

Unaudited condensed interim financial statements of

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

For the three months ended September 30, 2024 and 2023

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

Condensed Interim Statements of Financial Position

(In Canadian dollars)

(Unaudited)

As at

	Note	September 30, 2024	June 30, 2024
Assets			
Current assets			
Cash	3,5	\$ 35,000	\$ 6,381
Short-term investments	5	1,472,418	1,559,414
Prepaid expenses and deposits	6	367	550
Total assets		\$ 1,507,785	\$ 1,566,345
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 143,191	\$ 77,328
Total current liabilities		143,191	77,328
Shareholders' equity			
Share capital	4	1,721,279	1,721,279
Share option reserve	4	186,071	186,071
Deficit		(542,756)	(418,333)
Total shareholders' equity		1,364,594	1,489,017
Total liabilities and shareholders' equity		\$ 1,507,785	\$ 1,566,345
Nature of operations and going concern	1		
Subsequent events	12		

Approved by the Board of Directors:

(Signed) "William Ollerhead"

William Ollerhead – Director

(Signed) "Grant McCutcheon"

Grant McCutcheon - Director

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

(In Canadian dollars)

(Unaudited)

For the three months ended September 30,

	Note	2024	2023
Expenses			
Qualifying transaction	1	\$ 128,581	\$ 4,260
Professional fees		12,993	6,842
Filing costs		466	2,147
General and administrative	3	55	24
		142,095	13,273
Loss for the period before the undernoted		(142,095)	(13,273)
Interest income	5	17,672	17,898
Net (loss) income and comprehensive (loss) income for the period		\$ (124,423)	\$ 4,625
Loss per share			
Basic and diluted	4,8	(0.01)	0.00
Weighted average number of shares outstanding ⁽¹⁾			
Basic and diluted	4,8	7,500,000	7,500,000

⁽¹⁾ For the periods presented, the weighted average number of shares outstanding excludes 5,000,000 escrowed shares.

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Condensed Interim Statements of Changes in Shareholders' Equity

(In Canadian dollars)

(Unaudited)

	Shares Issued #	Share Capital \$	Share-based Payment Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance, as at June 30, 2023	12,500,000	1,721,279	186,071	(306,314)	1,601,036
Net loss for the period	-	-	-	4,625	4,625
Balance, as at September 30, 2023	12,500,000	1,721,279	186,071	(301,689)	1,605,661
Balance, as at June 30, 2024	12,500,000	1,721,279	186,071	(418,333)	1,489,017
Net loss for the period	-	-	-	(124,423)	(124,423)
Balance, as at September 30, 2024	12,500,000	1,721,279	186,071	(542,756)	1,364,594

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

CUSPIS CAPITAL II LTD.

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Condensed Interim Statements of Cash Flows

(In Canadian dollars)

(Unaudited)

For the three months ended September 30,

	Note	2024	2023
Cash flows from operating activities			
Net (loss) income for the period		\$ (124,423)	\$ 4,625
Change in non-cash operating assets and liabilities			
Prepaid expenses and deposits	6	183	170
Accounts payable and accrued liabilities		65,863	(9,668)
Accrued interest income	5	(17,672)	(17,898)
Cash used in operating activities		(76,049)	(22,771)
Investing activities			
Short-term investments redemption	6	140,000	1,593,000
Interest received on maturity of investment	6	4,668	63,570
Short-term investments purchase	6	(40,000)	(1,620,480)
Cash provided by investing activities		104,668	36,090
Increase in cash		28,619	13,319
Cash, beginning of period		6,381	275
Cash, end of period		\$ 35,000	\$ 13,594

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

CUSPIS CAPITAL II LTD.

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Notes to the Unaudited Condensed Interim Financial Statements

(In Canadian dollars)

For the three months ended September 30, 2024 and 2023

1. Nature of operations and going concern

Cuspis Capital II Ltd. (the “Company” or “Cuspis-II”) was incorporated September 3, 2019, pursuant to the provisions of the Business Corporations Act (Ontario). The Company’s registered head office is located at 77 King Street West, Suite 700, Toronto, Ontario, Canada M5K 1G8 and its corporate and tax year-end is June 30. The Company’s shares are listed for trading on the TSX Venture Exchange under the symbol “CCII.P”.

The Company is carrying on business as a Capital Pool Corporation (“CPC”), as such term is defined in TSX Venture Exchange Inc. (the “Exchange”) Policy 2.4 – Capital Pool Companies (“CPC Policy 2.4”). As at September 30, 2024, the Company had no business operations. The Company’s principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange, in its efforts to complete a Qualifying Transaction.

Where a Qualifying Transaction warrants, additional funding may be required. The ability of the Company to fund its potential future operations and commitments may be dependent upon the ability of the Company to obtain additional financing and complete a Qualifying Transaction.

Proposed Qualifying Transaction

On November 15, 2024, the Company entered into a definitive agreement (“Definitive Agreement”) with 11197894 Canada Ltd. (“IC Group”) and 16470734 Canada Inc. (“Subco”), a wholly-owned subsidiary of Cuspis-II incorporated in Canada on October 24, 2024. Refer to Note 12 for full details.

The Company has entered into an advisory agreement with a corporation with certain directors in common with the Company whereby the Company will pay a finder’s fee of approximately \$58,000 upon closing of the Qualifying Transaction.

Refer also to Note 12.

Going concern

These financial statements were prepared on a going-concern basis of accounting, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. The Company does not generate revenue from operations. However, the Company believes that its working capital of \$1,364,594 as at September 30, 2024 will provide the Company with sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the Company has no revenues, its ability to continue as a going concern is dependent on its ability to complete its proposed Qualifying Transaction. These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

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Notes to the Unaudited Condensed Interim Financial Statements

(In Canadian dollars)

For the three months ended September 30, 2024 and 2023

2. Basis of presentation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Accounting policies and methods of their application followed in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual audited financial statements for the year ended June 30, 2024, which are available under the Company's profile www.SEDARplus.ca ("SEDAR+").

Basis of measurement

These financial statements have been prepared on an historical cost basis and on an accrual basis except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

These financial statements were authorized for issue by the Board of Directors on November 29, 2024.

3. Cash restriction

There is a restriction on the use of proceeds realized from the sale of all securities issued by the Company as a CPC. The gross proceeds raised from the Offering may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction, with the exception that general and administrative expenses are capped at \$3,000 per month, including for professional accounting, advisory, and legal services expenses, and are not time limited.

4. Share capital

Authorized

Unlimited common shares with no par value.

Issued

	Number of Common Shares	Amount
Balance as at June 30, 2023, June 30, 2024 and September 30, 2024	12,500,000	\$ 1,721,279

Seed shares

As at September 30, 2024 and 2023, the Company had a total of 5,000,000 seed common shares issued and outstanding at \$0.10 per share.

Initial public offering

On December 11, 2020, the Company completed its initial public offering ("the Offering"), pursuant to which it issued 7,500,000 common shares at \$0.20 per share, for aggregate proceeds of \$1,500,000.

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4. Share capital (continued)

Stock option plan

The stock option plan (“Option Plan”) provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten years from the date of grant. The Option Plan was approved by the Board of Directors and adopted by the Company on November 11, 2020.

Stock options

Upon closing of the Offering on December 11, 2020, the Company granted to officers and directors of the Company an aggregate of 1,250,000 stock options exercisable at \$0.20 per share for a period of five years. These options vested immediately upon grant and were valued at \$186,071 using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 101% based on the average volatility of comparable companies, expected life of five years, expected dividend yield of 0%, risk free rate of 0.25% and a share price of \$0.20. The weighted average remaining life of the options outstanding as at September 30, 2024 was 1.2 years.

	Number of stock options issued and exercisable	Weighted average exercise price
Balance as at June 30, 2023, June 30, 2024 and September 30, 2024	1,250,000	\$ 0.20

Shares subject to escrow

Under the CPC Policy rules, all issued and outstanding seed shares are subject to a uniform 18-month escrow release schedule, following the closing of a Qualifying Transaction, and will be released as to 25% on the date of the final Qualifying Transaction Exchange bulletin and an additional 25% on each of the dates that are 6, 12 and 18 months thereafter, pursuant to the terms of the amended and restated Escrow Agreement dated March 23, 2023, between the Company, TSX Trust Company, and the shareholders of the Company. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

All common shares acquired on exercise of stock options granted to directors and officers prior to completion of a Qualifying Transaction must also be deposited and held in escrow pursuant to the requirements of the Exchange. All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited and held in escrow.

The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and, accordingly, they are not considered to be outstanding shares for purposes of loss per share calculations.

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(In Canadian dollars)

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5. Cash and short-term investment

Cash

As at September 30, 2024, the Company had \$35,000 in cash held at a Canadian financial institution (June 30, 2024 - \$6,381).

Short-term investments

As at June 30, 2024, the Company held \$1,500,480 in a one-year fully cashable guaranteed investment certificate ("GIC") with a variable interest rate of the Canadian Imperial Bank of Commerce Prime Rate ("CIBC Prime Rate") minus 2.6% and an effective annual interest rate of 4.6%. The GIC matured on October 1, 2024 (note 12).

On August 12, 2024, \$100,000 was redeemed from the Company's GICs, \$4,517 in interest was received, and \$40,000 was reinvested in a one-year fully cashable GIC with a variable interest rate of the CIBC Prime Rate minus 2.7% and an effective annual interest rate of 4%. On September 16, 2024, this \$40,000 GIC was redeemed and \$151 in interest was received.

Accrued interest on outstanding GICs as at September 30, 2024 totaled \$71,938 (June 30, 2024 - \$58,934). Interest income recorded during the three months ended September 30, 2024 totaled \$17,672 (September 30, 2023 - \$17,898).

6. Prepaid expenses and deposits

Prepaid expenses and deposits as at September 30, 2024 totaling \$367 (June 30, 2024 – \$550) mainly included the Company's annual contracts for SEDAR+ filings and news release dissemination.

7. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities consisted of the following:

	September 30, 2024	June 30, 2024
Accounts payable	\$ 127,940	\$ 58,478
Accrued liabilities	15,251	18,850
Total	\$ 143,191	\$ 77,328

8. Net income (loss) per share

The net income (loss) per common share was based on the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding. The income (loss) per share calculation does not include escrowed shares as they are contingently returnable.

Diluted income (loss) per share does not include the effect of any share options outstanding as they will be held in escrow until the completion of a Qualifying Transaction.

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9. Related party transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. Refer to Note 1 for details about the advisory agreement signed with a corporation having certain directors in common with the Company.

10. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to remain a CPC and complete its proposed Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity. The Company is not subject to any externally imposed capital requirements other than the cash restriction disclosed in Note 3. There were no significant changes in the Company's approach to capital management during the periods ended September 30, 2024 and June 30, 2024.

11. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: fair values, credit risk, liquidity risk and market risk (including interest rate risk). The Board of Directors provides regular guidance for overall risk management.

Fair values

As at September 30, 2024, the Company's financial instruments consisted of cash, short-term investments, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the limitation of the Company's exposure to credit and market risks, and the Company's completion of its proposed Qualifying Transaction.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is exposed to credit risk through its cash and short-term investment balances which were held at Canadian financial institutions as at September 30, 2024 and June 30, 2024. The Company believes its exposure to credit risk is not significant.

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11. Financial instruments and risk management (continued)

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. Management believes the Company had no significant exposure to interest rate risk through its financial instruments as at September 30, 2024 and June 30, 2024.

A 1% increase (decrease) in the interest rate on the short-term investments as at September 30, 2024 would result in an estimated increase (decrease) in net income (loss) of approximately \$14,700 (June 30, 2024 - \$15,600).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 10, in normal circumstances. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and have normal trade terms.

12. Subsequent events

GIC maturity and reinvestment

On October 1, 2024, a GIC totaling \$1,400,480 matured, \$71,938 in interest was received and \$1,372,418 is currently reinvested in a one-year fully cashable GIC with a fixed interest rate of 3.5%.

Qualifying Transaction update

On November 15, 2024, the Company, IC Group, and Subco entered into a Definitive Agreement. Subject to the terms and conditions contained in the Definitive Agreement, the Company and IC Group agreed to complete an amalgamation to ultimately form the resulting issuer (the "Resulting Issuer") that, upon closing, will continue on the business of IC Group (the "Transaction"). The Transaction will constitute the Company's Qualifying Transaction, as such term is defined in the policies of the Exchange. Following completion of the Transaction, the Resulting Issuer intends to list as a Tier 1 Technology Issuer on the Exchange.

The Transaction will be completed by way of a three-cornered amalgamation under the federal laws of Canada, whereby Subco and IC Group will amalgamate (the "Amalgamation"), and the resulting amalgamated entity will survive as a wholly-owned subsidiary of Cuspis-II. Each issued and outstanding Class A common share of IC Group (each an "IC Group Share") will be exchanged for common shares (the "Resulting Issuer Shares") of the Resulting Issuer on the basis of one Resulting Issuer share for one IC Group Share (the "Exchange Ratio"). In addition, it is contemplated that all securities convertible, exercisable or exchangeable into IC Group Shares outstanding at the effective time will be exchanged for similar securities of the Resulting Issuer on the basis of the Exchange Ratio.

The transaction is subject to certain regulatory and shareholder approvals. There can be no assurance that the Transaction will be completed as proposed or at all.