

**Maritime Launch Services
Inc.**

**Consolidated Financial
Statements**

For the Years Ended December 31, 2024
and December 31, 2023

To the Shareholders of Maritime Launch Services Inc. :

Opinion

We have audited the consolidated financial statements of Maritime Launch Services Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficit) equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net comprehensive loss during the year ended December 31, 2024 and December 31, 2023. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Convertible Debentures assessment

Key Audit Matter Description

As described in Note 8 to the consolidated financial statements, the Company entered into a financing arrangement on May 7, 2021, the terms of which were amended on March 29, 2022, May 8, 2023 and August 7, 2024. The modification has been accounted for as an extinguishments of the existing convertible debenture and the issuance of a new convertible debenture.

Such assessment was based on qualitative assessment performed by management pursuant to the requirements of IFRS® Accounting Standards as issued by the International Accounting Standards Board. The qualitative assessment required significant judgement on assessing the impact of amendments in certain terms that resulted in extinguishment of existing debt and recognition of a new debt which was classified as held at fair value through profit and loss. The determination of correct classification as well as key estimates involved in fair valuing the entire instrument were significant to our audit and therefore considered as a key audit matter.

Audit Response

We responded to this matter by performing procedures in relation to the accounting and valuation of the convertible debenture. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained and assessed the amendments entered into for the convertible debenture.
- We obtained management's analysis and assessment of the accounting treatment of the convertible debenture to ensure it followed the appropriate guidance.
- We obtained an understanding of the valuation methodology and inputs used by management and evaluated management's key assumptions.
- With the assistance of our internal valuation specialists, we evaluated the reasonability of the fair values determined by management at amendment date and at year end.
- We recalculated the continuity schedules, including the computation of the value assigned on the conversion to common shares, and compared to management's calculations.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zahra Alnoor Bhanji.

Mississauga, Ontario

March 31, 2025

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Maritime Launch Services Inc.
Consolidated Financial Statements
For the Years Ended December 31, 2024, and December 31,
2023

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Maritime Launch Services Inc. Consolidated Statements of Financial Position

December 31	Notes	2024	2023
Assets			
Current assets			
Cash		\$ 69,808	\$ 1,367,267
Short-term investment		5,000	30,000
Accounts receivable		17,217	-
Sales tax receivable		53,589	85,455
Prepaid expenses and deposits		56,677	122,090
Total current assets		202,291	1,604,812
Land, spaceport under construction, and equipment	5	13,754,615	12,627,210
Right-of-use assets	6	149,032	180,127
Total assets		\$ 14,105,938	\$ 14,412,149
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,483,807	\$ 3,506,291
Current portion of lease liabilities	6	31,584	32,674
Shareholder Loan	7	230,525	-
Convertible debentures	8	12,519,575	9,300,090
Total current liabilities		17,265,491	12,839,055
Non-current liabilities			
Due to Atlantic Canada Opportunities Agency	9	39,784	-
Lease liabilities	6	110,151	141,736
Total liabilities		17,415,426	12,980,791
Shareholders' (Deficit) Equity			
Share capital	10	15,516,488	14,443,564
Warrants reserve	11	699,659	814,982
Contributed surplus		2,395,960	5,303,860
Deficit		(21,921,595)	(19,131,048)
Total shareholders' (Deficit) Equity		(3,309,488)	1,431,358
Total liabilities and shareholders' (deficit) equity		\$ 14,105,938	\$ 14,412,149

Going Concern (Note 2)

Commitments (Note 15)

Subsequent Events (Note 17)

Approved on behalf of the Board:

(signed) Stephen Matier Director

(signed) Sasha Jacob Director

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

Maritime Launch Services Inc.
Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31	Notes	2024	2023
Operating expenses			
Administration		\$ 381,647	\$ 473,408
Professional services		1,087,012	1,934,678
Stock based compensation	10(b)	518,100	665,300
Amortization	5,6	35,508	37,548
Wages and salaries		1,382,616	1,478,474
Fair value adjustment on derivatives	8(a)	3,060,960	-
Loss from operations		(6,465,843)	(4,589,408)
Other income (expense)			
Gain on extinguishment of convertible debentures	8(a)	340,967	-
Loss on settlement of debt	10	-	(106,563)
Interest and accretion expense	6,8(a)	(111,081)	(57,638)
Foreign exchange gain (loss)		19,410	(18,355)
		249,296	(182,556)
Loss before income taxes		(6,216,547)	(4,771,964)
Recovery of income taxes deferred	12	-	(371,200)
Loss and comprehensive loss for the year		\$ (6,216,547)	\$ (4,400,764)
Loss per share			
Weighted average shares outstanding		417,462,479	408,075,719
Basic and diluted loss per share		\$ (0.01)	\$ (0.01)

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

Maritime Launch Services Inc. Consolidated Statements of Changes in Shareholders' (Deficit) Equity

	Notes	Common Shares	Share Capital	Warrant Reserve	Contributed Surplus	Deficit	Total shareholders' (deficit) equity
Balance, as at December 31, 2022		403,460,590	\$ 13,265,001	\$ 686,982	\$ 3,729,760	\$ (14,730,284)	\$ 2,951,459
Loss and comprehensive loss for the year		-	-	-	-	(4,400,764)	(4,400,764)
Shares issued to settle debt	10	2,875,000	566,563	-	-	-	566,563
Shares issued on conversion of interest payable on Convertible Debentures	8(a)	4,149,151	612,000	-	-	-	612,000
Stock based compensation	10(b)	-	-	-	665,300	-	665,300
Warrants issued	8(b)	-	-	128,000	-	-	128,000
Equity component recognized pursuant to the amendment of the 2021 Convertible Debentures	8(a),10	-	-	-	1,280,000	-	1,280,000
Deferred tax related to equity component recognized	8,12	-	-	-	(371,200)	-	(371,200)
Balance, as at December 31, 2023		410,484,741	\$ 14,443,564	\$ 814,982	\$ 5,303,860	\$ (19,131,048)	\$ 1,431,358
Loss and comprehensive loss for the year		-	-	-	-	(6,216,547)	(6,216,547)
Shares issued for services	10	3,500,000	367,500	-	-	-	367,500
Shares issued on conversion of 2023 Convertible Debentures	8(b)	2,000,000	273,000	-	-	-	273,000
Exercise of warrants		3,268,000	297,424	(115,323)	-	-	182,101
Shares issued to settle extension fee on convertible debenture amendment	8(a),11	2,250,000	135,000	-	-	-	135,000
Equity component derecognized on extinguishment of convertible debentures		-	-	-	(3,426,000)	3,426,000	-
Stock based compensation	10(b)	-	-	-	518,100	-	518,100
Balance, as at December 31, 2024		421,502,741	\$ 15,516,488	\$ 699,659	\$ 2,395,960	\$ (21,921,595)	\$ (3,309,488)

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

Maritime Launch Services Inc. Consolidated Statements of Cash Flows

For the year ended December 31	2024	2023
Cash flows used in operating activities		
Loss and comprehensive loss for the year	\$ (6,216,547)	\$ (4,400,764)
Adjustments for:		
Amortization	35,508	37,548
Interest and accretion expense	(403,126)	125,235
Stock-based compensation	518,100	665,300
Shares issued for services	367,500	-
Finders' warrants	-	128,000
2023 convertible debenture issue costs expensed	-	166,285
Loss on settlement of debt	-	106,563
Deferred tax recovery	-	(371,200)
Gain on extinguishment of convertible debentures	(340,967)	-
Convertible debentures - fair value adjustment	3,060,960	-
	(2,978,572)	(3,543,033)
Changes in non-cash working capital balances		
Accounts receivable and sales tax receivable	14,649	183,020
Prepaid expenses and deposits	65,413	696
Accounts payable and accrued liabilities	1,295,377	957,206
	1,375,439	1,140,922
	(1,603,133)	(2,402,111)
Cash flows provided by (used in) investing activities		
Purchase of equipment	-	(1,070)
Costs paid for spaceport under construction	(38,568)	(545,238)
Interest paid that was capitalized to spaceport under construction	-	(444,668)
Decrease in short-term investments	25,000	70,000
	(13,568)	(920,976)
Cash flows provided by (used in) financing activities		
Payments on lease liabilities	(59,300)	(56,743)
Proceeds from 2023 convertible debentures	-	2,042,000
Costs incurred – issuance of 2023 convertible debentures	-	(166,285)
Proceeds from warrants exercised	182,101	-
Redemption of 2021 convertible debentures	(100,000)	-
Proceeds from Atlantic Canada Opportunities Agency	65,916	-
Proceeds from Shareholder Loans	230,525	-
	319,242	1,818,972
Decrease in cash during the year	(1,297,459)	(1,504,115)
Cash, beginning of year	1,367,267	2,871,382
Cash, end of year	\$ 69,808	\$ 1,367,267
Supplemental cashflow information:		
Interest Paid – 2021 convertible debentures	\$ -	\$ 444,668
Shares issued on conversion of debt	\$ 273,000	-
Shares issued in payment of services	\$ 367,500	-

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

Maritime Launch Services Inc.

Notes to Consolidated Financial Statements

December 31, 2024

1. Nature of Business

Maritime Launch Services Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) and, through its wholly owned subsidiary, owns a fully-permitted site for the establishment of Canada's first commercial Spaceport from which to launch satellites via small and medium sized launch vehicles (rockets), into low earth orbit, located in Canso, Nova Scotia.

On April 27, 2022, the Company's shares were listed and commenced trading on the Cboe Canada (formerly NEO Exchange) under the symbol "MAXQ". On August 23, 2022, the Company received approval to trade on the OTCQB Venture Market under the symbol "MAXQF." The address of the Company's registered head office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, M4C 2V9.

2. Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information, which is at least, but is not limited to, twelve months from the end of the reporting period.

At December 31, 2024, the Company has insufficient sources of operating cash flows to meet its ongoing needs. The shortfall in operating cashflows have been funded from the issuance of share capital, convertible debentures and the exercise of warrants and as such, the Company's ability to continue as a going concern is dependent upon the ability to obtain financing to be able to secure adequate bonding for future projects. It is not possible at this time to predict the outcome of these matters. The Company incurred a net comprehensive loss of \$6,216,547 for the year ended December 31, 2024 (2023 - total comprehensive loss of \$4,400,764 for the year ended December 31, 2023). As a result, there is material uncertainty that may cast significant doubt as to whether the Company will have the ability to continue as a going concern.

These consolidated financial statements do not reflect the material adjustments to carrying values of assets and liabilities, and the reported expenses, that would be necessary if the going concern assumption was inappropriate.

Maritime Launch Services Inc.

Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies

Basis of Consolidation

The consolidated financial statements of the Company include the accounts of Maritime Launch Services (Nova Scotia) Ltd., a wholly owned subsidiary incorporated in Nova Scotia, and Maritime Launch USA Inc., a wholly owned subsidiary incorporated in Delaware U.S. in November 2021. All transactions and balances between these companies have been eliminated on consolidation.

Basis of Preparation

These Consolidated Financial Statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board ("IASB") and IFRIC® Interpretations of the IFRS Interpretations Committee

The preparation of consolidated financial statements in compliance with IFRS accounting standards requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in the notes to follow.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 31, 2025.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in the accounting policy or note disclosures to follow.

Foreign Currency

Functional and Presentation Currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). These consolidated financial statements are presented in Canadian Dollars ("CDN"), which is also the functional currency for the Company and its subsidiaries.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

3. **Material Accounting Policies (Continued)**

Foreign Currency Transactions

Transactions entered into by the Company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the closing rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

Financial Instruments

The Company initially recognizes all financial instruments on the date the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are originally recognized at fair value. Depending on classification, financial instruments are subsequently measured at either fair value or amortized cost. Fair value is determined as explained in Note 15.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The following sections identify the Company's financial assets and liabilities and how they are classified:

Financial Assets

The Company classifies its financial assets into one of the categories below depending on the business model in which they are held and the characteristics of their contractual cash flows.

Financial Assets at Amortized Cost

Financial assets at amortized costs incorporate financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies (Continued)

Financial assets at amortized cost comprise of cash, short-term investments and accounts receivable.

Financial assets at Fair Value through Other Comprehensive Income ("FVTOCI")

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVTOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

Financial Liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognized at fair value and, in the case of other financial liabilities, plus directly attributable transaction costs.

The Company's derivative liability related to the 2021 convertible debenture was accounted for at fair value through profit or loss prior to Amendment 2 during fiscal 2023.

The 2023 and 2021 post Amendment 3 liability host and embedded derivatives related to the convertible debentures are accounted for at fair value through profit or loss. The warrants that were issued along with the convertible debentures are classified as equity instruments.

Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the liabilities are derecognized as well as through the amortization process.

The following are classified as other financial liabilities: accounts payable and accrued liabilities, shareholder loans, the liability component of 2021 convertible debentures prior to Amendment 3 in fiscal 2024 (Note 8), and due to Atlantic Canada Opportunities Agency.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies (Continued)

Internally Generated Intangible Assets (Development Costs)

Expenditure on internally developed products is capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalized development costs are amortized over the periods the Company expects to benefit from selling the products developed. The amortization expense is included within the administration expenses in the consolidated statements of loss and comprehensive loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the consolidated statements of loss and comprehensive loss as incurred. To date, no expenditures have met the requirements for capitalization.

Spaceport Under Construction and Equipment

Equipment is measured at historical cost, less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Equipment is amortized over its estimated useful life of the asset calculated as follows:

	Basis	Rate
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

Maritime Launch Services Inc.

Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies (Continued)

Spaceport under Construction

Initial costs related to the spaceport under construction are capitalized when they meet the criteria in IAS 16 Property, Plant & Equipment ("IAS 16") which are (a) it is probable the future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be measured reliably. To date, the costs have been directly attributable costs related to initial site preparation and are measured at their fair value. The cost model is being used to account for the spaceport under construction. Depreciation will commence when the spaceport is available for use. The Company capitalizes the proportionate cost of general borrowings, which are the convertible debentures, to the spaceport under construction. Land has been determined to have an indefinite life and will not be depreciated.

Impairment of Non-Financial Assets

At each reporting period-end, the Company reviews the carrying amounts of its non-financial assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are largely independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Convertible Debentures

On issuance of convertible debentures, the Company analyzes the terms to determine whether the conversion features represent equity or a derivative liability. The 2021 convertible debentures provided the holder with an option to convert into a variable number of common shares at the time of issuance (Note 8(a)). The conversion feature was accounted for as a derivative liability, fair valued on the issuance date with the residual allocated to the liability component. Modifications of the terms of convertible debentures are analyzed in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"), and accounted for as an extinguishment of the original financial liability, including the related derivative liability, and recognition of a new financial liability and derivative liability, where appropriate, where the modification is determined to be substantial. Amendment 3 during fiscal 2024 aligned the terms of the 2021 convertible debentures with the 2023 convertible debentures and the Company elected to irrevocably designate the entire hybrid instrument, being the convertible debentures, at FVTPL at the time of that time (refer to Note 8(a) for more details).

The 2023 convertible debentures include anti-dilution rights with down round protection (Note 8(b)), that result in the holder being entitled to a variable number of common shares. The Company has elected to irrevocably designate the entire hybrid financial instrument, being the convertible debentures, at FVTPL. The warrants issued to the convertible debenture holders as a part of the financing represent an equity classified instrument. At the time of issuance, the Company determined the fair value of the liability host and embedded derivatives and allocated the residual to equity.

See Note 8 for details of the accounting for the convertible debentures.

Maritime Launch Services Inc.

Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies (Continued)

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has not elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives removed. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset, or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of loss and comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Income Taxes

Current Income Taxes

Current income taxes assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income taxes assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies (Continued)

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred Income Taxes

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for taxable temporary differences arising on the initial recognition of temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred taxes assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

Current and deferred tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Stock Based Compensation

The Company grants common stock options to its employees, officers, directors and advisors under its stock option plan. Stock-based compensation plans are accounted for on a fair value basis.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model which determines volatility based on comparable publicly traded companies' volatility for a similar term as the expected life of the options.

Options and shares granted to non-employees in exchange for services are valued at the fair value of the services incurred by the Company, unless the fair value cannot be estimated reliably, in which case the services are valued based on the fair value of the equity instruments granted.

Stock based compensation costs, measured at grant date based on the fair value of all options granted and recognized over the service period involved, are recorded as expenses on the consolidated statements of loss and comprehensive loss and credited to contributed surplus. The consideration paid by holders upon exercise of the options and the estimated fair value of the options exercised are added to share capital.

Maritime Launch Services Inc.

Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies (Continued)

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Loss per Share

Basic loss per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common stock outstanding during the year.

Diluted loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common stock outstanding, adjusted for the effects of all dilutive potential common stock. The weighted average number of common stock outstanding is increased by the number of additional common stock that would have been issued by the Company assuming exercise of all options and equity instruments with exercise prices below the average market price for the year. The effect on diluted loss per share of the exercise of stock options and warrants described in Note 10 and Note 11 would be anti-dilutive.

New Standards, Interpretations, and Amendments

a) New Standards, Interpretations, and Amendments Effective Beginning January 1, 2024:

The following amendments are effective beginning January 1, 2024:

- Disclosure related to supplier finance arrangements (Amendments to IAS 7 and IFRS 7); and
- Classification of liabilities as current or non-current (Amendments to IAS 1).

The above amendments did not have an impact to the Company for the year ended December 31, 2024.

Maritime Launch Services Inc.

Notes to Consolidated Financial Statements

December 31, 2024

3. Material Accounting Policies (Continued)

New Standards, Interpretations, and Amendments (Continued)

b) New Standards, Interpretations, and Amendments Not Yet Effective:

The following amendments are effective for annual reporting period beginning January 1, 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7)

The following standard is effective for annual reporting period beginning January 1, 2027:

- IFRS 18, Presentation and Disclosure in Financial Statements

The Company is currently assessing the effect of this new accounting standard. IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of loss and comprehensive loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

4. Critical Accounting Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates

Convertible Debentures

Estimates were required to be made by management in determining the fair value of the 2021 convertible debentures prior to Amendment 3 as there was an allocation between the host debt and conversion feature on the date of initial recognition, as well as when these convertible debentures were modified by Amendment 2 during fiscal 2023. The determination of the fair value of these instruments required estimates to be made by management inclusive of the fair market interest rate of the Company, and the relevant inputs to the Barrier Option Pricing model including the Company's share price, expected share volatility, and the probability weighted scenarios.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

4. Critical Accounting Estimates and Judgements (Continued)

Estimates were required by management on the issuance date and at each reporting date are also required to be made by management in determining the fair value of the 2023 convertible debentures and Amendment 3 of the 2021 convertible debentures as they are being accounted for at FVTPL. Management used the Convertible Debt valuation based on a partial differential equation model to estimate the value allocation on the issue date and to estimate the fair value at each reporting date thereafter. The significant estimates in this model relate to the fair market interest rate of the Company and the volatility of the share price. Refer to note 8.

Depreciation and Amortization

Depreciation and amortization methods for equipment and right of use assets are based on management's judgment of the most appropriate method to reflect the pattern of an asset's future economic benefit expected to be consumed by the Company. Among other factors, these judgments are based on industry standards, manufacturers' guidelines and Company specific history and experience.

Stock Based Compensation and Share Based Payments

Estimating fair value for share-based payment transactions requires judgment in determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This also requires estimation of the most appropriate inputs to the valuation model including the expected life of the share option or warrant, volatility, dividend yield and share price.

Determination of Incremental Borrowing Rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Judgments

Amendment 2 and 3 of 2021 Convertible Debentures

Judgment was required to determine whether the amendment discussed in the Estimates and Judgements represented a significant modification that should be accounted for as an extinguishment of the original financial liability by estimating the present value of the amended liability, using the original effective interest rate, and comparing to the carrying value of the original liability at the amendment date to determine whether the 10% quantitative test was met.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

4. Critical Accounting Estimates and Judgements (Continued)

2023 Convertible Debentures and 2021 Convertible Debentures, post Amendment 3

Judgment was required to determine whether the 2023 convertible debentures and the 2021 convertible debentures, subsequent to Amendment 3, in the Estimates and Judgements included embedded derivatives and the appropriate classification of the financial instrument and the warrants issued to the convertible debenture holders as a part of the issuance.

Judgment was also required in the determination of the appropriate valuation model to be used for the value allocation on the issue date and whether the value resulting from that model resulted in the determination that the transaction price was not the fair value of the financial instrument on that date. The determination of the appropriate assumptions for the model selected also required significant judgment by management. Refer to note 8(b).

The ongoing fair value measurement of these convertible debentures also required judgment with respect to the appropriate valuation model and the assumptions to be used at each valuation date. In particular at December 31, 2024, the assumption with respect to the period to maturity of the convertible debentures required judgment as the Company had entered a memorandum of understanding with respect to extension with debenture holders which was confirmed subsequent to year-end (Note 17).

Income Taxes

Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Impairment of spaceport under construction

Judgment was required to assess whether there were any impairment indicators related to the spaceport under construction in accordance with IAS 36, Impairment of assets. Management considered both external and internal sources of information in making its assessment as to whether there were any indicators of impairment.

Capitalization of Property and Equipment

The capitalization of property and equipment under IFRS is based on management's judgment as to whether all criteria under IAS 16 have been met. Significant judgment is required to assess whether expenditures should be capitalized, particularly with regards to the assessment of the point in time when it becomes probable that the property and equipment under construction will generate future economic benefits that will ultimately flow into the Company.

Maritime Launch Services Inc.
Notes to Consolidated Financial Statements

December 31, 2024

5. Land, Spaceport under Construction, and Equipment

Cost			
	Cost	Additions	Total
Land	\$ 80,012	\$ -	\$ 80,012
Computer Equipment	16,922	-	16,922
Furniture and Equipment	19,373	-	19,373
Spaceport under Construction	12,529,933	1,131,817	13,661,750
	\$ 12,646,240	\$ 1,131,817	\$ 13,778,057

Amortization			
	Accumulated Amortization	Amortization	Total
Land	\$ -	\$ -	-
Computer Equipment	(11,637)	(2,189)	(13,826)
Furniture and Equipment	(7,393)	(2,223)	(9,616)
Spaceport under Construction	-	-	-
	\$ (19,030)	\$ (4,412)	\$ (23,442)

Net Book Value		
	December 31, 2024	December 31, 2023
Land	\$ 80,012	\$ 80,012
Computer Equipment	3,096	5,285
Furniture and Equipment	9,757	11,980
Spaceport under Construction	13,661,750	12,529,933
	\$ 13,754,615	\$ 12,627,210

During the year ended December 31, 2024, the Company capitalized borrowing costs of \$908,886 (December 31, 2023 - \$1,862,154).

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

6. Right-of-Use Assets and Lease Liabilities

(a) The following table presents the right-of-use assets for the Company:

	December 31, 2024	December 31, 2023
Balance, January 1	\$ 180,127	\$ 211,223
Additions	-	-
Depreciation	(31,096)	(31,096)
Balance	\$ 149,031	\$ 180,127

The Company's leases are for office space, a vehicle, and land for operating and developing the Spaceport. The initial terms of the leases were 5.3 years, 5 years, and 20 years (with a renewal term of a further year 20 years), respectively. The Company has estimated an annual incremental borrowing rate of 18% on the office space and 17% on the land. The annual borrowing rate specified in the vehicle lease agreement was 8%. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option. The land lease can be cancelled by either the lessee or the lessor by providing 60 days written notice to the other party, and the annual rent is subject to adjustments by the lessor from time to time.

(b) The following table presents lease liabilities for the Company:

	December 31, 2024	December 31, 2023
Balance, January 1	\$ 174,410	\$ 206,789
Additions	-	-
Payments	(59,300)	(56,743)
Interest incurred	26,625	24,364
Balance	\$ 141,735	\$ 174,410
Current	31,584	32,674
Non-current	110,151	141,736
Total	\$ 141,735	\$ 174,410

(c) The following table presents the contractual undiscounted cash flows for lease liabilities as at December 31, 2024, and December 31, 2023:

	Total Undiscounted Lease Payments	
	2024	2023
Less than one year	\$ 53,131	\$ 59,299
Beyond one year	\$ 540,174	\$ 593,305
Total undiscounted lease payments	\$ 593,305	\$ 652,604

Total cash outflow for the year ended December 31, 2024, was \$59,300 (year ended December 31, 2023 - \$56,743).

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

7. Shareholder Loan

Shareholder loans of \$230,525 were advanced by shareholders, are non-interest bearing and had no fixed terms of repayment. Subsequent to year end shareholder loans were converted to common shares at a rate of \$0.05 per share as part of the Company's private placement (Note 17).

8. Convertible Debentures

(a) Issuance of Convertible Debentures in 2021 and subsequent amendments

On May 7, 2021, the Company issued unsecured convertible debentures (the "2021 convertible debentures") for proceeds of \$7,500,000. These convertible debentures were extended and the terms were amended on March 29, 2022 ("Amendment 1"), on May 5 2023 ("Amendment 2") and on August 7, 2024 ("Amendment 3").

Amendment 2 of the 2021 Convertible Debentures

Pursuant to Amendment 2, the maturity date of the convertible debentures was extended by one year to May 7, 2024. The interest rate on the convertible debentures was increased to 9% and interest was calculated, compounded, and paid in cash semi-annually on June 30 and December 31, with the first payment due December 31, 2023.

Also pursuant to Amendment 2, accrued interest of \$612,000, representing all accrued interest owing through May 7, 2023, was converted by the holder into 4,149,151 common shares of the Company at a price of \$0.1475 per common share (Note 10).

The convertible debentures are convertible into common shares at a price of \$0.1475 on demand at any time by the holder and the convertible debentures will convert at the election of the Company in the event of either (a) the Company has raised not less than \$10M in equity at a price of not less than \$0.2222 per common share or (b) the common shares trade at over \$0.2222 for 10 consecutive trading days on a recognized exchange. Pursuant to Amendment 2 and in reference to (a) in the preceding sentence, where common shares are issued with attached warrants ("Units"), the warrants will be valued, then the common shares will be valued by subtracting the value of the warrants from the value of the Units to determine the price of the common shares.

The amendments included in Amendment 2 were determined to be significant modifications of the terms of the convertible debentures; accordingly, Amendment 2 was accounted for as an extinguishment on May 5, 2023. On extinguishment, the fair value of the existing liability component was determined to be equal to the carrying value, resulting in no gain or loss being recognized on extinguishment of the liability component.

Pursuant to Amendment 2, on recognition of the convertible debentures, the liability component was fair valued by reference to the fair market interest rate of the Company, estimated to be 28% at the date of Amendment 2. Any residual between the fair value of the liability component under the original terms and the fair value of the liability component under the amended terms was recognized as a charge to contributed surplus, representing the incremental change in fair value of the conversion feature.

There were no additional costs incurred or received as a part of Amendment 2.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

8. Convertible Debentures (Continued)

Amendment 3 of the 2021 Convertible Debentures

Pursuant to Amendment 3, the maturity date of the convertible debentures was extended from May 7, 2024 to December 7, 2024. As a result of this amendment, the terms of 2021 convertible debentures were aligned with the terms of the 2023 convertible debentures (refer to Note 8(b) for the terms that relate to these debentures as a result).

Consistent with the 2023 convertible debentures, the host liability, the PIK interest, the conversion feature and the early repayment option have been considered as one hybrid instrument and the Company has elected to measure this financial instrument at FVTPL. The amendments included in Amendment 3 were determined to be significant modifications of the terms of the convertible debentures; accordingly, Amendment 3 was accounted for as an extinguishment on August 7, 2024.

On August 7, 2024, the Company determined the fair value of the amended 2021 convertible debentures using a Convertible Debt valuation based on a partial differential equation model with a market yield estimate at 35% on the repayment features and a volatility of 60%. The fair value of the early repayment options were deemed to be nil as the Company does not intend to exercise its option to early repay. As a part of the 3rd amendment to the 2021 convertible debentures, the Company issued 2,250,000 common shares with a fair value of \$135,000 to certain holders as an extension fee. A gain of \$340,967 was recognized as a result of the extinguishment, net of the extension fee.

At December 31, 2024, the Company determined the fair value of the amended 2021 convertible debentures and interest payable in cash using a Convertible Debt valuation based on a partial differential equation model with a market yield estimate at 32.5% on the repayment features and a volatility of 65%. The maturity date for the fair value determination was December 7, 2026, (Note 17). The fair value of the PIK interest payable was determined based on the number of common shares it would convert into and the fair value of the common shares on December 31, 2024.

There was an increase in the fair value of the amended 2021 convertible debentures from the date of issuance to December 31, 2024 of \$2,342,258 and therefore the Company recognized that amount in change in fair value of the hybrid contract.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

8. Convertible Debentures (Continued)

The following table outlines the continuity of the 2021 issued and amended convertible debentures through to Amendment 3 during Fiscal 2024:

	2021 Convertible Debentures	Contributed Surplus
Balance at December 31, 2022	\$ 7,391,634	\$ 2,146,000
Interest expense at 4%	125,000	-
Accretion of discount	595,366	-
Settlement of interest payable through the issuance of common shares (Note 10)	(612,000)	-
Balance immediately prior to extinguishment	7,500,000	2,146,000
Extinguishment of convertible debentures	(7,500,000)	-
Recognition of the convertible debentures per Amendment 2	6,220,000	1,280,000
Accrued interest at 9%	444,668	-
Interest paid	(444,668)	-
Accretion of convertible debentures	798,090	-
Balance at December 31, 2023	\$ 7,018,090	\$ 3,426,000
Accretion of convertible debentures	479,135	-
Accrued interest at 9% to May 7, 2024	236,713	-
Redemption of convertible debentures	(100,000)	-
Accrued cash interest at 10% May 7 to August 7, 2024	193,039	-
Accrued PIK interest at 5% May 7 to August 7, 2024	98,605	-
Balance at August 7, 2024	\$ 7,925,582	\$ 3,426,000
Extinguishment of convertible debentures	(7,925,582)	(3,426,000)
Recognition of convertible debentures per Amendment 3	7,449,615	-
Extension fee	(135,000)	-
Gain on extinguishment	\$ 340,967	\$ -

Refer to the table below for the continuity of the subsequent to initial recognition following Amendment 3.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

8. Convertible Debentures (Continued)

(b) Issuance of Convertible Debentures in 2023

On December 8, 2023, the Company issued unsecured convertible debentures (the “2023 convertible debentures”) for proceeds of \$2,282,000 payable on December 8, 2024, unless earlier converted or repaid. The 2023 convertible debentures bear interest at 10% per annum payable in cash quarterly as well as interest payable in common shares of the Company (paid in kind, referred to as “PIK” interest), consisting of 5% of the outstanding 2023 convertible debentures, calculated at a price of \$0.12 per common share (the “conversion price”), payable at the earlier of the end of term or early repayment. The Company may choose to prepay the 2023 convertible debentures. Upon a prepayment, the holders may elect, solely at the option of each holder, to be repaid in cash with an early repayment bonus of 10% of the principal amount outstanding, or to convert the principal and any accrued, unpaid interest into common shares at the conversion price. The 2023 convertible debentures have anti-dilution rights such that if the Company issues, offers, sells, grants any option or rights to purchase, or otherwise dispose of any equity securities, for consideration on a share basis that is less than the conversion price, the conversion price will be adjusted to such lower price. This anti-dilution right resulted in the number of shares issuable on conversion, and for PIK, being variable and therefore representing embedded derivatives. The early repayment features were also determined to be embedded derivatives due to the fact the amount repaid early does not approximate the amortized cost at the time of repayment.

The host liability instrument, the PIK interest, the conversion feature and the early repayment option have been considered as one hybrid instrument and the Company has elected to measure this financial instrument at FVTPL.

Each 2023 convertible debenture is accompanied by one common share purchase warrant for each whole \$0.48 principal amount. Each warrant is exercisable at a price of \$0.15 any time prior to December 8, 2028. The warrants represent an equity classified instrument.

At the time of issuance, the Company determined the fair value of the host liability and interest payable quarterly in cash and PIK and the conversion feature using a Convertible Debt valuation based on a partial differential equation model with a market yield estimated at 35% on the repayment features and a volatility of 55%. The fair value of the early repayment options were deemed to be nil as the Company does not intend to exercise its option to early repay. There was no residual value allocated to the equity classified warrants.

On April 8th, 2024, one of the holders of convertible debentures with a principal balance of \$240,000 (and fair value of approximately \$273,000 at the time of conversion) converted their debenture to common shares (Note 10).

On December 31, 2024, the Company determined the fair value of the host liability and interest payable in cash using a Convertible Debt valuation based on a partial differential equation model with a market yield estimated at 32.5% on the repayment features and a volatility of 65%. The maturity date for the fair value determination was December 7, 2026, (Note 16). The fair value of the PIK interest payable was determined based on the number of common shares it would convert into and the fair value of the common shares on December 31, 2024.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

8. Convertible Debentures (Continued)

An increase in the net fair value of the 2023 convertible debentures during fiscal 2024 of \$718,702 (2023 - \$NIL) was recognized in change in fair value of the hybrid contract.

In Fiscal 2023, the Company paid cash finders fees of \$133,870 and issued 1,585,000 Finders Warrants (Note 11) in conjunction with the issuance of the 2023 convertible debentures and incurred other expenses of \$32,415 which were expensed.

The following table shows the continuity of the 2023 convertible debenture and the 2021 convertible debenture subsequent to Amendment 3:

	2023 Convertible Debentures	2021 Convertible Debentures	Total
Balance at December 31, 2023	\$ 2,282,000		\$ 2,282,000
Conversion of debentures	(273,000)		(273,000)
Recognition of convertible debentures per Amendment 3		7,449,615	7,449,615
Increase (decrease) in fair value	718,702	2,342,258	3,060,960
Balance at December 31, 2024	\$ 2,727,702	9,791,873	\$ 12,519,575

Maritime Launch Services Inc.

Notes to Consolidated Financial Statements

December 31, 2024

9. Due to Atlantic Canada Contributions Agency

The Company entered a Contribution Agreement with Atlantic Canada Opportunities Agency (ACOA), for funding towards site preparation for the installation of specialized tracking and communication equipment in Guysborough, Nova Scotia. ACOA will fund 50% of eligible costs to a maximum of \$120,000 in the form of a non-interest-bearing repayable contribution. Repayment of the contribution in 60 monthly installments of \$2,000 (based on receiving the maximum contribution of \$120,000), commences in December 1, 2025. As at December 31, 2024, the Company had received funding of \$65,916. The fair value of the funding presented on the balance sheet of \$39,784 (2023: nil) was determined using an incremental borrowing rate of 15%. The difference between the cash received and the fair value of the funding was recognized as a reduction to the cost of the spacecraft under construction.

10. Share Capital

Authorized

An unlimited number of shares without par value of the following classes:

Common shares voting and participating.

(a) Issued and outstanding shares

The following table provides a continuity of share capital as presented in these financial statements:

	Common Shares	
	Number	Amount
Balance as at December 31, 2022	403,460,590	\$ 13,265,001
Shares issued on conversion of interest payable on Convertible Debentures	4,149,151	612,000
Shares issued to settle accounts payable	2,875,000	566,563
Balance as at December 31, 2023	410,484,741	\$ 14,443,564
Shares issued in exchange for services	3,500,000	367,500
Shares issued on conversion of convertible debentures	2,000,000	273,000
Shares issued on exercise of warrants	3,268,000	297,424
Shares issued to settle extension fee on convertible debentures amendment (Note 8(a))	2,250,000	135,000
Balance as at December 31, 2024	421,502,741	\$ 15,516,488

As described in Note 8(a) and pursuant the Amendment of the Convertible Debenture, on May 5, 2023, accrued interest of \$612,000, being all accrued interest owing through until May 7, 2023, was converted into 4,149,151 common shares of the Company at the conversion price of \$0.1475 per common share.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

10. Share Capital (Continued)

On May 5, 2023, the Company issued 2,875,000 common shares at a price of \$0.16 to settle accounts payable of \$460,000. In connection with the settlement, the common shares were valued at \$566,563, based on the trading price of the common shares issued on the date of settlement, resulting in a recognized loss on settlement of debt totaling \$106,563 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2023.

On January 24, 2024, the Company issued 3,500,000 common shares at a price of \$0.105 per share (closing price on the day of the share issuance) as payment for financing advisory services. The value of the shares issued, and cost of the services, provided were \$367,500.

On April 8, 2024, a debenture holder exercised their option to convert their debentures with a principal amount of \$240,000 (and approximate fair value of \$273,000) into 2,000,000 common shares, in accordance with the terms of the convertible debenture (note 8b).

On May 31, 2024, a warrant holder chose to exercise their warrants, pursuant to the terms and strike price of the warrants, for proceeds of \$27,800 in exchange the Company issued 500,000 common shares (Note 11).

On July 17, 2024 and August 15, 2024, a warrant holder chose to exercise their warrants, pursuant to the terms and strike price of the warrants, for proceeds of \$50,400 and \$48,608, respectively. In exchange the company issued 900,000 and 868,000 common shares, respectively (Note 11).

On August 14, 2024, the Company issued 2,250,000 common shares to certain holders of the Debentures in settlement of an extension fee in connection with the Amendment 3 to the 2021 convertible debentures (note 8(a)).

On September 12, 2024, a warrant holder chose to exercise their warrants, pursuant to the terms and strike price of the warrants, for proceeds of \$56,000 in exchange the Company issued 1,000,000 common shares (Note 11).

(b) Stock option plan

The Company has established a stock option plan. Under the plan, eligible directors, key employees, and consultants of the Company are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted. The Board is also authorized to determine the terms of the grant including the time or times when each option shall vest, the duration of the exercise period, and any performance vesting or other exercise conditions. The Board may make available a number of common shares it considers appropriate, not exceeding 10% of the common shares outstanding from time to time. In the event of a Going Public transaction, the Board may, in its sole and absolute discretion, permit the exercise prior to the Going Public transaction of any or all options held by optionees which are not by their terms exercisable in the manner and on the terms authorized by the Board.

The weighted average fair value of options granted during the year ended December 31, 2024, was \$0.097 (year ended December 31, 2023 - \$0.11) per option estimated using the Black-Scholes option pricing model. The expected life of the options is equivalent to the life of the options granted. Expected volatility is based on historical price volatility for comparable publicly traded companies over terms consistent with the expected life. The stock options granted during the periods vest based on a combination of certain performance and service conditions.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

10. Share Capital (Continued)

The following assumptions were used to determine the fair value of the options granted in the year ended December 31, 2024, and 2023:

	December 31, 2024	December 31, 2023
Weighted average grant date share price	\$0.130	\$0.160
Exercise price	\$0.124	\$0.167
Expected price volatility	94%	90%
Expected option life	5 years	5 years
Expected dividend yield	0%	0%
Risk-free interest rate	3.59%	1%
Forfeiture rate	0%	0%

The following table presents the stock option activity for the year ended December 31, 2024, and 2023:

	December 31, 2024		December 31, 2023	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	28,350,000	0.167	29,025,000	0.167
Granted	2,250,000	0.124	2,700,000	0.167
Forfeited	-	-	(2,250,000)	0.167
Expired	(2,250,000)	0.167	(1,125,000)	0.167
Outstanding, end of year	28,350,000	0.164	28,350,000	0.167
Exercisable, end of year	14,512,500	0.167	11,025,000	0.167

Certain options granted during the year ended December 31, 2024, and 2023 are subject to certain performance and service based vesting conditions. The weighted average remaining contractual life as at December 31, 2024, is 2.5 years (December 31, 2023 – 3.25 years). At December 31, 2024, 13,800,274 stock options remain available for future grants pursuant to the Company's stock option plan. Stock based compensation incurred as of December 31, 2024 was \$518,100 (December 31, 2023 - \$665,300).

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

11. Warrants

Warrant activity, for year ended December 31, 2024, and 2023 was as follows:

	December 31, 2024		December 31, 2023	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of year	29,989,095	0.11	23,649,930	0.095
Granted – with 2023 convertible debentures	-	-	4,754,165	0.12
Granted	-	-	1,585,000	0.12
Exercised	(3,268,000)	0.056	-	0.12
Outstanding, end of year	26,721,095	0.11	29,989,095	0.11
Exercisable, end of year	26,721,095	0.11	29,989,095	0.11

In conjunction with the issuance of the 2023 convertible debentures (Note 8(b)), on December 8, 2023, the Company issued 1,585,000 warrants Finders Warrants to with an exercise price of \$0.12 per common share exercisable anytime prior to expiry 5 years from the date of issuance. The estimated fair value of the warrants was determined to be \$0.08 per warrant, estimated using the Black-Scholes option pricing model and the total calculated value of the Finders Warrants of \$128,000 was expensed.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

12. Income Taxes

a) The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to pre-tax income and the reported income tax expense:

	2024	2023
Loss before income taxes	\$ (6,216,547)	\$ (4,771,964)
Combined basic federal and provincial tax rates	29.00%	29.00%
Expected income tax recovery	\$ (1,802,799)	\$ (1,383,870)
Fair value adjustment on derivatives	887,678	-
Listing expenses	-	-
Stock based compensation	150,249	192,937
Other non-deductible items	(108,901)	79,284
Share issue costs booked in equity	-	-
Capitalized accretion expenses	-	-
Book to filing adjustments and other	(709,040)	(331,200)
Change in tax benefits not recognized	1,582,813	1,071,649
Income tax recovery	\$ -	\$ (371,200)

The Company's income tax (recovery) is allocated as follows:

	2024	2023
Current tax (recovery) expense	\$ -	\$ -
Deferred tax (recovery) expense	-	(371,200)
	\$ -	\$ (371,200)

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

12. Income Taxes (Continued)

b) The following table summarizes the components of deferred tax:

Deferred income tax assets	2024	2023
Lease liability	\$ 41,103	\$ 50,579
Convertible debentures	517,004	-
Spaceport under construction and equipment	-	-
Share issuance costs	-	44,996
Non-capital losses	-	341,608
	\$ 558,107	\$ 437,183
Deferred income tax liabilities		
Spaceport under construction and equipment	(522,083)	(245,192)
Right-of-use asset	(36,024)	(52,237)
Convertible debentures	-	(139,754)
Deferred tax liabilities	(558,107)	(437,183)
Net deferred income tax asset	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible approximate temporary differences:

	2024	2023
Spaceport under construction and equipment	\$ 1,194,801	\$ -
Share issue costs	757,419	822,000
Non-capital losses carried forward – Canada	15,647,000	11,359,000
Non-capital losses carried forward – USA	1,319,386	910,000
	18,918,606	13,091,000

The Company's Canadian non-capital income tax losses expire as noted in the table below. The Company's U.S. non-capital income tax losses can be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the unused tax losses can be utilized.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

12. Income Taxes (Continued)

The Company's unrecognized Canadian losses, the benefit of which has not been recognized on the consolidated financial statements, expire as follows:

2037	\$	197,000
2038		1,639,000
2039		1,381,000
2040		210,000
2041		2,400,000
2042		3,434,000
2043		3,433,000
2044		2,953,000
	\$	15,647,000

13. Related Party Transactions

(a) The Company has entered into the following transactions with related parties:

	2024	2023
Operating expenses		
Management compensation attributable to the Chief Executive Officer and Chief Financial Officer	\$ 509,321	\$ 455,008
Director's fees	\$ 192,000	\$ 195,000
Non-cash stock-based compensation attributable to the Chief Executive Officer and Chief Financial Officer	\$ 204,723	\$ 210,410

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

(b) At the end of the period, the balances with related parties are as follows:

	December 31, 2024	December 31, 2023
Due to related parties		
Management	\$ 175,155	\$ 14,318
Directors	\$ 175,780	\$ 66,750

These balances are payable and are unsecured and non-interest bearing. Balances due to management relate to expense reimbursements payable, deferred wages, and due to Directors relate to unpaid director's fees.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

14. Capital Management Transactions

The Company has defined its capital as the aggregate of its convertible debentures and shareholder's (deficit) equity. The Company's objectives when managing capital are to:

- (a) safeguard the Company's ability to continue as a going concern;
- (b) maintain appropriate cash reserves on hand to support continued operations and shareholder returns, generate benefits for its other stakeholders, and maintain the most optimal capital structure possible with a view to keeping capital costs to a minimum; and
- (c) invest cash on hand in highly liquid, highly rated financial instruments.

The Company's objectives and strategy described above have not changed since last year. These objectives and strategy are reviewed on a continuous basis.

Annual budgets are developed and monitored to ensure the Company's capital is maintained at an appropriate level. The Company monitors and assesses its financial performance in order to ensure that its net debt levels are prudent taking into account the anticipated direction of the business cycle. The Company's capital is not subject to any externally imposed capital requirements.

15. Commitments

The Company has entered into a contract (the "Contract") with a supplier for the design, development, and documentation of certain technical elements of its Spaceport, pursuant to which it is committed to incur total capital expenditures of EURO €6,900,000. As of December 31, 2024, and pursuant to the Contract, the Company has made total payments of EURO €2,500,000 (December 31, 2023 - EURO €2,500,000).

On November 6, 2024, the Company, and the Supplier have reached a revised agreement regarding the timing and completion of the remaining contract services and deliverables. The remaining value of the services to be provided are EURO €4,400,000. Payments of EURO €10,000 per month will commence in January 2025 and continue through January 2026 with the remaining balance of EURO €4,270,000 payable in equal installment from February through May 2026.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

16. Financial Instruments and Risk Management

Fair Value Measurements

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal, and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions, and maturities. Inputs used in determining fair value measurements are categorized into three different levels based on how observable the inputs used in the valuation technique utilized are (the "fair value hierarchy"):

Level 1: Quote prices in active markets for identified items;
Level 2: Observable direct and indirect inputs other than Level 1 inputs;
and Level 3: Unobservable inputs (i.e. not derived from market data).

The 2023 and 2021 post Amendment 3 convertible debentures, represent a Level 3 fair value measurement. The derivative liability portion of the 2021 convertible debenture prior to Amendment 3 also represented a Level 3 fair value measurement. Refer to Note 8 for the details on the models used for the fair value measurement and the relevant unobservable inputs.

The fair value of the 2023 and the 2021 convertible debentures at December 31, 2024, determined using the Convertible Debt valuation based on a partial differential equation model, would have decreased by \$314,000 and increased by \$185,000 from the fair value recorded had the volatility rate decreased or increased by 5% respectively.

The value of the balance owing to ACOA is interest free, therefore has been discounted using a market interest rate.

The fair value of all other financial instruments approximates their carrying amounts due to the relatively short period to maturity.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

16. Financial Instruments and Risk Management (Continued)

Risk Management

The Company is exposed through its operations to the following financial risks:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk
 - i. Foreign exchange risk
 - ii. Interest rate risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and short-term investments.

The Company mitigates its risk by maintaining its funds with large reputable financial institutions, from which management believes the risk of loss to be minimal. The Company's management considers that all the above financial assets are of good credit quality.

(b) Liquidity Risk

Liquidity risk is the risk that the Company encounters difficulty in meeting its obligations associated with financial liabilities (Note 2). Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, convertible debentures, lease liabilities and commitments. The Company limits its exposure to this risk by closely monitoring its cash flow.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

16. Financial Instruments and Risk Management (Continued)

The following table presents the contractual maturities of the liabilities as of:

December 31, 2024

	2025	2026	2027	2028	Thereafter
Accounts payable and accrued liabilities	\$ 4,483,807	\$ -	\$ -	\$ -	\$ -
Due to ACOA	-	8,620	7,957	7,957	15,250
Convertible debentures	10,078,292	-	-	-	-
Lease liabilities	53,131	44,174	23,500	13,500	459,000
	<u>\$ 14,615,230</u>	<u>\$ 52,794</u>	<u>\$ 31,457</u>	<u>\$ 21,457</u>	<u>\$ 474,250</u>

December 31, 2023

	2024	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities	\$ 3,506,291	\$ -	\$ -	\$ -	\$ -
Convertible debentures	9,300,090	-	-	-	-
Lease liabilities	59,299	53,131	44,173	13,500	428,501
	<u>\$ 12,865,680</u>	<u>\$ 53,131</u>	<u>\$ 44,173</u>	<u>\$ 13,500</u>	<u>\$ 428,501</u>

17. Subsequent Events

Private Placement

The Company announced on March 5, 2025, it had completed a private placement for common shares of the Company at gross transaction value of \$1,808,450 at a price of \$0.05 per share (36,169,000 shares issued from Treasury).

Cash consideration of \$1,268,425 was received and 25,368,500 shares were issued. The shareholder loans, as of January 31, 2025 in the amount of \$331,525 were converted for the issuance of 6,630,500 shares (note 7) and 4,170,000 shares were issued to employees and board members for outstanding salaries and fees for services rendered during the year in the amount of \$208,500.

The Company incurred finder's fees associated with the transaction of \$127,996 which were settled by the issuance of 2,559,920 common shares (\$0.05 per share) and issued a further 2,559,920 broker warrants at a strike price of \$0.05 per warrant, expiring in two years from the date of issue.

Total securities issued in conjunction with the private placement, including finder's fees, were 38,728,920 common shares plus 2,559,920 warrants.

Maritime Launch Services Inc. Notes to Consolidated Financial Statements

December 31, 2024

17. Subsequent Events (Continued)

Debenture Extension

On November 13, 2024 the Company announced it had reached an agreement in principal with the owners of its outstanding Convertible Debentures to extend the maturity date. On February 26, 2025, the Company and the holders of its convertible debentures reached an agreement, consistent with the terms previously announced to extend the maturity date of all issued debentures from December 7, 2024 to December 7, 2026. The transaction closed on March 5, 2025.

As a condition of the extension, the Company redeemed \$500,000 in principal value from a debenture holder and issued 4,830,105 common shares from Treasury to the remaining debenture holders as an extension fee. The Company will be required to redeem an additional \$500,000 in debentures should it complete any future financing with proceeds in excess of \$3,000,000.

All terms of the debentures, with the exception of the conversion price, including cash interest rate of 10% and PIK interest at 5% remain unchanged. The share conversion price has been adjusted to \$0.05 as a result of the anti-dilution down round protection.

Cash interest will compound annually and be paid in full upon maturity, however the PIK interest will be paid semi-annually through the issuance of common shares from Treasury.

On February 25, 2025, The Company also issued 2,706,978 common shares as payment for \$324,837 of PIK interest owing at December 7, 2024. The number of common shares was determined based on value of \$0.12 per share, in accordance with the terms of the debenture agreements in place at that time.

Total common shares issued in payment of outstanding PIK interest and the extension fee are a combined total of 7,537,083.