

**POLARIS NORTHSTAR CAPITAL CORP.  
(FORMERLY GLOBAL CARE CAPITAL INC.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**

**(EXPRESSED IN CANADIAN DOLLARS)**

**Unaudited - Prepared by Management**

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

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**NOTICE OF NO AUDITOR REVIEW  
OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Continuous Disclosure Requirement, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

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The accompanying unaudited condensed interim financial statements of Polaris Northstar Capital Corp. have been prepared by and are the responsibility of management. These condensed interim financial statements as at June 30, 2023 and for the six months then ended, have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

August 29, 2023

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**POLARIS NORTHSTAR CAPITAL CORP. (FORMERLY GLOBAL CARE CAPITAL INC.)**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023 AND DECEMBER 31, 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Notes	June 30, 2022	December 31, 2022 Audited
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		\$ 30,223	\$ 111,568
Prepaid expense		29,900	2,625
Investments	6	-	-
		<b>60,123</b>	114,193
Non-Current Assets			
Promissory note receivable	5	28,774	32,774
Investments	6	32,454,941	320,897
<b>Total assets</b>		<b>\$ 32,543,838</b>	<b>\$ 467,864</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	7,10	\$ 1,357,557	\$ 542,335
Convertible debenture	9	175,074	531,237
<b>Total liabilities</b>		<b>1,532,631</b>	<b>1,073,572</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital		156,935,075	124,619,396
Share-based payments reserve		30,203,250	30,203,250
Accumulated deficit		(156,127,118)	(155,428,354)
<b>Total shareholders' equity (deficiency)</b>		<b>31,011,207</b>	<b>(605,708)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 32,543,838</b>	<b>\$ 467,864</b>

Going concern (Note 1)  
Subsequent events (Note 13)

These financial statements were approved for issue by the Board of Directors of the Company on August 29, 2023, and were signed on its behalf by:

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*"Ho Hung Ricky Chung"* Director      \_\_\_\_\_  
*"Hugh Maddin"* Director

**POLARIS NORTHSTAR CAPITAL CORP. (FORMERLY GLOBAL CARE CAPITAL INC.)**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Notes	Three months ended June 30, 2023 \$	Three months ended June 30, 2022 \$	Six months ended June 30, 2023 \$	Six months ended June 30, 2022 \$
<b>Expenses</b>					
Accretion		-	10,222	-	14,201
Consulting fees	10	195,342	177,595	335,602	909,326
Corporate development		51,856	113,123	53,431	141,321
Office and miscellaneous		71,916	102,671	73,920	109,955
Professional fees		53,743	94,343	145,402	147,212
Regulatory and transfer agent fees		4,470	(827)	12,281	2,173
Share-based compensation	8	-	-	-	316,994
		377,327	497,127	620,636	1,641,182
<b>Loss before other expense</b>		377,327	497,127	620,636	1,641,182
<b>Other (income) expense</b>					
Gain on debt settlement	9	-	-	-	(186,245)
Loss (gain) on foreign exchange		-	(14,937)	46,217	(13,835)
Loss (gain) on investments		-	(921,390)	31,911	(921,146)
Net income (loss) and comprehensive income (loss) for the period		(377,327)	439,200	(698,764)	(519,596)
Net income (loss) per share, basic and diluted		(0.01)	0.00	(0.02)	(0.00)
Weighted average number of shares outstanding		65,878,695	345,344,669	36,876,694	345,344,669

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

**POLARIS NORTHSTAR CAPITAL CORP. (FORMERLY GLOBAL CARE CAPITAL INC.)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS )**

	2023	2022
<b>Operating activities</b>		
Net loss for the period	\$ (698,764)	\$ (519,956)
Items not affecting cash:		
Net change in fair value adjustment on investments		14,201
Accretion expense	-	(921,146)
Loss on investments	(31,911)	316,994
Share-based compensation	-	493,717
Shares issued for debt	-	-
Unrealized loss on exchange	(46,220)	-
	<b>(620,633)</b>	<b>(616,190)</b>
Changes in non-cash working capital items:		
Prepaid expenses	27,275	(5,250)
Accounts payable and accrued liabilities	512,013	(386,137)
<b>Net cash used in operating activities</b>	<b>(81,345)</b>	<b>(1,007,577)</b>
<b>Financing activities</b>		
Proceeds from issuance of convertible debentures	-	749,760
Net cash (used in) provided by financing activities	-	749,760
<b>Decrease in cash and cash equivalents</b>	<b>(81,345)</b>	<b>(257,817)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>111,568</b>	<b>617,714</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 30,223</b>	<b>\$ 359,897</b>
<b>Non-cash transactions</b>		
Shares issued on acquisitions	\$ 32,250,000	\$ -
Exchange of VirexClear shares for payment of debenture	320,404	-
Shares issued to settle debt	67,670	493,717
Convertible debenture premiums	-	179,942
Share based compensation	-	316,994

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**POLARIS NORTHSTAR CAPITAL CORP. (FORMERLY GLOBAL CARE CAPITAL INC.)**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Share-based payments reserve</b>	<b>Accumulated deficit</b>	<b>Total Shareholders' Equity (Deficit)</b>
Balance, December 31, 2021	17,032,878	\$ 122,245,263	\$ 29,987,250	\$ (150,093,316)	\$ 2,139,197
Share issued for settlement of debt	316,994	493,717	-	-	493,717
Share based compensation	493,717	-	316,964	-	316,994
Equity component of convertible debenture	-	-	(165,742)	-	(165,742)
Loss and comprehensive loss for the year	-	-	-	(519,956)	(519,956)
<b>Balance, June 30, 2022</b>	<b>17,843,589</b>	<b>\$ 122,738,980</b>	<b>\$ 30,138,472</b>	<b>\$ (150,613,272)</b>	<b>\$ 2,264,210</b>
Balance, December 31, 2022	32,437,310	\$ 124,619,396	\$ 30,203,250	\$ (155,428,354)	\$ (605,708)
Shares issued	33,705,200	32,317,670	-	-	32,317,670
Share issue costs	-	(1,990)	-	-	(1,990)
Loss and comprehensive loss for the year	-	-	-	(698,764)	(698,764)
<b>Balance, June 30, 2023</b>	<b>66,142,510</b>	<b>\$ 156,935,076</b>	<b>\$ 30,203,250</b>	<b>\$ (156,127,118)</b>	<b>\$ 31,011,208</b>

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

**POLARIS NORTHSTAR CAPITAL CORP. (FORMERLY GLOBAL CARE CAPITAL INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**1. NATURE OF OPERATIONS AND GOING CONCERN**

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Polaris Northstar Capital Corp. (formerly Global Care Capital Inc.) (“Polaris” or the “Company”) was incorporated under the laws of British Columbia on May 25, 2004. On April 13, 2020, the Company changed its name from Resinco Capital Partners Inc. to Global Care Capital Inc. The Company’s shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the ticker symbol “POLE”, the Frankfurt Stock Exchange under the symbol L6V1.F and in the US on the OTC market, under the symbol RSCZF. The registered office of the Company is Suite 303 - 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

Polaris is a global investment company which specializes in providing early-stage financing to private and public companies in the cryptocurrency, blockchain, healthcare and resource sectors. The Company engages in new, early-stage investment opportunities in previously underdeveloped assets and obtaining significant positions in early-stage investment opportunities that adequately reflect the risk profile.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2023, the Company has a working capital deficiency of \$1,472,508 (December 31, 2022 – \$959,379) and accumulated deficit of \$156,127,118 (December 31, 2022 - \$155,428,354). These factors indicate the existence of a material uncertainty that may raise significant doubt about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate cash flows from additional equity financing and/or through the sales of investments. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, in which case such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

**2. BASIS OF PRESENTATION**

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These financial statements were authorized for issue on August 29, 2023 by the directors of the Company.

**Statement of compliance**

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) applicable to interim financial statements, including IAS 34 Interim Financial Reporting. These interim financial statements do not contain all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2022.

**Basis of presentation**

These financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Functional and presentation currency**

These financial statements are presented in Canadian Dollars, which is the Company’s functional and presentation currency.

**POLARIS NORTHSTAR CAPITAL CORP. (FORMERLY GLOBAL CARE CAPITAL INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022**  
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**Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Critical accounting estimates are estimates, judgments and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Investments in private companies – Where the fair values of investments in private companies recorded on the statements of financial position cannot be derived from active markets; they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value (also see Notes 3 and 6).

Fair value model – The Company requires to use valuation techniques to estimate the fair value. The fair value of share options is estimated using the Black-Scholes Option Pricing Model. The fair value of the convertible debenture (Note 9) is estimated based on the average of two valuation methods (i) Black Scholes Option Pricing Model and (ii) Finnerty. The valuation model is subject to the limitation of the market data which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the valuation model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimation.

Deferred tax assets – Judgment is required in determining whether deferred tax assets are recognized in the statements of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future years, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statements of financial position could be impacted. Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future years. The Company has not recorded any deferred tax assets.

Contingent consideration liabilities – Judgment is required in determining whether contingent consideration is classified as a liability or equity. Estimates are required in determining the probabilities and amount due under contingent consideration arrangements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies set out below have been consistently applied to all years presented in these financial statements, unless otherwise indicated.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less. As at June 30, 2023 and December 31, 2022, the Company does not have any cash equivalents.

**IFRS 9, Financial Instruments**

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss (FVTPL), those measured at fair value through other comprehensive income (FVTOCI), and those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company classifies its accounts payable and accrued liabilities as other financial liabilities. These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.



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The Company has assessed the classification and measurement of financial assets and financial liabilities in the following table:

	<u>Measurement category</u>
<b>Financial assets:</b>	
Cash and cash equivalents	FVTPL
Investments	FVTPL
Promissory note receivable	Amortized cost
<b>Financial liabilities:</b>	
Accounts payable and accrued liabilities	Amortized cost
Convertible debenture	FVTPL

**Investments**

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value recognized in the statements of net loss and comprehensive loss. Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statements of comprehensive loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the statements of net loss and comprehensive loss within net change in unrealized gains or losses on investments in the year in which they arise.

The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting year, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the financial statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (Note 11).

*Investment in controlled subsidiaries*

From time to time, the Company is holding the controlling interest in the investees. The Company applied exemption of IFRS 10 *Consolidation*, not to consolidate a subsidiary when entity is an investment entity when it obtains control of another entity, and instead, an investment entity shall measure an investment in subsidiary at fair value through profit or loss in accordance with IFRS 9.

*Public investments*

Securities, including shares, which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing bid prices at the statement of financial position dates or the closing bid price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 in Note 11.

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**NOTES TO FINANCIAL STATEMENTS**  
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*Private investments*

All privately held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting year, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 11.

The determinations of fair value of the Company's privately held investments at other than initial cost is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately held investment should be adjusted upward or downward at the end of each reporting year. In addition to company-specific information, the Company will consider trends in general market conditions and the share performance of comparable publicly traded companies when valuing privately held investments.

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly traded companies indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately held investment may be adjusted if:

- a. there has been a significant subsequent equity financing provided by outside arm's length investors, at a valuation above or below the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- b. there have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have an impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- c. the investee company is placed into receivership or bankruptcy;
- d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);
- f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- g. release by the investee company of positive/negative exploration results; and
- h. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately held investments could be disposed of currently may differ from the carrying value assigned.

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**Investment Income (Loss)**

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and fair value adjustments of investments are reflected in the statements of net loss and comprehensive loss.

All transaction costs associated with the acquisition and disposition of investments are expensed to the statements of loss and comprehensive loss as incurred. Dividend income is recorded on the declaration date and when the right to receive the dividend has been established.

Interest income is recorded on an accrual basis when reasonable assurance exists regarding measurement and collectability.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**Impairment of financial assets**

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the statement of loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of loss.

**Share-based payments**

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of share options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at the grant date and each tranche is recognized over the year 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 number of share options that are expected to vest.

**Share capital**

Proceeds from the exercise of share options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised. In a unit offering, the Company prorates the

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proceeds between common shares and warrants using the relative fair value method. Share issuance costs are recorded as a reduction of share capital.

**Earnings (loss) per share**

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit and loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for shares held. Diluted loss per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. These instruments are currently excluded from the calculation of diluted earnings per share as they are antidilutive for the years presented.

**Income taxes**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of 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 purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**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.

**Leases**

The Company adopted IFRS 16, Leases, on January 1, 2019. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. There was no material impact on the Company’s financial statements upon adoption of this standard. During the year ended December 31, 2022 and 2021, the Company does not have material lease agreements.

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**New IFRS Pronouncements**

New standards and amendments to standards and interpretations which have been issued but are not yet effective are not expected to have a significant effect on the Company's financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**4. PROVISION OF RECEIVABLES**

In the year ended December 31, 2022, the Company recognized a total loss allowance of \$720,967 on the receivables from CCM Technologies Inc.

**5. PROMISSORY NOTE RECEIVABLE**

On July 15, 2022, the Company signed a promissory note agreement with Luxwing Holdings Limited ("Luxwing"), for a principal amount of US\$20,000 to be repaid on or before August 15, 2022. The Company will earn a minimum fee of US\$5,000. The total repayment to the Company will be equal to US\$25,000 plus interest at 2.5% per annum, calculated daily. The promissory note is secured by a debt assignment note of CAD \$250,000.

On August 15, 2022, the Company signed an Extension Agreement to extend the maturity of this promissory note to September 15, 2022 for consideration of a US\$1,000 extension fee. All other terms and covenants of the note remains the same as original agreement and agreed to on this extension notice.

On October 25, 2022, the Company agreed to an additional extension on payment of the promissory note. Luxwing agreed to pay an additional extension fee of US\$2,000 to extend the due and maturity date of this promissory note to November 30, 2022. Luxwing paid a total of US\$3,000 in extension fees on November 18, 2022.

On March 2, 2023, the Company and Luxwing signed another extension agreement whereby they agreed to pay an additional extension fee of \$5,000 to extend the maturity to February 29, 2024. Luxwing agreed to pay \$4,000 toward the principal loan amount and the amount of \$9,000 was received by the Company on March 2, 2023.

The promissory note balance is \$28,774 as of June 30, 2023 (December 31, 2022 - \$32,774).

**6. INVESTMENTS**

At December 31, 2022, the Company held the following investments:

Investee	Number of Shares	Cost \$	Fair Value \$
<b>Public Companies</b>			
Shoal Point Energy Ltd.	8,600	28,995	301
Coinsmart Financial Inc.	15,566	-	189
		28,995	490
<b>Private Companies</b>			
CCM Technologies Inc.	102,247,775	17,255,104	1
MK Highway Corp.	10,833,533	1,296,000	1
Pembrook Copper Corp.	320,000	452,000	1
ViralClear Rapid Test Corp.	24,000,000	30,554,645	320,404
		49,557,749	320,407
		49,586,744	320,897

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At June 30, 2023, the Company held the following investments:

Investee	Number of Shares	Cost \$	Fair Value \$
<b>Public Companies</b>			
Shoal Point Energy Ltd.	8,600	28,995	301
Coinsmart Financial Inc.	15,566	-	189
		28,995	490
<b>Private Companies</b>			
CCM Technologies Inc.	102,247,775	17,255,104	1
MK Highway Corp.	10,833,533	1,296,000	1
Pembrook Copper Corp.	320,000	452,000	1
Bishop Hill Holdings Corp.	32,250,000	32,250,000	32,250,000
		51,253,104	32,250,003
		51,282,099	32,250,493

*CCM Technologies Inc.*

On June 2, 2021, the Company acquired 100% of the issued and outstanding common shares and warrants of 1290369 B.C. Ltd. (d/b/a CCM Technologies Inc.) (“CCM”) by way of a share exchange agreement. The Company issued from treasury to the shareholders and warrant holders of CCM pro rata 4,708,500 common shares with a fair value of \$9,887,850 measured by the Company’s stock trading price at share issuance date and 3,250,000 common share purchase warrants with a fair value of \$6,640,254 using the Black-Scholes pricing model with the weighted average assumptions used as fully disclosed in, respectively. Each warrant provides the holder with an option to purchase one common share of the Company at a price of \$1 and of which 2,500,000 warrants expire on March 1, 2023, and the remainder of 750,000 warrants expire on April 20, 2023. There is no hold period for the shares or warrants pursuant to applicable securities laws, however, 4,458,500 shares are subject to a voluntary hold period (the “Voluntary Restrictions”) with 2,208,500 being released on the date that is 4 months from June 2, 2021 (the “Closing Date”), being October 3rd, 2021, and an additional 375,000 being released on each of the 6, 12, 18, 24, 30 and 36-month anniversaries of the Closing Date.

As at June 30, 2023 the total investment in CCM is re-measured at its estimated fair value of \$1 (December 31, 2022 - \$1). The loss from revaluation of investment of \$729,495 was recognized in the statement of loss and comprehensive loss. During the year ended December 31, 2022, the Company incurred \$720,967 expenditures on behalf of CCM, this amount is recorded as provision of receivables in the statement of loss and comprehensive loss.

*MK Highway Corp.*

On December 2, 2022, the Company acquired all of the issued and outstanding securities in the capital of MK Highway Corp. (“MK Highway”) in exchange for 10,800,000 common shares of the Company at a deemed price of \$1 per share and 5,400,000 common share purchase warrants. Each warrant permits the holder thereof to acquire one common share of the Company at a price equal to \$1 for a period of 24 months from the date of issuance. There is no hold period for the shares or warrants pursuant to applicable securities laws.

MK Highway holds an option to acquire 100% membership interests of Lavrium LLC (“Lavrium”), a Delaware limited liability company, pursuant to the terms and conditions of an option agreement, as amended, among MK Highway, Lavrium, and the members of Lavrium. As consideration for exercising the option, MK Highway will;

- (i) pay additional cash consideration to Lavrium of US\$1,146,015 in installments and certain reimbursement expenses on or before June 30, 2023, and
- (ii) issue 550,000 common shares of Polaris Northstar at a deemed price of \$1 per share to Lavrium .

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The cash payment shall be paid by MK Highway Shareholders, and failure to do so, they are required to exercise the option prior to the expiry date and return certain of the Consideration Shares and unexercised Consideration Warrants to the Company for cancellation. The share payment will be issued upon exercise of the option and such a share will be subject to hold period of four months and a day from the date of issuance pursuant to applicable securities law.

The Company valued common shares issued at \$1,080,000 by reference to the market price on the issuance date and share purchase warrants at \$216,000 using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 176.6%; risk-free rate of 3.76%; and expected dividends of zero.

As of December 31, 2022, the fair value of MK Highway investment was revalued to \$1 as management concluded the likelihood of successful exercise of the Lavrium option agreement was not attainable. The loss from revaluation of investment of \$1,295,999 was recognized in the statement of loss and comprehensive loss.

The consideration common shares were returnable pursuant to the terms of the share purchase agreement. As of the approval date of these financial statements, all common shares and warrants were returned except for 4,990,338 consideration common shares. They are expected to be returned shortly after the Cease Trade Order is lifted.

*Pembrook Copper Corp.*

Pembrook Copper Corp. (“Pembrook”) was incorporated under the laws of British Columbia on December 31, 2009. Pembrook is a mineral exploration company engaged in the identification, acquisition, evaluation and advancement of mineral properties in Peru. Pembrook is exploring for copper, gold, silver, nickel and other metals. Management has determined that the investment in Pembrook is not expected to be recoverable. As at December 31, 2022, the fair value of the investment in Pembrook is \$1 (December 31, 2021 - \$1).

*ViralClear Rapid Test Corp.*

On April 17, 2020, the Company acquired 100% interest in ViralClear Rapid Test Corp. (“ViralClear”) in exchange for 1,200,000 of the Company’s common shares with an estimated fair value of \$30,554,645. The Company paid finders’ fees to an arm’s-length party of 120,000 common shares with an estimated fair value of \$3,055,465 which has been recorded as transaction costs in the statement of net loss and comprehensive loss. ViralClear does not have material operations other than holding 324,062 class A ordinary shares of Virax Biolabs Group Limited (“Virax Biolabs”), which represents substantially all the assets of ViralClear. Virax Biolabs is an innovative biotechnology company focusing on the prevention, detection, and diagnosis of viral diseases.

As at December 31, 2022, the fair value of the investment in ViralClear was estimated to be \$320,404 by reference to the share trading price of Virax Biolabs.

During the current period, the Company exchanged all of these shares to reduce the Mirabel convertible debenture.

*Bishop Hill Holdings*

On January 25, 2023, the Company entered into a share purchase agreement with Carbon Canada Corp, to buy shares of the Bishop Hill Holdings Ltd. (“Bishop Hill”), a wholly owned Barbados subsidiary of Carbon Canada, by issuing 30,000,000 shares of the Company subject to the policies of the applicable Regulatory Authorities and Applicable Securities Laws.

On February 15, 2023, the Company completed the closing of this acquisition, and issued 30,000,000 shares at a deemed price of \$1.00 per share for the acquisition of a 60.44% interest in Bishop Hill.

In connection with this Transaction and in consideration of the introduction to the Company, the Company has paid an arm’s length finder by issuance of 2,250,000 common shares of the Company.

Bishop Hill holds a 15% undivided interest in Titan Electricity Ltd. (“Titan”). Titan holds global intellectual property rights to the “Geo-Engines™” a net zero geothermal energy generation technology used for gas cleaning (Sour Gas), CO2 sequestration and domestic energy supplies. Oil and Gas companies using Titan’s “Geo-Engines™” can

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potentially cut onsite CO2 emissions to zero, help improve energy security and break the reliance on coal and oil.

The Company has the option, in its sole discretion (the “Option”), to acquire the remaining Bishop Hill Shares for cash consideration of \$19,636,500. The Company may exercise the Option at any time on or before February 15, 2025. The Company currently intends to exercise the Option to acquire a 100% interest of Bishop Hill but is under no obligation to do so.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company’s accounts payable and accrued liabilities are as follows:

	June 30, 2023	December 31, 2022
	\$	\$
Accounts payable and accrued liabilities	1,234,807	434,588
Due to related parties (Note 10)	122,750	107,747
<b>Total</b>	<b>1,357,557</b>	<b>542,335</b>

**8. SHARE CAPITAL**

The number of shares and per share amounts for the current and comparative figures in these financial statements have been adjusted to reflect the changes from a 20 for 1 share consolidation which took effect on March 29, 2023.

**a) Authorized share capital**

At June 30, 2023, the authorized share capital comprised of an unlimited number of common shares without par value.

**b) Issued share capital**

At June 30, 2023, the Company had 66,142,510 (December 31, 2022 – 32,437,310) common shares issued and outstanding.

*During the period ended June 30, 2023:*

On January 25, 2023, the Company entered into a share purchase agreement with Carbon Canada Corp, to buy all shares of the Bishop Hill Holdings Ltd. (“Bishop Hill”), the wholly owned Barbados subsidiary of Carbon Canada, by issuing 30,000,000 shares of the Company.

On February 15, 2023, the Company completed the closing of this acquisition, and has issued 30,000,000 common shares of the Company at a deemed price of \$1.00 per share for the acquisition of a 60.44% interest in Bishop Hill. In consideration of the introduction to the Company, the Company paid an arm’s length finder by issuance of 2,250,000 common shares.

Bishop Hill holds a 15% undivided interest in Titan Electricity Ltd. (“Titan”). Titan holds global intellectual property rights to the “Geo-Engines <sup>TM</sup>” a net zero geothermal energy generation technology used for gas cleaning (Sour Gas), CO2 sequestration and domestic energy supplies. Oil and Gas companies using Titan’s “Geo-Engines <sup>TM</sup>” can potentially cut onsite CO2 emissions to zero, help improve energy security and break the reliance on coal and oil.

The Company has the option, in its sole discretion, to acquire the remaining Bishop Hill Shares for cash consideration of \$19,636,500. The Company may exercise the option at any time on or before February 15, 2025. The Company currently intends to exercise the option to acquire a 100% interest of Bishop Hill but is under no obligation to do so.

Subsequent to the period end, the Company received notice from Titan that it has submitted an application to be struck off and dissolved. We continue to work closely with Bishop Hill Holdings and its partners to address matters concerning carbon capture and sequestration technologies.



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*During the year ended December 31, 2022:*

On December 2, 2022, the Company acquired all of the issued and outstanding securities in the capital of MK Highway Corp. in exchange for an aggregate of 10,800,000 common shares of the Company, the consideration shares, at a deemed price of \$1 per share.

On July 15, and August 16, 2022, pursuant to the two conversion notices and the agreement, the Company issued a total of 3,793,722 common shares, to the convertible debt holder as fully paid and non-assessable shares.

On March 29, 2022, the Company entered into a debt settlement agreement with a company controlled by its former CEO, pursuant to which the Company agreed to settle \$150,000 of debt by issuance of 150,000 common shares at a price of \$0.90 per share resulting in a gain of \$15,000 recognized in the statement of loss and comprehensive loss for the year ended December 31, 2022.

On March 29, 2022, the Company entered into a debt settlement agreement, pursuant to which the Company agreed to settle a \$373,717 debt owed to CCM by issuance of 343,717 common shares at a price of \$0.90 per share resulting in a gain of \$34,372 recognized in the statement of loss and comprehensive loss.

On February 25, 2022, the Company completed a convertible debenture financing by issuance of an unsecured zero-coupon convertible debenture with a principal amount of US\$744,000 (CAD\$929,702) for a purchase price of US\$600,000 (CAD\$749,760) and 316,994 shares in satisfaction of a fee payable to the Investor in the amount of CAD\$285,295 (US\$248,000).

**c) Stock options**

The Board of Directors of the Company may from time-to-time grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to five years from the date of grant. The Company's stock option plan requires that options vest 20% immediately, with 20% vesting every nine months thereafter; however, the Board may change such provisions at its discretion or as required on a grant-by-grant basis.

The stock options outstanding and exercisable as at June 30, 2023 is as follows:

<b>Grant date</b>	<b>Expiry date</b>	<b>Number of options outstanding and exercisable</b>	<b>Weighted average exercise price</b>
February 4, 2021	February 4, 2026	50,000	2.30
		<b>50,000</b>	<b>\$ 2.30</b>

The continuity for stock options granted to directors, officers, employees and consultants of the Company for the periods ended June 30, 2023 and December 31, 2022 is as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
<b>Balance at December 31, 2021</b>	487,801	\$ 8.73
Options forfeited/expired	(437,801)	\$ 9.42
<b>Balance at December 31, 2022</b>	50,200	\$ 2.73
Options forfeited/expired	(200)	\$ 110.00
<b>June 30, 2023</b>	<b>50,000</b>	<b>\$ 2.30</b>

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**d) Finders' warrants**

The continuity for finder's warrants for the periods ended June 30, 2023 and December 31, 2022, is as follows:

	Number of warrants	Weighted average exercise price
<b>Balance at December 31, 2021</b>	90,963	\$ 2.20
Warrants exercised	(90,936)	2.20
<b>Balance at December 31, 2022 and June 30, 2023</b>	-	\$ -

**e) Warrants**

The share purchase warrants outstanding and exercisable as at June 30, 2023 are as follows:

Issue date	Expiry date	Number of options outstanding and exercisable	Exercise price
December 2, 2022	December 2, 2024*	5,400,000	\$ 1.00
		5,400,000	\$ 1.00

\* These warrants will be cancelled with the cancellation of the MK Highway acquisition.

The continuity for warrants for the periods ended June 30, 2023 and December 31, 2022, is as follows:

	Number of warrants	Weighted average exercise price
<b>Balance at December 31, 2021</b>	3,771,250	\$ 1.49
Warrants issued**	5,400,000	1.00
Warrants expired	(621,250)	4.00
<b>Balance at December 31, 2022</b>	8,550,000	1.00
Warrants expired	(3,150,000)	4.00
<b>June 30, 2023</b>	<b>5,400,000*</b>	<b>\$ 1.00</b>

\* These warrants were returned to the Company and cancelled subsequent to the period end.

On December 2, 2022, the Company issued an aggregate of 5,400,000 common share purchase warrants, in connection with the acquisition of MKHC. Each warrant permits the holder thereof to acquire one common share of the Company for \$1.00 for a period of 24 months from the date of issuance; there is no hold period for the Consideration Warrants pursuant to applicable securities laws. The Consideration Warrants were valued at \$216,000 using the Black-Scholes Pricing Option Model with the follow assumptions: expected life of 2 years; volatility of 176.55%; risk-free rate of 3.76%; and expected dividends of zero.

These warrants will be returned to the Company and cancelled subsequent to the period end.

**9. CONVERTIBLE DEBENTURE**

On February 25, 2022, the Company and Mirabel Capital, Ltd, (the "Investor") agreed on a convertible debenture financing by issuance of an unsecured, zero-coupon, convertible debenture with a principal amount of US\$744,000 for US\$600,000 and 316,994 shares of the Company in satisfaction of a fee payable of \$285,294 to the investor. The convertible debenture matures on February 25, 2024.

The Company may prepay, in cash, any or all of the Convertible Debenture at any time prior to the Maturity Date upon not less than thirty business days prior written notice for an amount equal to the principal amount of the Convertible Debenture that is outstanding.

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In the event of default, the holder will be entitled to interest accrued at 18% per annum from the date of issuance. This interest will be payable in arrears from the earlier of two years from the issuance date or the date of any conversions.

On July 18, 2022, the Company received the first Conversion Notice to convert a total of US\$140,000 for a total of 1,851,220 of common shares. On August 16, 2022, the Company received an additional Conversion Notice to convert a total of US\$150,000 for a total of 1,942,502 of common shares.

During the year ended December 31, 2022, and pursuant to the above two conversion notices and the agreement, the Company has converted total of US\$290,000 and has issued a total of 3,793,722 common shares.

On October 19, 2022, the Company and the Investor agreed to amend the Agreement. The Company has agreed to increase security to the Investors by US\$454,000. The increased security is in the form of VRAX shares, held by the Company's wholly owned subsidiary, ViralClear Rapid Test Corp. The Investor has agreed to suspend conversion notices and certain other investor rights provided under the February 25, 2022 agreement until January 21, 2023.

On March 29, 2023, 324,062 common shares Virax Biolabs held by Viralclear were transferred to Mirabel for settlement of convertible debenture in the amount of US\$211,612.

On April 11, 2023, 1,355,200 common shares of the Company were issued to Mirabel for settlement of convertible debenture in the amount of US\$50,000 (CAD\$67,670).

Management has concluded that the convertible debenture is a hybrid financial instrument with a liability host instrument and an embedded derivative and it was designated to be measured at FVTPL.

The convertible debenture continuity for the year ended December 31, 2022 and the six months ended June 30, 2023 is as follows:

<b>Balance at December 31, 2021</b>	<b>\$</b>	<b>-</b>
Proceeds		531,237
Conversion		(564,494)
Fair value adjustment on convertible debenture		345,971
<b>Balance at December 31, 2022</b>	<b>\$</b>	<b>531,237</b>
Issuance of common shares in payment towards debenture		(67,670)
Transfer of Virax shares in payment towards debenture		(288,493)
<b>Balance at June 30, 2023</b>	<b>\$</b>	<b>175,074</b>

The Company valued the convertible debenture using the average of two valuation methods: (i) Black Scholes option pricing and (ii) Finnerty, both factoring the discount for lack of marketability ("DLOM") with the following significant assumptions; Volatility 131 – 319%, Interest rate 0.52 – 4.31%.

Significant estimation uncertainty exists as there are no comparable marketable instruments available. The change in volatility by +/- 5%, may lead to change in value of the convertible debenture by +/- \$7,500.

The Company is exposed to currency risk relating to conversion of its convertible debenture denominated in foreign currency.

## **10. RELATED PARTY TRANSACTIONS AND BALANCES**

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. Related party transactions have been measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these financial statements are listed below:

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	June 30, 2023	June 30, 2022
	\$	\$
Consulting fees paid to a company controlled by the CEO	61,500	-
Consulting fees paid to a company controlled by the CFO	42,500	-
Consulting fees accrued to a director	18,750	-
Consulting fees paid to companies controlled by former CEO's		101,750
Consulting fees paid to a company controlled by the former CFO	-	79,800
Consulting fees paid to a company controlled by a former director	-	25,565
Share-based compensation		316,994
<b>Total</b>	<b>\$122,750</b>	<b>\$524,109</b>

Management fees and share-based payments were incurred from a director and a company owned by a director of the Company. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). The total remuneration to key management has been disclosed in the above table. Key management personnel were not paid post-employment benefit, termination fees or other long-term benefits during the periods ended June 30, 2023 and December 31, 2022.

As at June 30, 2023, included in the accounts payable and accrued liabilities, there was \$193,850 (December 31, 2022 - \$107,747) due to current and former officers and management of the Company.

## **11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, investments, promissory note receivable, accounts payable and accrued liabilities, contingent consideration liability, and convertible debentures. The carrying value of accounts payable and accrued liabilities approximates their fair value due to the short-term nature.

As at June 30, 2023, cash and cash equivalents and investments in public companies are measured at fair value using Level 1 of the fair value hierarchy; investments in private companies are measured at fair value using level 2 and 3 of the fair value hierarchy; convertible debentures are measured at fair value using level 2 of the fair value hierarchy.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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The following table presents the Company's financial instruments, measured at fair value on a recurring basis on the statements of financial position and categorized into levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
June 30, 2023	\$	\$	\$	\$
Cash and cash equivalents	30,223	-	-	30,223
Investments	490	32,250,003	-	32,250,493
Convertible debenture	-	175,074	-	175,074

  

	Level 1	Level 2	Level 3	Total
December 31, 2022	\$	\$	\$	\$
Cash and cash equivalents	111,568	-	-	111,568
Investments	490	320,407	-	320,897
Convertible debenture	-	531,237	-	531,237

There were no transfers between levels during the six months ended June 30, 2023 and December 31, 2022. The following table reconciles the Company's Level 3 fair value investments:

Level 3	Six months ended June 30, 2023	Year ended December 31, 2022
	\$	\$
Balance, beginning	-	519,250
Additions	-	-
Net change in fair value adjustment on investments	-	(519,250)
Balance, ending	-	-

**Risk management**

The Company is or may be subject to certain risks including interest rate risk, currency risk, credit risk and market risk. Risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results, and increase overall financial strength.

*Currency risk*

The Company has a promissory note receivable and convertible debenture denominated in US dollar and is therefore subject to currency risk. The Company does not currently use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

As at June 30, 2023, with other variables unchanged, a 10% strengthening (weakening) of the US dollar against the Canadian dollar would have increased (decreased) net loss by approximately \$12,000.

*Credit risk*

Credit risk is the risk associated with the inability of a third party to fulfil its payment obligations. The Company is exposed to the risk that third parties that owe money or securities in connection with services provided, or for other purposes, will default on their underlying obligations.

Prior to accepting any service engagement or providing any loan, the Company assesses future recoverability by examining the entities' financial conditions, properties and assets, business development activities and management. The Company manages its exposure to credit risk by reviewing the outstanding balances on an ongoing basis, monitoring the amount attributable to each counterparty and the length of time taken for amounts to be settled. Where necessary, management takes appropriate action to follow up on those balances considered overdue.

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*Liquidity risk*

Liquidity risk is the risk that the Company will have insufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company does not have access to the capital markets, whether as a result of a downturn in general market conditions or related to matters specific to the Company, or if the value of the Company's investments decline, resulting in lower proceeds and/or losses on disposition. The Company generates cash flows primarily from the disposition of its investments and from its financing activities.

The Company's investments focus on early-stage companies which can at times be relatively illiquid and if the Company decides to dispose of certain securities, it may not be able to do so at favorable prices at that time, or at all. However, the Company has marketable securities which are freely tradable and relatively liquid and might be able to fund its obligations as they become due under normal operating conditions such that, in the absence of overall market disruptions or exceptional circumstances, liquidity risk might be minimized.

The Company expects accounts payable and accrued liabilities and contingent consideration liabilities to be settled within 12 months of June 30, 2023.

*Market risk*

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

A 10% change in the fair values of the Company's investments at June 30, 2023, would have a \$3,200,000 (December 31, 2022 - \$32,090) impact on operations.

*Concentration risk*

The Company is subject to concentration risk due to the nature of the Company's operations as an investment company and the number of investments held in the portfolio which consists primarily of early-stage companies and their related technologies. As a result, the investment portfolio is directly exposed to the risks associated with companies operating in these industry sectors.

As at June 30, 2023, approximately 99.7% (December 31, 2022 – 99.9%, three companies) of the fair value of the Company's investment portfolio consisted of investments in one company.

**12. MANAGEMENT OF CAPITAL**

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The Company considers its common shares and options to comprise its capital.

The Company's objectives when managing capital are:

- (a) To ensure that the Company maintains the level of capital necessary to meet its operational requirements.
- (b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments.
- (c) To create sustained growth in shareholder value by increasing shareholders' equity and minimizing shareholder dilution; and
- (d) To maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

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The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to meet its objectives, in order of preference, by:

- (a) Realizing proceeds from the disposition of investments and provision of corporate services; and
- (b) Raising funds through equity financing.

The Company is not subject to any externally imposed capital requirements. Management monitors the Company's capital to ensure capital resources will be sufficient to discharge its liabilities on an ongoing basis.

**13. SUBSEQUENT EVENTS**

The following events have occurred subsequent to June 30, 2023:

- (i) On April 13, 2023, the Company issued a termination notice to MK Highway pursuant to the terms of share purchase agreement dated December 2, 2022 and require MK Highway shareholders to return 10,800,000 common shares of the Company and 5,400,000 warrants to return to the Company.

On July 27, 2023, the Company had received and cancelled all 5,400,000 post-consolidation warrants and 9,164,550 post-consolidation shares. The remaining 1,635,450 post-consolidation shares were unable to be returned, and the Company accepted a payment of \$60,000 in lieu of the return of these shares.