Maritime Launch Services Inc.

Condensed Interim Consolidated Financial Statements

For the Six-Month Period Ended
June 30, 2024
(Unaudited)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards established by the International Accounting Standards Board for a review of interim financial statements by an entity's auditor.

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For the Six-Month Period Ended June 30, 2024
(Unaudited)

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Condensed Interim Consolidated Financial Statements

Maritime Launch Services Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

	Notes	June 30, 2024	December 31, 2023
Assets			
Current assets			
Cash		**$ 162,327**	$ 1,367,267
Short-term investment		**30,000**	30,000
Sales tax receivable		**45,970**	85,455
Prepaid expenses and deposits		**100,952**	122,090
Total current assets		**339,249**	1,604,812
Land, spaceport under construction, and equipment	5	**13,362,797**	12,627,210
Right-of-use assets	6	**164,577**	180,127
Total assets		**$ 13,866,623**	$ 14,412,149
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 3,983,893**	$ 3,506,391
Current portion of lease liabilities	6	**35,161**	32,674
Convertible debentures	7	**9,559,532**	9,299,990
Total current liabilities		**13,578,586**	12,839,055
Non-current liabilities			
Lease liabilities	6	**130,258**	141,736
Total liabilities		**13,708,844**	12,980,791
Shareholders' equity			
Share capital	8	**15,094,593**	14,443,564
Warrants reserve	9	**799,254**	814,982
Contributed surplus		**5,588,660**	5,303,860
Deficit		**(21,324,728)**	(19,131,048)
Total shareholders' equity		**157,779**	1,431,358
Total liabilities and shareholders' equity		**$ 13,866,623**	$ 14,412,149

Going Concern Uncertainty (Note 2)
Commitments (Note 11)
Subsequent Events (Note 12)

Approved on behalf of the Board:

(signed) Stephen Matier **Director** *(signed) Sasha Jacob* **Director**

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

Maritime Launch Services Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

	Notes	Three-month period ended June 30, 2024	Three-month period ended June 30, 2023	Six-month period ended June 30, 2024	Six-month period ended June 30, 2023
Operating expenses					
Administration		**$ 78,372**	$ 191,732	**$ 196,390**	$ 279,052
Professional services		**320,870**	533,750	**831,950**	1,016,324
Stock based compensation	8	**135,600**	219,866	**284,800**	350,866
Amortization	5,6	**8,923**	9,547	**17,960**	19,092
Wages and salaries		**306,724**	332,334	**659,460**	756,638
Listing expenses	1	**-**	-	**-**	-
Fair value adjustment on derivatives	7(a)	**(518,654)**	-	**(116,310)**	-
Loss from operations		**(331,835)**	(1,287,139)	**(1,874,250)**	(2,421,972)
Other income (expense)					
Loss on extinguishment of convertible debentures	7(a)	**-**	-	**-**	-
Loss on settlement of debt	8	**-**	(106,563)	**-**	(106,563)
Interest and accretion expense	6,7(a)	**(162,972)**	17,202	**(215,400)**	17,963
Foreign exchange gain (loss)		**(104,219)**	(14,236)	**(104,030)**	(14,979)
		(267,190)	(103,597)	**(319,430)**	(103,579)
Loss and comprehensive loss for the period		**$ (599,025)**	$ (1,390,736)	**$ (2,193,680)**	$ (2,525,551)
Loss per share					
Weighted average shares outstanding		**415,995,852**	407,769,143	**414,520,653**	405,626,768
Basic and diluted loss per share		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.01)

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

Maritime Launch Services Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders’ Equity
(Unaudited)

	Notes	Common Shares		Share Capital		Warrant Reserve		Contributed Surplus		Deficit		Total shareholders' 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		-		-		-		-		(2,525,551)		(2,525,551)
Shares issued to settle debt		2,875,000		566,563								566,563
Shares issued on conversion of interest payable on Convertible Debentures		4,149,151		612,000								612,000
Stock based compensation	8	-		-		-		350,866		-		350,866
Equity on convertible debt amendment								1,280,000				1,280,000
Balance, as at June 30, 2023		410,484,741	$	14,443,564	$	686,982	$	5,360,626	$	(17,255,835)	$	3,235,337
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		-		-		-		-		(2,193,680)		(2,193,680)
Shares issued for services	8	3,500,000		367,500		-		-		-		367,500
Shares issued on conversion of 2023 convertible debentures		2,000,000		240,000								240,000
Exercise of warrants		500,000		43,529		(15,728)		-		-		27,800
Stock based compensation	8	-		-		-		284,800		-		284,800
Balance, as at June 30, 2024		416,484,741	$	15,094,593	$	799,254	$	5,588,660	$	(21,324,728)	$	157,779

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

Maritime Launch Services Inc.
Consolidated Statements of Cash Flows

For the six-month period ended June 30		2024		2023
Cash flows used in operating activities				
Loss and comprehensive loss for the year	**$**	**(2,193,680)**	$	(1,134,815)
Adjustments for:				
Amortization		**17,960**		9,635
Interest and accretion expense		**233,781**		27,764
Shares issued for services		**367,500**		-
Unrealized foreign exchange gain/loss				-
Stock-based compensation		**284,800**		131,000
Derivative liability - fair value adjustment		**(116,306)**		-
		(1,405,945)		(966,416)
Changes in non-cash working capital balances				
Sales tax receivable		**39,485**		(58,860)
Prepaid expenses and deposits		**21,138**		(26,473)
Accounts payable and accrued liabilities		**252,156**		627,545
		312,779		542,392
		(1,093,167)		(424,024)
Cash flows provided by (used in) investing activities				
Purchase of equipment		**-**		(1,070)
Costs paid for spaceport under construction		**(16,684)**		(51,907)
Interest paid that was capitalized to spaceport under construction		**-**		-
		(16,684)		(52,977)
Cash flows provided by (used in) financing activities				
Payments on lease liabilities		**(22,889)**		(10,753)
Proceeds from warrants exercised		**27,800**		
Redemption of 2023 convertible debentures		**(100,000)**		-
		(95,089)		(10,753)
Decrease in cash during the period		**(1,204,940)**		(487,754)
Cash, beginning of period		**1,367,267**		2,871,382
Cash, end of period	**$**	**162,327**	$	2,383,628

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

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.

2. Going Concern

The condensed interim 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 June 30, 2024, the Company had no source of operating cash flow. Operations have been funded from the issuance of share capital and 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 $2,193,680 for the six-month period ended June 30, 2024 (2023 - total comprehensive loss of $2,525,551 for the six-month period ended June 30, 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 condensed interim 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.

3. Basis of Consolidation and Preparation

Basis of Consolidation

The unaudited condensed interim 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). They do not include all disclosures that would otherwise be required in a complete set of financial statements in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations (collectively “IFRS”) and should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended December 31, 2023.

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

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 14, 2024.

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 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 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 7(b).

Shares Issued in Exchange for Services

The Company has issued common shares in exchange for services received. In accordance with IFRS 2, in most instances such shares must be valued as the fair value of the services received. Significant judgment is required to determine the fair value of the services, which can include a comparison to similar services received which were settled in cash.

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.

4. Critical Accounting Estimates and Judgements (Continued)

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

Issuance of 2023 Convertible Debentures

Judgment was required to determine whether the 2023 convertible debentures 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 7(b).

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.

4. Critical Accounting Estimates and Judgements (Continued)

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.

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	737,996	13,267,929
	$ 12,646,240	$ 737,996	$ 13,384,236

Amortization

	Accumulated Amortization	Amortization	Total
Land	$ -	$ -	$ -
Computer Equipment	(11,637)	(1,239)	(12,875)
Furniture and Equipment	(7,393)	(1,168)	(8,561)
Spaceport under Construction	-	-	-
	$ (19,034)	$ (2,407)	$ (21,441)

Net Book Value

	June 30, 2024	December 31, 2023
Land	**$ 80,012**	$ 80,012
Computer Equipment	**4,046**	5,285
Furniture and Equipment	**10,810**	11,980
Spaceport under Construction	**13,267,929**	12,529,933
	$ 13,362,795	$ 12,627,210

During the six-month period ended June 30, 2024, the Company capitalized borrowing costs of $715,847 (June 30, 2023 - $566,889).

6. Right-of-Use Assets and Lease Liabilities

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

	June 30, 2024	December 31, 2023
Balance, January 1	**$ 180,217**	$ 211,223
Depreciation	**(15,550)**	(31,906)
Balance	**$ 164,577**	$ 180,217

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:

	June 30, 2024	December 31, 2023
Balance, January 1	**$ 174,410**	$ 206,789
Payments	**(22,890)**	(56,743)
Interest incurred	**13,900**	24,364
Balance	**$ 165,420**	$ 174,410
Current	**35,161**	32,674
Non-current	**130,259**	141,736
Total	**$ 165,420**	$ 174,410

(c) The following table presents the contractual undiscounted cash flows for lease liabilities as at June 30, 2024, and December 31, 2023:

	Total Undiscounted Lease Payments	
	2024	2023
Less than one year	**$ 36,400**	$ 59,299
Beyond one year	**$ 593,305**	$ 593,305
Total undiscounted lease payments	**$ 629,705**	$ 652,604

Total cash outflow related to lease payments for the three-month period ended June 30, 2024, was $22,890 (six month ended June 30, 2023 - $21,506).

7. 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 amended on March 29, 2022 ("Amendment 1") and on May 5, 2023 ("Amendment 2"). 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 is now calculated, compounded, and paid in cash semi-annually on June 30 and December 31, with the first payment due December 31, 2023. The holders may elect to receive all or part of the accrued interest in common shares of the Company at a price of $0.1475 per common share.

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 8).

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. 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.

7. Convertible Debentures (Continued)

The following table outlines the continuity of the convertible debentures and residual component:

	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 8)	(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%	103,562	-
Accretion of convertible debentures	167,045	-
Balance at June 30, 2023	**$ 6,490,607**	**$ 3,426,000**
Accrued interest at 9%	341,106	-
Interest paid	(444,668)	-
Accretion of convertible debentures	631,045	-
Balance at December 31, 2023	**$ 7,018,090**	**$ 3,426,000**
Accretion of convertible debentures	479,135	**-**
Accrued interest at 9%	236,713	
Balance on May 7, 2024, prior to redemption	**$ 7,733,938**	**$ 3,426,000**
	(100,000)	
Redemption of convertible debentures	**$ 7,633,9388**	**$ 3,426,000**
Balance at June 30, 2024		

On May 7, 2024 the Company redeemed convertible debentures with a principal amount of $100,000. The interest related to these redeemed convertible debentures remains outstanding. The principal balance of $7,400,000 and unpaid and accrued interest was due on May 7, 2024; however the Company has concluded an extension agreement with the debenture holders effective August 14, 2024 (Note 12 – Subsequent Events). The Company has accrued interest on the convertible debentures at a rate of 10% from May 7 to June 30, 2024 for $109,479 (2023 – nil), which is recorded in accrued liabilities.

7. 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.

There was a decrease in the net fair value of the 2023 convertible debentures from December 31, 2023, to June 30, 2024, of $116,306 which was recognized in change in fair value of the hybrid contract (2023 – n/a). The Company accrued interest of $110,401 which is payable upon maturity of the debentures.

On May 30, 2024, one of the holders of convertible debentures converted their debenture to common shares (Note 8).

8. 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		240,000
Shares issued on exercise of warrants	500,000		27,800
Balance as at June 30, 2024	**416,484,741**	**$**	**15,078,864**

As described in Note 7(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.

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 into 2,000,000 common shares, in accordance with the terms of the convertible debenture.

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 9).

8. Share Capital (Continued)

(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 six-month period ended June 30, 2024, was $0.076 (six-month period ended June 30, 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.

The following assumptions were used to determine the fair value of the options granted in the six-month periods ended June 30, 2024, and 2023:

	June 30, 2024	June 30, 2023
Weighted average grant date share price	**$0.110**	$0.160
Exercise price	**$0.124**	$0.167
Expected price volatility	**90%**	90%
Expected option life	**5 years**	5 years
Expected dividend yield	**0%**	0%
Risk-free interest rate	**3.69%**	1%
Forfeiture rate	**0%**	0%

The following table presents the stock option activity for the six months ended June 30, 2024, and 2023:

	June 30, 2024		June 30, 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	**-**	**-**	(1,125,000)	0.167
Outstanding, end of period	**30,600,000**	**0.164**	28,350,000	0.167
Exercisable, end of period	**12,600,000**	**0.167**	8,662,500	0.167

Certain options granted during the six-month periods ended June 30, 2024, and 2023 are subject to certain performance and service based vesting conditions. The weighted average remaining contractual life as at June 30, 2024, is 2.94 years (June 30, 2023 – 3.74 years). At June 30, 2024, 11,048,474 stock options remain available for future grants pursuant to the Company's stock option plan.

9. Warrants

Warrant activity for period ended June 30, 2024, and 2023 was as follows:

	June 30, 2024		June 30, 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
Exercised	(500,000)	$0.056		
Outstanding, end of period	**29,489,095**	**0.106**	23,649,930	0.095
Exercisable, end of period	**29,489,095**	**0.106**	23,649,930	0.095

10. Related Party Transactions

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

		Six-month period ended June 30, 2024		Six-month period ended June 30, 2023
Operating expenses				
Management compensation attributable to the Chief Executive Officer and Chief Financial Officer	**$**	**228,060**	$	227,925
Director's fees	**$**	**96,000**	$	97,500
Non-cash stock-based compensation attributable to the Chief Executive Officer and Chief Financial Officer	**$**	**132,929**	$	115,651

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:

		June 30, 2024		December 31, 2023
Due to related parties				
Management	**$**	**2,522**	$	14,318
Directors	**$**	**79,780**	$	66,750

These balances are payable on demand and are unsecured and non-interest bearing. Balances due to management relate to expense reimbursements payable (paid subsequent to period end) and due to Directors relate to director's fees.

11. 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, 2023, and pursuant to the Contract, the Company has made total payments of EURO €2,500,000 (December 31, 2022 - EURO €2,500,000), and is required to make the remaining payments as follows:

	EURO €
January 2024	440,000
April 2024	3,960.000

As for the date of these financial statements, neither of the above payments have been made and the Company continues to renegotiate with the vendor to further defer payments.

12. Subsequent Events

a) As of June 30, 2024, the 2021 issued convertible debentures, originally due May 7, 2024, are still outstanding. The Company announced on August 12, 2024, the conclusion of an extension agreement with the debenture holders setting the new maturity date as December 7, 2024. As part of the extension, the 2021 issued debentures will have essentially the same terms and conditions as the 2023 convertible debentures (see Note 7(b)) except that interest accrues monthly and is due and payable (cash and PIK) at maturity. Upon closing of the extension, certain debenture holders were issued 2,250,000 shares from treasury as an extension fee.

b) The previous CFO Keith Abriel departed the company as of January 31st, and held 2,250,000 in stock options, which expired on August 4, 2024, and were not exercised.

c) On July 17, 2024, certain warrant holders exercised warrants for gross proceeds of $50,040 for 900,000 common shares at a price of $0.0556 per share as per the warrant certificate.