
Penbar Capital Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Penbar Capital Ltd.

We have audited the accompanying consolidated financial statements of Penbar Capital Ltd. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 10, 2024

Penbar Capital Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|---|----------------------|----------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash | 86,391 | 158,031 |
| GST Receivable | 2,806 | 275 |
| Total Assets | 89,197 | 158,306 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 3,203 | 5,305 |
| Total Liabilities | 3,203 | 5,305 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 7) | 228,297 | 228,297 |
| Reserve (note 7) | 55,557 | 55,557 |
| Deficit | (197,860) | (130,853) |
| Total Shareholders' Equity | 85,994 | 153,001 |
| Total Liabilities and Shareholders' Equity | 89,197 | 158,306 |

Nature and continuance of operations (note 1)

Proposed Qualifying Transaction (note 11)

Approved on behalf of the Board of Directors on September 10, 2024.

"Herrick Lau"
Director

"David Velisek"
Director

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

Penbar Capital Ltd.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

| | Year ended June 30, 2024 | Year ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| | \$ | \$ |
| Expenses | | |
| Filing fees | 4,221 | 2,503 |
| General and administrative | 133 | 78 |
| Professional fees | 52,677 | 20,139 |
| Regulatory fees | 5,526 | 5,537 |
| Shareholder costs | - | 1,293 |
| Transfer agent fees | 4,450 | 3,600 |
| | (67,007) | (33,150) |
| Loss per share – basic and diluted | (0.017) | (0.008) |
| Weighted-average number of common shares outstanding - basic and diluted | 4,000,000 | 4,000,000 |

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

Penbar Capital Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

| | Number of Common Shares | Common Shares \$ | Reserves \$ | Deficit \$ | Total \$ |
|-------------------------------|----------------------------|------------------------|----------------|------------------|----------------|
| Balance, June 30, 2022 | 4,000,000 | 228,297 | 55,557 | (97,703) | 186,151 |
| Loss for the year | - | - | - | (33,150) | (33,150) |
| Balance, June 30, 2023 | 4,000,000 | 228,297 | 55,557 | (130,853) | 153,001 |
| Loss for the year | - | - | - | (67,007) | (67,007) |
| Balance, June 30, 2024 | 4,000,000 | 228,297 | 55,557 | (197,860) | 85,994 |

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

Penbar Capital Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

| | Year ended June 30, 2024 | Year ended June 30, 2023 |
|--|-----------------------------|-----------------------------|
| | \$ | \$ |
| Operating activities | | |
| Loss for the year | (67,007) | (33,150) |
| Changes in non-cash working capital: | | |
| Increase in receivable | (2,531) | (223) |
| Increase (Decrease) in accounts payable and accrued liabilities | (2,102) | 4,990 |
| Net cash used in operating activities | (71,640) | (28,383) |
| Change in cash during the year | (71,640) | (28,383) |
| Cash, beginning of the year | 158,031 | 186,414 |
| Cash, end of the year | 86,391 | 158,031 |

There were no significant non-cash transactions during the years ended June 30, 2024 and 2023.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Penbar Capital Ltd. (the “Company”) was incorporated on March 4, 2021 under the laws of British Columbia. The Company completed an initial public offering (“IPO”) of its common shares on January 27, 2022, and on January 31, 2022, the Company began trading its shares on the TSX Venture Exchange (“TSX-V” or the “Exchange”). The Company is classified as a Capital Pool Company (“CPC”), as defined in the Exchange Policy 2.4. The Company has not commenced commercial operations and has no significant assets. The activities of the Company are initially limited to the efforts to identify and evaluate the acquisition of assets and business, which would represent a “Qualifying Transaction” for regulatory purposes. The head office and the records and registered office is located at 2250 - 1055 W Hastings St. Vancouver, British Columbia, V6E 2E9.

On November 24, 2023, the Company incorporated a wholly owned subsidiary, 1451356 B.C. Ltd. under the laws of British Columbia.

Since incorporation on March 4, 2021, the Company has had no active business operations. As a CPC, the Company’s principal business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company has an accumulated deficit of \$197,860 as at June 30, 2024. The Company’s ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. Management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the next 12 months. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

These consolidated financial statements were authorized by the Board of Directors on September 10, 2024.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of consolidated financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

4. MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company, 1451356 B.C. Ltd., the Company's wholly owned subsidiary. Subsidiaries are all entities (including structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the group. It is deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

b) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

c) Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

d) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

e) Share-Based Compensation Transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

f) Financial instruments

Recognition

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

Classification

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

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

The Company has implemented the following classifications:

- Cash and accounts payable and accrued liabilities are classified as amortized cost and carried on the statements of financial position at amortized cost.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

f) Financial instruments *(continued)*

Impairment

The Company assesses all information available, including on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward looking information.

Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

Judgements

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

Estimates

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

5. CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards and New Accounting Pronouncements

The following amendments were adopted by the Company on June 1, 2023:

- a) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.
- b) Definition of Accounting Estimates (Amendments to IAS 8) - the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in consolidated financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in consolidated financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

There was no impact on the Company’s consolidated financial statements upon the adoption of these amendments.

Accounting Pronouncements Not Yet Adopted

IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date.

These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management’s expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On October 31, 2022, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2024 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

6. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

6. RELATED PARTY TRANSACTIONS *(continued)*

For the year ended June 30, 2024 and 2023 there were no related party transactions.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

During the year ended June 30, 2024 and 2023 there were no amounts paid to key management personnel.

7. SHARE CAPITAL AND RESERVES

a) **Authorized**

Unlimited number of common shares without par value.

b) **Issued and outstanding**

As at June 30, 2024, there were 4,000,000 common shares issued and outstanding (June 30, 2023 – 4,000,000).

As at June 30, 2024, 2,000,000 (June 30, 2023 – 2,000,000) shares are held in escrow pursuant to the policies of the Exchange.

The Company had no share capital transactions for the years ended June 30, 2024 and 2023.

c) **Stock options**

During the period ended June 30, 2021, the Company adopted an incentive stock option plan (the "Plan") whereby the Company may issue stock options up to 10% of the issued and outstanding common shares, not to exceed 400,000 while the Company remains a CPC, of the Company to eligible directors, officers, employees or consultants. These options may be granted for a maximum term of ten years from the date of grant and vest as determined by the board of directors. The exercise price will be set by the directors at the time of grant and cannot be less than the discounted market price of the Company's common shares, subject to a minimum exercise price of \$0.05.

Any common shares acquired pursuant to the exercise of options under the Plan prior to completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

On January 27, 2022, the Company granted 400,000 stock options to directors and officers of the Company. Each option is exercisable into one common share of the Company at an exercise price of \$0.10 until January 27, 2032. The Company recorded a share-based payment amount of \$39,354. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.84%; dividend yield of 0%; expected volatility of 150%; and expected option life of 10 years.

The continuity of stock options issued and outstanding for the year ended June 30, 2024 is as follows:

Penbar Capital Ltd.
Notes to the Consolidated financial statements
For the Year Ended June 30, 2024
(Expressed in Canadian dollars)

7. SHARE CAPITAL *(continued)*

c) **Stock options** *(continued)*

| | Number of Options | Weighted Average Exercise Price (\$) |
|---|-------------------|--------------------------------------|
| Balance June 30, 2022, 2023 and 2024 | 400,000 | 0.10 |

The options outstanding and exercisable at June 30, 2024 are as follows:

| Expiry Date | Outstanding Options | | | Exercisable Options | |
|------------------|---------------------|----------------|----------------------------------|---------------------|----------------|
| | Number | Exercise Price | Remaining Contractual (in years) | Number | Exercise Price |
| January 27, 2032 | 400,000 | \$0.10 | 7.58 | 400,000 | \$0.10 |

d) **Warrants**

The continuity of the warrants issued and outstanding for the year ended June 30, 2024 is as follows:

| | Number of Warrants | Weighted Average Exercise Price (\$) |
|---|--------------------|--------------------------------------|
| Balance June 30, 2022, 2023 and 2024 | 200,000 | 0.10 |

The outstanding warrants as at June 30, 2024 are as follows:

| Expiry Date | \$ Price per Share | Warrants Outstanding |
|------------------|--------------------|----------------------|
| January 27, 2025 | \$0.10 | 200,000 |

8. MANAGEMENT OF CAPITAL

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at June 30, 2024, the Company's shareholders' equity was \$85,994. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements, and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction.

8. MANAGEMENT OF CAPITAL *(continued)*

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4, which apply on completion of the IPO. These expenditure restrictions limit the aggregate amount that the Company is permitted to spend on reasonable general and administrative costs of the Company not exceeding in aggregate of \$3,000 per month, and reasonable expenses incurred related to a Qualifying Transaction.

There were no changes in the Company's approach to management of capital during the year ended June 30, 2024.

9. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Fair Value Measurements

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and accounts payable and accrued liabilities classified at amortized cost. The carrying value of the Company's accounts payable and accrued liabilities approximates its fair value due to the short-term to maturity.

Financial risk management

- **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

- **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 8.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuance when required. The Company does not have investments in any asset backed deposits.

9. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management *(continued)*

- **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

- **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

- **Currency Risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is not exposed to significant currency risk. The Company has not entered into any foreign currency contracts to mitigate this risk.

10. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

| | Year ended June 30, 2024 | Year ended June 30, 2023 |
|---|-----------------------------|-----------------------------|
| Loss before income taxes | \$ 67,007 | \$ 33,150 |
| Statutory rate | 27% | 27% |
| Expected recovery of income tax | \$ (18,000) | \$ (9,000) |
| Change in unrecognized deductible temporary differences | 18,000 | 9,000 |
| Total income tax recovery | \$ - | \$ - |

The following is a summary of the Company's deferred tax assets:

| | As at June 30, 2024 | As at June 30, 2023 |
|--|------------------------|------------------------|
| Non-capital losses available for future period | \$ 6,000 | \$ 9,000 |
| Share issue costs | 62,000 | 41,000 |
| Unrecognized deferred tax asset | (68,000) | (50,000) |
| Net deferred tax asset | \$ - | \$ - |

10. INCOME TAXES *(continued)*

As at June 30, 2024, the Company has estimated non-capital losses for Canadian income tax purposes of \$231,000 that may be carried forward to reduce taxable income derived in future years. These losses expire between 2041 and 2044.

11. PROPOSED QUALIFYING TRANSACTION

On November 24, 2023, the Company, 1451356 B.C. Ltd., a newly incorporated wholly-owned subsidiary of the Company (“NewCo”), Emissions EV Technologies Ltd. (“Emissions EV”), a private arm’s length British Columbia company, and Emission EV Operating Corp., a wholly-owned subsidiary of Emissions EV, have entered into an amalgamation agreement dated November 24, 2023 (the “Amalgamation Agreement”), pursuant to which the Company will acquire all of the issued and outstanding securities of Emissions EV (the “Transaction”).

The Transaction is subject to the approval of the TSX-V, and is intended to constitute the Company’s Qualifying Transaction (as defined in the Exchange Policy 2.4). The combined company that will result from the completion of the Transaction (hereafter referred to as the “Resulting Issuer”) will be renamed “Emissions EV Technologies Ltd.” or such other name as agreed to by the Company and Emissions EV. Subject to TSX-V approval, the common shares of the Resulting Issuer (each, a “Resulting Issuer Share”) will trade on the TSX-V, and the business of the Resulting Issuer will be the business of Emissions EV. It is expected that the Resulting Issuer will be listed on the TSX-V as a Tier 2 Technology issuer.

Emission EV specializes in the design, manufacturing, and production of electrically powered industrial and commercial vehicles.

Summary of the Transaction

Pursuant to the terms of the Amalgamation Agreement, the Company will acquire all of the issued and outstanding common shares (each, an “Emissions EV Share”) in the capital of Emissions EV by way of a “three-cornered” amalgamation whereby NewCo and Emissions EV will amalgamate to form a new amalgamated entity (“AmalCo”), and AmalCo will be a wholly-owned subsidiary of the Company. In addition, Emission EV Operating Corp. will be a wholly-owned subsidiary of AmalCo.

At the time of closing of the Transaction (the “Closing”), each of the outstanding Emissions EV Shares will be cancelled and, in consideration for such Emissions EV Shares, each holder of Emissions EV Shares (collectively, the “Emissions EV Shareholders”) will receive one post-Consolidation (as defined below) common share in the capital of the Company (each, a “Penbar Share”) for each one Emissions EV Share held by such Emissions EV Shareholder.

The Company expects to issue an aggregate of 67,091,767 Penbar Shares (on a post-Consolidation basis) for the Emissions EV Shares issued and outstanding immediately prior to the completion of the Concurrent Financing (as defined below). In addition, the Company expects to:

- i. issue 10,000,000 Penbar share purchase performance warrants (the “Penbar Performance Warrants”) to be issued to the former holder of performance warrants of Emissions EV entitling the holder thereof to acquire one post-Consolidation Penbar Share at a price of \$0.15 per Penbar Share, subject to the satisfaction of certain performance conditions enumerated in the certificates representing the Penbar Performance Warrants; and
- ii. issue 15,500,000 Penbar share purchase warrants to be issued to the former holders of share purchase warrants of Emissions EV entitling the holders thereof to acquire one post-Consolidation Penbar Share at a price of \$0.02 per share until July 28, 2024.

11. PROPOSED QUALIFYING TRANSACTION *(continued)*

Summary of the Transaction *(continued)*

- **Share Consolidation**

Prior to completion of the Transaction, the Company will seek to consolidate its outstanding Penbar Shares on the basis of two pre-consolidation Penbar Shares for every one post-consolidation Penbar Share (the “Consolidation”).

- **Concurrent Financing**

In connection with the Transaction, it is anticipated that Emissions EV will complete a non-brokered private placement financing (the “Concurrent Financing”) of at least 13,333,334 Emissions EV Shares at a price of \$0.15 per Emissions EV Share to raise aggregate gross proceeds of approximately \$2,000,000. No finder’s fees, cash commissions and/or broker warrants are expected to be paid and/or issued in relation to the Concurrent Financing.

- **Corporate Advisory Fee**

In connection with the Transaction, the parties agreed that on Closing and subject to approval of the TSX-V, an arm’s length corporate advisor (the “Advisor”), will be paid a merger and acquisition advisory fee of 1,000,000 Resulting Issuer Shares. No other fees will be paid.