LP) <sup>i</sup>	Units	\$ 9,327,040	\$ -	\$ 2,904,954	(222,901)	\$ 12,009,093
Hopper <sup>ii</sup>	Series A-1 Preferred shares	8,148,110	2,711,204	-	(223,116)	10,636,198
Newfront Insurance <sup>iv</sup>	Series D-1 Preferred shares	10,842,799	-	-	(246,912)	10,595,887
Locus Robotics <sup>v</sup>	Series F preferred shares	10,832,167	-	-	(246,669)	10,585,498
Omio <sup>vi</sup>	Series E-1 Preferred shares	9,487,379	-	-	(216,046)	9,271,333
Omio <sup>vi</sup>	Common shares	-	953,258	725,441	(21,850)	1,656,849
Prove Identity <sup>vii*</sup>	Common shares	6,226,279	-	(186,727)	(141,290)	5,898,262
Prove Identity <sup>vii</sup>	Series E-1 Preferred shares	4,141,609	-	(753,842)	(94,312)	3,293,455
Bolt Financial <sup>viii</sup>	Series E-1 Preferred shares	5,455,951	-	(2,040,186)	(124,243)	3,291,522
Bolt Financial <sup>viii</sup>	Series D Preferred shares	2,725,327	-	(1,011,276)	(62,061)	1,651,990
Varo Money <sup>ix</sup>	Common shares	3,501,461	-	(489,274)	(68,636)	2,943,551
Canva <sup>iii</sup>	Common shares	-	18,878	-	-	18,878
<b>Total</b>		<b>\$ 70,688,122</b>	<b>\$ 3,683,340</b>	<b>\$ (850,910)</b>	<b>\$ (1,668,036)</b>	<b>\$ 71,852,516</b>

\* The fair value of Prove Identity Inc. common shares is net of an unrealized deferred Day 1 gain of \$958,951 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, 2024  
(Expressed in Canadian Dollars, Unaudited)

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

- i) Space LP is a special purpose vehicle, is invested into preferred shares of Space Exploration Technologies Corp. (“SpaceX”). Substantially all of Space LP’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 (US\$5,000,000) in limited partnership units in SpaceX SPV, which had a fair value of \$13,929,862 as at September 30, 2024 (December 31, 2023: \$12,009,093) which includes foreign currency gains and an unrealized gain of \$1,693,048 (December 31, 2023: 2,904,954).

- ii) 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 (US\$6,020,385) in Class A-1 preferred shares of Hopper. During the quarter ended June 30, 2023 additional Class A-1 preferred shares were purchased for \$2,711,204 (US\$2,021,500). As at September 30 2024, management has determined that the transaction price is representative of fair value of \$10,858,154 (December 31, 2023: \$10,636,198), which includes foreign currency gains.
- iii) Canva, Inc. (“Canva”), based in Sydney, Australia, Canva is a graphic design platform that's used for creating visual content, presentations, posters, and documents. During the quarter ended March 31, 2024, the company invested \$10,845,837 (US\$8,007,183) in common shares of Canva. As at September 30, 2024, management has determined that the transaction price is representative of a fair value of \$10,858,570 (December 31 2023: 18,878), which includes foreign currency gains.
- iv) 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 (US\$8,011,407) in Series D-1 preferred shares of Newfront. As at September 30, 2024, management has determined that the transaction price is representative of fair value of \$10,817,002 (December 31, 2023: \$10,595,887), which includes foreign currency gains.
- v) 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 year quarter December 31, 2022, the Company invested \$10,822,368 (US\$8,003,552) in Series F preferred shares of Locus. Additionally, during the quarter ended March 31, 2024, the Company purchased \$2,469,714 in common shares of Locus in share swap for 273,501 shares of Stack Capital Group Inc. The transaction took place on March 4, 2024, therefore the share swap was priced at the closing price of the Company’s shares as at March 3, 2024 of \$9.03. As at September 30, 2024, management has determined that the transaction price of the series F preferred shares and the common shares is representative of fair value of \$10,806,396 and \$2,486,398 respectively (December 31, 2023: \$10,585,498 series F preferred shares and nil common shares), which includes foreign currency gains.
- vi) 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 (US\$7,009,929) in Series E-1 preferred shares of Omio. During the quarter ended September 30, 2023, the Company also invested \$952,112 (US\$704,225) in common shares of Omio. As at September 30, 2024, management has determined that the most recent transaction price is representative of fair value of \$9,594,491 and \$1,714,600 for preferred shares and common shares, respectively (December 31, 2023: \$9,464,807 preferred shares, \$1,691,424 common shares). This is inclusive of foreign currency gains.

# Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements  
For the Three and nine months ended September 30, 2024  
(Expressed in Canadian Dollars, Unaudited)

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

- vii) 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 \$1,054,116 (US\$822,500) and \$3,921,236 (US\$3,060,106) in common shares and Series E-1 preferred shares of Prove, respectively, in two market transactions. During the quarter ended June 30, 2022 the Company acquired additional common shares for \$2,761,603 (US\$2,137,238). 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 valued at 1,020,639 (US\$782,012) and \$1,116,689 (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 \$135,220 (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, revalued at September 30, 2024 to be \$958,951 (2023: \$939,349), inclusive of foreign exchange gains.

As at September 30, 2024, 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 of \$6,020,894 and \$3,362,183, respectively (December 31, 2023: \$5,898,262 common shares and \$3,293,455 series E-1 preferred shares) inclusive of foreign currency gains.

- viii) 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 (US\$2,013,986) in Series D preferred shares and \$5,091,044 (US\$4,031,233) in convertible debentures of Bolt.

The fair value of the Bolt’s Series D and Series E-1 preferred shares as at September 30, 2024 was \$3,360,209 and \$1,686,905 (December 31, 2023: \$3,291,522 and \$1,651,990), respectively, including and foreign currency gains.

- ix) 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 (US\$5,062,126) in common shares of Varo, which had a fair value of \$3,004,977 as at September 30, 2024 (December 31, 2023: \$2,943,551), inclusive of foreign currency gains. As at September 30, 2024, the Company estimated the fair value of Varo using recent indicative transactions.

# Stack Capital Group Inc.

Notes to the Condensed Interim Financial Statements  
For the Three and nine months ended September 30, 2024  
(Expressed in Canadian Dollars, Unaudited)

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

- x) Defence AI LP, a special purpose vehicle (“SPV”) wholly owned by the Company, holds an investment in a defence company. During the quarter ended June 30, 2024, the company invested \$2,058,560 (US\$1,500,000). The instrument entitles the Company an annual interest rate of 13.74% paid in kind and an equity fee paid in common shares of the military defence company that will range from 30.4% to 42.8% depending on time until a liquidity event. There is no end of term for this investment.

The fair value of this hybrid debt and equity instrument is currently held at the fair value at the time of acquisition, plus interest accrued using the effective interest method. The discount rate being used is 33.51%, with an assumed 3-year exit. Management has assessed that the significant input for the valuation is number of years to exit. The impact to the valuation would decrease by \$24,780 or increase by \$45,935 if the number of year increase by one year or decreased by one year, respectively. The Company valued the equity portion of this instrument through the net present value method with the difference being valued as the liability.

<b>Balance, May 10, 2024</b>	<b>\$</b>	<b>-</b>
Initial purchase		2,058,560
Interest income		165,893
Unrealized foreign currency loss		(34,755)
<b>Balance, September 30, 2024</b>	<b>\$</b>	<b>2,189,597</b>

The Company assesses the carrying amount of this instrument at each reporting date to determine whether there is any objective evidence of impairment. If such evidence exists, the Company calculates the impairment loss as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the instrument.

## 4. Share Capital

### a. Authorized Share Capital

The Company’s authorized share capital consists an unlimited number of common shares.

### b. Common Shares Issued

The issued share capital was as follows:

	Number of Common Shares	Amount
<b>Balance, December 31, 2022</b>	<b>9,150,974</b>	<b>\$ 95,566,206</b>
Share repurchase	(201,900)	(2,108,486)
Share issuance private placement	2,171	23,010
<b>Balance, December 31, 2023</b>	<b>8,951,245</b>	<b>\$ 93,480,730</b>
Share repurchase <sup>i</sup>	(14,600)	(151,953)
Share issuance private placement <sup>ii</sup>	277,924	2,506,549
<b>Balance, September 30, 2024</b>	<b>9,214,569</b>	<b>\$ 95,835,326</b>

i) For the nine months ended September 30, 2024, the Company repurchased and cancelled a total of 14,600 (2023: 201,900) common shares for cash of \$142,965 averaging \$9.78 per share.

ii) The company issued 273,501 common shares in exchange for common shares of Locus Robotics and an additional 2,185 common shares for consulting services

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## 4. Share Capital (Continued)

### 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.

## 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.

All outstanding stock options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant.

## 6. Warrants

The following table reflects the continuity of warrants for the period January 1, 2023 to September 30, 2024:

	Number of Warrants	Amount
<b>Balance, January 1, 2023</b>	<b>4,913,167</b>	<b>\$ 7,538,624</b>
Issued	-	-
<b>Balance, December 31, 2023</b>	<b>4,913,167</b>	<b>\$ 7,538,624</b>
Expired <sup>i</sup>	(4,913,167)	\$(7,538,624)
<b>Balance September 30, 2024</b>	<b>-</b>	<b>-</b>

<sup>i</sup>These warrants expired as of June 16, 2024. None of the warrants were exercised prior to their expiration

## 7. Related Party Transactions

During the three and nine months ended September 30, 2024, the Company incurred \$507,889 (2023: \$534,226) and \$1,508,349 (2023: \$1,607,207) respectively, to related parties consisting of director fees of \$76,250 (2023: \$76,250) and \$228,750 (2023: \$228,750) respectively, and management fees of \$431,639 (2023: \$424,404) and \$1,279,599 (2023: \$1,279,086) respectively, pursuant to the Management Agreement. In addition, during the three and nine months ended September 30, 2024 included in general and administrative expenses are \$19,250 (2023: \$12,833) and \$57,750 (2023: \$51,333) respectively, reimbursed to the Manager for accounting and administrative services provided by an employee of the Manager.

As at September 30, 2024, included in accounts payable and accrued liabilities are \$228,750 (2023: \$228,750) pertaining to director fees. Included in amounts due to Manager are \$149,115 (2023: \$147,493) which include management fees of \$142,698 (2023: \$148,662) and \$6,417 (2023: \$6,417) 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

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## 7. Related Party Transactions (Continued)

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, 2024, there was no performance fee (2023: 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.

The following table presents the Company’s financial assets and liabilities that are measured at fair value as at December 31, 2023:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Cash and cash collateral	\$ 25,074,005	\$ -	\$ -	\$ 25,074,005
Investments, at fair value	-	-	71,852,516	-
<b>Total Net Financial Assets</b>	<b>\$ 25,074,005</b>	<b>\$ -</b>	<b>\$ 71,852,516</b>	<b>\$ 96,926,521</b>

The following table presents the Company’s financial assets and liabilities that are measured at fair value as at September 30, 2024:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Cash and cash collateral	\$ 10,752,923	\$ -	\$ -	\$ 10,752,923
Investments, at fair value	-	-	90,509,479	90,509,479
<b>Total Net Financial Assets</b>	<b>\$ 10,752,923</b>	<b>\$ -</b>	<b>\$ 90,509,479</b>	<b>\$ 101,262,402</b>

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## 8. Financial Instruments (Continued)

### a. Fair Value Estimation (Continued)

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.

The following table presents changes in level 3 instruments for the period ended September 30, 2024.

	Amount
<b>Balance, January 1, 2023</b>	<b>\$ 70,688,122</b>
Purchase of investment	3,683,340
Unrealized loss on investment recognized in profit of loss	(850,910)
Unrealized foreign exchange gain on investments, at fair value	(1,668,036)
<b>Balance, December 31, 2023</b>	<b>\$ 71,852,516</b>
Purchases	15,556,697
Unrealized loss on investment recognized in profit of loss	1,693,048
Unrealized foreign exchange loss on investments, at fair value	1,407,218
<b>Balance, September 30, 2024</b>	<b>\$ 90,509,479</b>

There were no transfers into or out of level 1 and level 2 during the period ended September 30, 2024.

### 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, 2024 compared to those identified at December 31, 2023, 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.

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## 8. Financial Instruments (Continued)

### b. Financial Risk Factors (Continued)

#### *Market Risk (Continued)*

As at September 30, 2024, 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, 2024 by approximately \$9,559,831 (December 31, 2023: \$7,275,000).

The Company uses forward foreign currency contract to manage foreign currency risk relating to foreign exchange rates. 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.

#### 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, 2024 and December 31, 2023.

#### 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 \$90,509,479 as at September 30, 2024 (December 31, 2023: \$71,852,516). The effect of a 10% decline or increase in the value of investments would affect the value of investments as at September 30, 2024 by approximately \$9,050,948 (December 31, 2023: \$7,183,000).

#### *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

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## 8. Financial Instruments (Continued)

### b. Financial Risk Factors (Continued)

#### *Liquidity Risk (Continued)*

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, 2024.

The undeployed cash and investments at September 30, 2024 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, 2024, there were no performance fee obligations (December 31, 2022: \$Nil) (Note 7).

## 9. Subsequent Events

On October 30, 2024, the Company closed the main tranche of a private placement up to 1,515,908 units at a price of \$11.00 per unit, for aggregate gross proceeds of \$16,675,000. The main tranche consisted of the sale of 1,437,839 units for gross proceeds of \$15,816,229. A second additional tranche has been committed for the balance of the units that may be issued under the Offering and is expected to close in mid-November 2024. Each unit will be comprised of one common share and one half common share purchase warrant of the Company. Each warrant shall be exercisable to acquire one common share of the Company for a period of 36 months following October 30, 2024, at an exercise price of \$11.00. The net proceeds of the offering will be used for general corporate purposes and investments in accordance with the Company's investment principles.