

Unaudited condensed interim financial statements of

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

For the three and six months ended December 31, 2023 and 2022

NOTICE OF NO AUDIT OR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of Cuspis Capital II Ltd. (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 interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

Condensed Interim Statements of Financial Position

(In Canadian dollars)

(Unaudited)

As at

	Note	December 31, 2023	June 30, 2023
Assets			
Current assets			
Cash	3,5	\$ 323	\$ 275
Short-term investments	5	1,642,099	1,638,906
Prepaid expenses and deposits	6	169	508
Total assets		\$ 1,642,591	\$ 1,639,689
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 18,761	\$ 38,653
Total current liabilities		18,761	38,653
Shareholders' equity			
Share capital	4	1,721,279	1,721,279
Share option reserve	4	186,071	186,071
Deficit		(283,520)	(306,314)
Total shareholders' equity		1,623,830	1,601,036
Total liabilities and shareholders' equity		\$ 1,642,591	\$ 1,639,689
Nature of operations and going concern	1		
Subsequent events	12		

Approved by the Board of Directors:

(Signed) "William Ollerhead"

William Ollerhead - Director and Chief Executive Officer

(Signed) "Grant McCutcheon"

Grant McCutcheon - Director and Chief Financial Officer

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

(In Canadian dollars)

(Unaudited)

For the

		Three months ended December 31,		Six months ended December 31,	
	Note	2023	2022	2023	2022
Expenses					
Professional fees		\$ 2,998	\$ 16,603	\$ 9,840	\$ 21,334
Qualifying transaction	1	-	491	4,260	22,837
Filing costs		169	365	2,316	550
General and administrative	3	49	26	73	75
		3,216	17,485	16,489	44,796
Loss for the period before the undernoted		(3,216)	(17,485)	(16,489)	(44,796)
Interest income	5	21,385	12,958	39,283	21,000
Net income (loss) and comprehensive income (loss) for the period		\$ 18,169	\$ (4,527)	\$ 22,794	\$ (23,796)
Income (loss) per share					
Basic and diluted	4,8	0.00	(0.00)	0.00	(0.00)
Weighted average number of shares outstanding ⁽¹⁾					
Basic and diluted	4,8	7,500,000	7,500,000	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 \$	Warrant Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance, as at June 30, 2022	12,500,000	1,721,279	186,071	78,946	(353,496)	1,632,800
Warrants expired	-	-	-	(78,946)	78,946	-
Net loss for the period	-	-	-	-	(23,796)	(23,796)
Balance, as at December 31, 2022	12,500,000	1,721,279	186,071	-	(298,346)	1,609,004
Balance, as at June 30, 2023	12,500,000	1,721,279	186,071	-	(306,314)	1,601,036
Net income for the period	-	-	-	-	22,794	22,794
Balance, as at December 31, 2023	12,500,000	1,721,279	186,071	-	(283,520)	1,623,830

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

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

Condensed Interim Statements of Cash Flows

(In Canadian dollars)

(Unaudited)

For the six months ended December 31,

	Note	2023	2022
Cash flows from operating activities			
Net income (loss) for the period		\$ 22,794	\$ (23,796)
Change in non-cash operating assets and liabilities			
Prepaid expenses and deposits	6	339	1,651
Accounts payable and accrued liabilities		(19,892)	(43,202)
Accrued interest income	5	(39,283)	(21,000)
Cash used in operating activities		(36,042)	(86,347)
Investing activities			
GIC redemption	5	1,593,000	1,680,963
Interest received on maturity of investment	5	63,570	12,261
GIC purchase	5	(1,620,480)	(1,618,000)
Cash provided by investing activities		36,090	75,224
Increase (decrease) in cash		48	(11,123)
Cash, beginning of period		275	19,072
Cash, end of period		\$ 323	\$ 7,949

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

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

Notes to the Unaudited Condensed Interim Financial Statements

(In Canadian dollars)

For the three and six months ended December 31, 2023 and 2022

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 December 31, 2023, 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 June 1, 2022, the Company entered into a Letter of Intent (“LOI”) with Peninsula Capital Corp. (“Peninsula”), a private company incorporated under the laws of the Province of Ontario. Trading in the common shares of the Company was halted pursuant to the policies of the Exchange. The deadline for completion of the transaction was extended to June 30, 2023.

On July 6, 2023, the Company and Peninsula agreed not to extend or renew the expired LOI. The Company continues to evaluate other opportunities and candidates for the completion of a Qualifying Transaction. The Company’s shares resumed trading on August 2, 2023.

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 \$1,623,830 as at December 31, 2023 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 identify and complete a 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 and six months ended December 31, 2023 and 2022

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, 2023, which are available under the Company's profile at 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 February 13, 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 and December 31, 2023	12,500,000	\$ 1,721,279

Seed shares

As at December 31, 2023 and June 30, 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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(In Canadian dollars)

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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 December 31, 2023 was 1.95 years.

	Number of stock options issued and exercisable	Weighted average exercise price
Balance as at June 30, 2023 and December 31, 2023	1,250,000	\$ 0.20

Compensation warrants

Compensation warrants issued upon closing of the Offering expired on December 11, 2022 and the warrant reserve was reallocated to retained earnings on the statements of financial position.

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 December 31, 2023, the Company had \$323 in cash held at a Canadian financial institution (June 30, 2023 - \$275).

Short-term investments

As at June 30, 2023, the Company held \$1,593,000 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 5.25%. The GIC matured on September 29, 2023 and interest totaling \$63,570 was received during the quarter.

On September 29, 2023, \$1,620,480 was reinvested in a one-year fully cashable GIC with a variable interest rate of the CIBC Prime Rate minus 2.6% and an effective annual interest rate of 5.25%. The GIC will mature on October 1, 2024 (note 12).

Funds are invested at a Canadian financial institution.

Earned interest on outstanding GICs as at December 31, 2023 totaled \$21,619 (December 31, 2022 - \$12,913). Interest income recorded during the three and six months ended December 31, 2023 totaled \$21,385 and \$39,283 respectively (December 31, 2022 - \$12,958 and \$21,000 respectively).

6. Prepaid expenses and deposits

Prepaid expenses and deposits as at December 31, 2023 totaling \$169 (June 30, 2023 – \$508) 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:

	December 31, 2023	June 30, 2023
Accounts payable	\$ 15,936	\$ 19,640
Accrued liabilities	2,825	19,013
Total	\$ 18,761	\$ 38,653

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 weighted average shares outstanding does not include 5,000,000 escrowed shares as they are contingently returnable.

Diluted income (loss) per share does not include the effect of any share options outstanding as they are held in escrow until the completion of a Qualifying Transaction. All outstanding warrants expired on December 11, 2022.

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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 4 for details on seed shares issued and stock options granted to related parties.

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 a 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 December 31, 2023 and June 30, 2023.

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 December 31, 2023, 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 a 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 December 31, 2023 and June 30, 2023. The Company believes its exposure to credit risk is not significant.

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(In Canadian dollars)

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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 December 31, 2023 and June 30, 2023.

A 1% increase (decrease) in the interest rate on the short-term investments as at December 31, 2023 would result in an estimated increase (decrease) in net income (loss) of approximately \$16,400 (June 30, 2023 - \$16,400).

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

On February 12, 2024, \$25,000 was redeemed from the Company's GIC and \$489 in interest was received.