

Financial Statements
(Expressed in Canadian dollars)

MAXAM ARBITRAGE FUND

For the period ended June 30, 2025

(Unaudited)

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Maxam Capital Management Ltd. in its capacity as the Trustee of the Trust. The Trust's Trustee is responsible for the information and representations contained in these financial statements.

The Trustee maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with IFRS Accounting Standards and include certain amounts that are based on estimates and judgements made by the Trustee. The material accounting policy information which the Trustee believes are appropriate for the Trust are described in note 3 to the financial statements.

On behalf of the Trustee:

"Travis Dowle"

Date August 28, 2025

NOTICE TO UNITHOLDERS

The Auditors of the Trust have not reviewed these financial statements.

Maxam Capital Management Ltd., the Trustee of the Trust, appoints an independent auditor to audit the Trust's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Trust's interim financial statements, this must be disclosed in an accompanying notice.

MAXAM ARBITRAGE FUND

Statements of Financial Position (Expressed in Canadian dollars) As at June 30, 2025 (Unaudited)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets		
Dividends receivable	\$ 13,172	\$ 5,960
Subscriptions receivable	232,822	203,680
Investments (note 8)	37,233,307	28,756,453
Receivable for investments sold	43,098	3,947
Prepaid expenses	2,072	427
	<u>37,524,471</u>	<u>28,970,467</u>
LIABILITIES		
Current liabilities		
Bank indebtedness (note 3)	16,157,280	10,012,198
Management fees payable (note 4)	15,534	13,483
Performance fees payable (note 4)	91,454	42,583
Payable for investments purchased	83,034	364,724
Accrued liabilities and other accounts payable	7,449	5,056
Interest and borrow fees payable	93,477	71,578
Investments sold short (note 8)	190,035	823,076
Dividends payable	—	5,636
Redemptions payable	6,107	26,546
	<u>16,644,370</u>	<u>11,364,880</u>
Net assets attributable to holders of redeemable units	<u>\$ 20,880,101</u>	<u>\$ 17,605,587</u>
Net assets attributable to holders of redeemable units by class		
Class A	\$ 1,229,269	\$ 1,128,872
Class AF	172,653	168,367
Class F	16,574,263	13,548,594
Class FF	1,510,332	1,463,998
Class I	1,393,584	1,295,756
	<u>\$ 20,880,101</u>	<u>\$ 17,605,587</u>
Number of redeemable units outstanding (note 5)		
Class A	102,100	97,300
Class AF	13,974	14,170
Class F	1,303,875	1,110,919
Class FF	117,258	118,706
Class I	101,363	99,459

MAXAM ARBITRAGE FUND

Statements of Financial Position (continued) (Expressed in Canadian dollars) As at June 30, 2025 (Unaudited)

	June 30, 2025	December 31, 2024
Net assets attributable to holders of redeemable units per unit		
Class A	\$ 12.04	\$ 11.60
Class AF	12.36	11.88
Class F	12.71	12.20
Class FF	12.88	12.33
Class I	13.75	13.03

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

Approved on behalf of Maxam Capital Management Ltd.:

"Travis Dowle" Director

"Sean Morrison" Director

MAXAM ARBITRAGE FUND

Statements of Comprehensive Income

(Expressed in Canadian dollars)

For the period ended June 30, 2025 (Unaudited)

	2025	2024
Income		
Dividends	\$ 34,399	\$ 11,051
Foreign exchange gain (loss)	1,662,965	(1,025,706)
Net realized gain on sale of investments	1,066,924	1,121,418
Net change in fair value of investments	(1,208,080)	849,811
Early redemption fees	127	1,941
	<u>1,556,335</u>	<u>958,515</u>
Expenses		
Interest and borrow fees	505,121	458,464
Performance fees (note 4)	135,717	49,067
Management fees (note 4)	84,995	73,698
Professional and administration fees	65,985	68,766
Audit fees	15,031	13,956
Commissions and other portfolio transaction costs	6,928	53,708
Legal fees	2,241	709
Withholding tax	1,739	147
Independent review committee fees	1,421	1,956
Dividend expense	1,051	4,196
Custodian fees	196	353
	<u>820,425</u>	<u>725,020</u>
Expenses waived by Manager (note 4)	<u>(56,433)</u>	<u>(59,870)</u>
	<u>763,992</u>	<u>665,150</u>
Increase in net assets attributable to holders of redeemable units from operations	<u>\$ 792,343</u>	<u>\$ 293,365</u>
Increase in net assets attributable to holders of redeemable units from operations		
Class A	\$ 45,507	\$ 8,399
Class AF	6,625	2,814
Class F	602,888	220,726
Class FF	64,506	28,967
Class I	72,817	32,459
	<u>\$ 792,343</u>	<u>\$ 293,365</u>
Increase in net assets attributable to holders of redeemable units per unit (note 6)		
Class A	\$ 0.45	\$ 0.14
Class AF	0.47	0.16
Class F	0.51	0.20
Class FF	0.55	0.22
Class I	0.72	0.31

MAXAM ARBITRAGE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (Expressed in Canadian dollars) For the period ended June 30, 2025 (Unaudited)

	Balance, beginning of period	Issue of redeemable units	Non taxable switch ins	Redemption of redeemable units	Non taxable switch outs	Increase in net assets from operations	Balance, end of period
June 30, 2025							
Class A	\$ 1,128,872	\$ 164,362	\$ –	(109,472)	–	\$ 45,507	\$ 1,229,269
Class AF	168,367	–	–	(2,339)	–	6,625	172,653
Class F	13,548,594	4,896,139	–	(2,473,358)	–	602,888	16,574,263
Class FF	1,463,998	–	–	(18,172)	–	64,506	1,510,332
Class I	1,295,756	25,011	–	–	–	72,817	1,393,584
	<u>\$ 17,605,587</u>	<u>\$ 5,085,512</u>	<u>\$ –</u>	<u>\$ (2,603,341)</u>	<u>\$ –</u>	<u>\$ 792,343</u>	<u>\$ 20,880,101</u>

	Balance, beginning of period	Issue of redeemable units	Non taxable switch ins	Redemption of redeemable units	Non taxable switch outs	Increase in net assets from operations	Balance, end of period
June 30, 2024							
Class A	\$ 643,785	\$ 349,259	\$ 9,808	(21,877)	–	\$ 8,399	\$ 989,374
Class AF	265,976	–	–	(99,753)	–	2,814	169,037
Class F	12,401,052	2,924,589	–	(4,538,264)	(9,808)	220,726	10,998,295
Class FF	1,547,148	–	–	(15,991)	–	28,967	1,560,124
Class I	1,310,327	–	–	(93,170)	–	32,459	1,249,616
	<u>\$ 16,168,288</u>	<u>\$ 3,273,848</u>	<u>\$ 9,808</u>	<u>\$ (4,769,055)</u>	<u>\$ (9,808)</u>	<u>\$ 293,365</u>	<u>\$ 14,966,446</u>

MAXAM ARBITRAGE FUND

Statements of Cash Flows

(Expressed in Canadian dollars)

For the period ended June 30, 2025 (Unaudited)

	2025	2024
Cash provided by (used in):		
Operating Activities		
Increase in net assets attributable to holders of redeemable units from operations	\$ 792,343	\$ 293,365
Adjustments for non-cash items		
Foreign exchange (gain) loss	(1,662,965)	1,025,706
Net realized gain on sale of investments	(1,066,924)	(1,121,418)
Net change in fair value of investments	1,208,080	(849,811)
Change in non-cash balances		
Change in dividends receivable	(7,212)	50
Change in receivable for investments sold	(39,151)	(4)
Change in prepaid expenses	(1,645)	2,038
Change in management fees payable	2,051	(163)
Change in performance fees payable	48,871	(8,071)
Change in payable for investments purchased	(281,690)	(616,469)
Change in accrued liabilities and other accounts payable	2,393	(2,192)
Change in interest and borrow fees payable	21,899	(2,238)
Change in dividends payable	(5,636)	1,002
Proceeds from sale of investments	25,929,607	39,336,914
Purchase of investments	(35,180,658)	(34,657,653)
Cash (used in) provided by operating activities	(10,240,637)	3,401,056
Financing Activities		
Proceeds from issue of redeemable units	5,056,370	3,170,267
Payment of redemption of redeemable units	(2,623,780)	(4,699,999)
Cash provided by (used in) financing activities	2,432,590	(1,529,732)
(Increase) decrease in bank indebtedness during the period	(7,808,047)	1,871,324
Foreign exchange gain (loss) on cash	1,662,965	(1,025,706)
Bank indebtedness, beginning of period	(10,012,198)	(11,349,679)
Bank indebtedness, end of period	\$ (16,157,280)	\$ (10,504,061)
Supplemental information*		
Interest paid	\$ 480,324	\$ 459,709
Dividends paid	6,688	3,194
Dividends received, net of withholding taxes	25,687	10,954

*Included as a part of cash flows from operating activities

MAXAM ARBITRAGE FUND
Schedule of Investment Portfolio
(Expressed in Canadian dollars)
As at June 30, 2025 (Unaudited)

Description	Currency	Number of shares	Average cost	Fair value
Investments owned (178.31%)				
Equities (178.31%)				
Basic Materials (3.04%)				
Angus Gold Inc.	CAD	561,600 \$	429,800 \$	446,472
Reyna Silver Corp.	CAD	412,650	51,762	51,581
Sierra Metals Inc.	CAD	119,340	135,662	136,048
Total Basic Materials			617,224	634,101
Communications (4.28%)				
Frontier Communications Parent Inc.	USD	765	38,267	37,929
Juniper Networks Inc.	USD	900	44,565	48,950
SatixFy Communications Ltd.	USD	201,897	691,125	805,761
Total Communications			773,957	892,640
Consumer, Cyclical (7.68%)				
Skechers U.S.A. Inc.	USD	4,523	386,056	388,745
The Keg Royalties Income Fund	CAD	65,160	1,181,998	1,215,234
Total Consumer, Cyclical			1,568,054	1,603,979
Consumer, Non-cyclical (4.73%)				
Amedisys Inc.	USD	180	23,529	24,123
Dun & Bradstreet Holdings Inc.	USD	40,238	510,365	498,206
Enzo Biochem Inc.	USD	67,500	62,699	62,337
Inozyme Pharma Inc.	USD	2,250	12,446	12,259
Kellanova	USD	2,835	323,037	307,109
Theratechnologies Inc.	USD	20,700	68,866	66,541
Third Harmonic Bio Inc.	USD	2,250	15,970	16,641
Total Consumer, Non-cyclical			1,016,912	987,216
Diversified (141.18%)				
A SPAC III Acquisition Corp.	USD	40,054	567,630	558,123
AA Mission Acquisition Corp.	USD	40,258	568,651	571,385
Agriculture & Natural Solutions Acquisition Corp.	USD	44,387	656,048	655,986
Ai Transportation Acquisition Corp.	USD	28,789	408,765	431,348
Aimei Health Technology Co., Ltd.	USD	19,258	273,891	292,479
AlphaVest Acquisition Corp.	USD	30,482	451,604	491,176
Andretti Acquisition Corp II	USD	24,708	350,490	349,336
Armada Acquisition Corp II	USD	5,400	74,317	75,098
Artius II Acquisition Inc.	USD	13,704	188,926	188,902

MAXAM ARBITRAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in Canadian dollars)

As at June 30, 2025 (Unaudited)

Description	Currency	Number of shares	Average cost	Fair value
BEST SPAC I Acquisition Corp.	USD	15,970 \$	217,851 \$	218,397
Black Hawk Acquisition Corp.	USD	32,156	452,360	465,153
Bleichroeder Acquisition Corp I	USD	19,000	270,678	266,822
Blue Water Acquisition Corp III	USD	27,000	368,037	368,135
CARTESIAN GROWTH CORP II	USD	38,658	601,956	635,032
CARTESIAN GROWTH CORP III	USD	16,052	220,939	221,487
Cartica Acquisition Corp.	USD	28,547	454,600	470,495
Cayson Acquisition Corp.	USD	38,737	543,425	548,742
ChampionsGate Acquisition Corp.	USD	25,721	354,157	356,302
Charlton Aria Acquisition Corp.	USD	39,142	545,617	548,081
Columbus Acquisition Corp.	USD	11,631	161,534	160,584
Copley Acquisition Corp.	USD	19,007	260,519	260,707
Copley Acquisition Corp.	USD	19,980	276,610	275,005
Drugs Made In America Acquisition Corp.	USD	40,103	575,487	557,168
Dt Cloud Acquisition Corp.	USD	16,000	223,118	236,352
DT Cloud Star Acquisition Corp.	USD	32,456	467,101	461,535
Embrace Change Acquisition Corp.	USD	14,236	230,828	232,399
EQV Ventures Acquisition Corp.	USD	24,000	335,889	343,576
Eureka Acquisition Corp.	USD	37,875	540,304	538,595
Evergreen Corp.	USD	34,456	545,386	584,545
Flag Ship Acquisition Corp.	USD	40,631	559,816	579,170
Future Vision II Acquisition Corp.	USD	40,582	569,598	574,325
GP-Act III Acquisition Corp.	USD	8,000	115,958	114,961
Haymaker Acquisition Corp 4	USD	23,000	315,925	347,744
HORIZON SPACE ACQUISITION II Corp.	USD	40,551	577,322	565,049
IB Acquisition Corp.	USD	26,000	356,656	371,499
Integrated Wellness Acquisition Corp.	USD	36,607	587,560	611,562
IX Acquisition Corp.	USD	34,293	554,746	565,664
K&F Growth Acquisition Corp II	USD	37,019	523,442	513,312
Keen Vision Acquisition Corp.	USD	34,390	497,979	532,601
Kochav Defense Acquisition Corp.	USD	20,880	287,412	289,384
Launch One Acquisition Corp.	USD	38,685	555,946	548,796
Launch Two Acquisition Corp.	USD	29,694	418,748	421,449
Legato Merger Corp III	USD	5,080	75,264	73,900
Lionheart Holdings	USD	11,449	163,754	163,744
M3-Brigade Acquisition V Corp.	USD	450	6,893	6,920
Maywood Acquisition Corp.	USD	26,514	369,819	365,481
Melar Acquisition Corp I	USD	24,711	353,048	353,755
Mercer Park Opportunities Corp.	USD	52,330	711,206	734,171

MAXAM ARBITRAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in Canadian dollars)

As at June 30, 2025 (Unaudited)

Description	Currency	Number of shares	Average cost	Fair value
Mountain Lake Acquisition Corp.	USD	22,000 \$	312,085 \$	307,453
Nabors Energy Transition Corp II	USD	17,000	241,358	257,028
Newbury Street II Acquisition Corp.	USD	38,209	545,796	536,839
Oak Woods Acquisition Corp.	USD	15,000	207,702	242,113
Oaktree Acquisition Corp III Life Sciences	USD	32,839	467,399	467,429
Oxley Bridge Acquisition Ltd.	USD	4,032	55,188	54,975
Patria Latin American Opportunity Acquisition Corp.	USD	35,657	560,229	575,536
Pelican Acquisition Corp.	USD	27,711	381,167	383,491
Plum Acquisition Corp IV	USD	39,673	565,478	555,517
Quetta Acquisition Corp.	USD	12,119	170,672	179,269
Range Capital Acquisition Corp.	USD	37,043	524,290	514,654
RF Acquisition Corp II	USD	33,145	465,075	476,750
Ribbon Acquisition Corp.	USD	2,784	38,570	38,547
Rising Dragon Acquisition Corp.	USD	36,200	512,195	508,612
Roth CH Acquisition Co.	USD	711	—	527
Silverbox Corp IV	USD	13,000	186,338	194,072
SIM Acquisition Corp I	USD	25,154	359,791	357,085
Slam Corp.	USD	4,527	73,276	73,131
Spark I Acquisition Corp.	USD	9,694	145,838	143,926
Spring Valley Acquisition Corp II	USD	35,395	559,490	566,485
Stellar V Capital Corp.	USD	22,540	313,455	313,465
Tavia Acquisition Corp.	USD	34,921	498,572	487,550
Texas Ventures Acquisition III Corp.	USD	25,355	350,825	353,994
Translational Development Acquisition Corp.	USD	39,962	573,167	559,836
UY Scuti Acquisition Corp.	USD	13,300	191,221	185,688
UY Scuti Acquisition Corp.	USD	26,099	358,508	357,272
Valuence Merger Corp I	USD	24,672	399,794	404,277
Voyager Acquisition Corp.	USD	16,200	229,717	229,195
Willow Lane Acquisition Corp.	USD	29,131	415,171	405,920
Wintergreen Acquisition Corp.	USD	11,822	162,381	162,477
YHN Acquisition I Ltd.	USD	34,778	497,730	489,628
Total Diversified			29,150,288	29,479,173
Energy (0.53%)				
Hess Corp.	USD	450	81,993	84,917
STEP Energy Services Ltd.	CAD	810	3,920	3,483
Synex Renewable Energy Corp.	CAD	9,900	22,787	22,968
Total Energy			108,700	111,368

MAXAM ARBITRAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in Canadian dollars)

As at June 30, 2025 (Unaudited)

Description	Currency	Number of shares	Average cost	Fair value
Financial (4.01%)				
Ceres Global Ag Corp.	CAD	48,240 \$	292,357 \$	293,299
CI Financial Corp.	CAD	4,950	154,660	156,866
Enstar Group Ltd.	USD	540	255,540	247,404
InterRent Real Estate Investment Trust	CAD	7,200	98,057	97,344
Lorne Park Capital Partners Inc.	CAD	17,370	38,283	38,040
The INX Digital Co Inc.	CAD	29,025	3,028	4,934
Total Financial			841,925	837,887
Industrial (4.75%)				
Andlauer Healthcare Group Inc.	CAD	5,490	292,726	288,829
Servotronics Inc.	USD	3,311	196,800	211,695
SigmaTron International Inc.	USD	12,150	49,558	49,235
Triumph Group Inc.	USD	12,600	455,555	441,933
Total Industrial			994,639	991,692
Technology (3.57%)				
AvidXchange Holdings Inc.	USD	22,095	298,022	294,636
Streamline Health Solutions Inc.	USD	32,356	228,231	228,734
TELUS International CDA Inc.	USD	1,350	6,629	6,675
WonderFi Technologies Inc.	CAD	616,050	210,994	215,618
Total Technology			743,876	745,663
Utilities (4.54%)				
Innergex Renewable Energy Inc.	CAD	69,165	931,282	948,944
Total Utilities			931,282	948,944
Total Equities			36,746,857	37,232,663
Right (0.00%)				
Financial (0.00%)				
RTS Pershing Square SPARC Holdings Ltd 29SEP2033	USD	2,500	—	—
Total Financial			—	—
Total Right			—	—

MAXAM ARBITRAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in Canadian dollars)

As at June 30, 2025 (Unaudited)

Description	Currency	Number of shares	Average cost	Fair value
Warrant (0.00%)				
Diversified (0.00%)				
Mercer Park Opportunities Corp. \$11.50 29AUG29	USD	9,000 \$	609 \$	644
Total Diversified			609	644
Total Warrant			609	644
Total investments owned			36,747,466	37,233,307
Description	Currency	Number of shares	Proceeds on short sale	Fair value
Investments sold short (-0.91%)				
Equities (-0.91%)				
Basic Materials (-0.49%)				
Wesdome Gold Mines Ltd.	CAD	(5,391) \$	(94,034) \$	(102,267)
Total Basic Materials			(94,034)	(102,267)
Energy (-0.42%)				
Chevron Corp.	USD	(450)	(86,341)	(87,768)
Total Energy			(86,341)	(87,768)
Total Equities			(180,375)	(190,035)
Total investments sold short			(180,375)	(190,035)
Commissions and other portfolio transaction costs			(26,979)	—
Net investments owned (177.40%)			36,540,112	37,043,272
Other liabilities, net (-77.40%)				(16,163,171)
Net Assets Attributable to Holders of Redeemable Units (100%)				20,880,101

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

1. Reporting entity:

Maxam Arbitrage Fund (the "Fund") was formed on August 11, 2020 as an open-end investment trust governed under the laws of the Province of British Columbia pursuant to a master trust agreement dated August 11, 2020 (the "Trust Agreement"). The Fund commenced operations on October 1, 2020. The address of the Fund's registered office is at 330 - 609 Granville Street, Vancouver, BC, Canada, V7Y 1A1. The Fund has filed a simplified prospectus with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec, and is subject to certain standard investment restrictions and practices contained in securities legislation, including National Instrument 81-102 *Investment Funds* ("NI 81-102").

Maxam Capital Management Ltd. (the "Manager" and the "Trustee"), a company incorporated under the laws of British Columbia, is the manager and the trustee of the Fund. TD Securities Inc. ("TDSI") in its role as prime broker for the Fund, holds the Fund's securities as collateral rather than under a custodial arrangement. However, TDSI is required to segregate and hold in trust all the Fund's securities that are fully paid for or otherwise represent excess margin. SGGG Fund Services Inc. (the "Administrator") acts as the record-keeper and the administrator of the Fund.

The fundamental investment objective of the Fund is to generate consistent, positive returns, while minimizing volatility and correlation with equity markets by investing in publicly traded securities in Canada, the United States and other foreign jurisdictions. The Manager employs an active and opportunistic investment strategy with a focus on merger arbitrage and other event-driven hedged opportunities. The Fund invests primarily in small, mid and large-capitalization companies trading on North American exchanges and may also invest in compelling opportunities in other developed markets.

The Fund falls within the definition of an "alternative mutual fund" set out in NI 81-102 as it is permitted to use strategies generally prohibited by other types of mutual funds, such as: (i) the ability to invest more than 10% of its net asset value in securities of a single issuer, either directly or through the use of specified derivatives; (ii) the ability to borrow cash, up to 50% of its net asset value, to use for investment purposes; (iii) the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 50% of its net asset value in aggregate), and; (iv) the ability to use leverage with gross aggregate exposure to borrowing, short selling and specified derivatives up to 300% of its net asset value, among other things.

On August 2, 2022 the Fund was granted exemptive relief by the British Columbia Securities Commission from some of the investment restrictions required under NI 81-102. Specifically, the relief will increase the maximum allowable aggregate value of short sales to 100% of NAV (previously 50%); increase the maximum aggregate cash borrowing limit to 100% of NAV (previously 50%); and increase the limit of aggregate value of securities sold short combined with cash borrowing by the Fund to 100% (previously 50%).

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Fund have been prepared in compliance with IFRS Accounting Standards and International Accounting Standard 34, Interim Financial Reporting (together "IFRS Accounting Standards").

The financial statements were authorized for issue by the Manager on August 28, 2025.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS Accounting Standards requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

3. Material accounting policy information:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the statements of comprehensive income.

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

3. Material accounting policy information (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

Financial assets and liabilities are offset and the net amount presented in the statements of financial position only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that is a debt instrument is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not debt instruments not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Equity instruments are measured at FVTPL unless an election is made to measure at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Fund has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at FVTPL, such as derivatives liabilities and investments sold short. The Fund may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

3. Material accounting policy information (continued):

(a) Financial instruments (continued):

(ii) Fair value through profit or loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income in the period in which they occur. The Fund's derivative financial assets and derivative financial liabilities and investments in securities and investments sold short are classified as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both investments owned and investments sold short where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Fund classifies dividends receivable, subscriptions receivable, receivable for investments sold, bank indebtedness, management fees payable, performance fees payable, payable for investments purchased, accrued liabilities and other accounts payable, interest and borrow fees payable, dividends payable and redemptions payable as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

3. Material accounting policy information (continued):

(b) Redeemable units:

Under International Accounting Standard ("IAS") 32, "Financial Instruments: Presentation", the Fund classified its redeemable units as liabilities. The Fund's redeemable units do not meet the criteria in IAS 32 for classification as equity as each Fund has more than one contractual obligation to its unitholders. Investors have the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. Unitholders are also entitled to distributions when declared, and have the right to receive distributions in cash. Therefore, the ongoing redemption feature is not the only contractual obligation related to units.

(c) Translation of foreign currency:

The financial statements of the Fund are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statements of comprehensive income.

(d) Income recognition:

Dividend income is recognized on the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the weighted average cost basis of the respective investments.

(e) Income and expense allocation:

Net realized gain (loss), net changes in unrealized gain (loss) on investments, income and expenses that are common to the Fund as a whole are allocated daily to each class based on the proportionate share of the net asset value of the class. The proportionate share of each class is determined by adding the current day's net unitholder subscriptions of the class to the prior day's net asset value of the class. Any income or expense amounts that are unique to a particular class (for example, management fees) are accounted for separately in that particular class so as not to affect the net asset value of the other class.

(f) Commissions and other portfolio transaction costs:

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Such costs are expensed and are included in commissions and other portfolio transaction costs in the statements of comprehensive income.

(g) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

3. Material accounting policy information (continued):

(h) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit on a measurement date is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class before giving effect to redemptions or subscriptions on that date.

(i) Increase in net assets attributable to holders of redeemable units per unit:

Increase in net assets attributable to holders of redeemable units per unit is based on the increase in net assets attributable to holders of redeemable units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the period.

(j) Income taxes:

The Fund qualifies as a unit trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes.

(k) Derivative transactions:

The Fund may use derivative contracts to manage risks associated with the investments. The derivatives are classified as FVTPL and, as a result, the contracts are measured at fair value on the valuation date and the resulting gains and losses, both realized and unrealized, are recognized in the statements of comprehensive income.

(l) Issuance costs:

The sales commissions paid to selling agents for the sale and distribution of the Fund's Class A and Class AF units are recorded as issuance costs in the statements of changes in net assets attributable to holders of redeemable units and is deducted from the net assets attributable to holders of redeemable units.

(m) Cash and cash equivalents and bank indebtedness:

Cash comprises cash on hand and demand deposits at financial institutions. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank indebtedness is cash borrowing using a margin account at the Fund's prime broker. Cash and cash equivalents and bank indebtedness are recorded at amortized cost which approximates fair value.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

3. Material accounting policy information (continued):

(n) Future accounting policy changes:

Presentation and disclosure in financial statements (IFRS 18)

IFRS 18 will replace IAS 1 Presentation and disclosure in financial statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of income (loss) and comprehensive income (loss), namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statements of cash flows when presenting operating cash flows under the indirect method.

The Fund is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Fund's statements of comprehensive income, the statements of cash flows and the additional disclosures required for MPM. The Fund is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

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

The IASB has issued amendments to IFRS 9 and IFRS 7 in May 2024. These amendments relate to classification of financial assets and accounting for settlement by electronic payments in the context of the classification and measurement requirements in IFRS 9. The potential impact may include, but is not limited to, a change in timing of recognition and derecognition of financial instruments in certain situations in which settlement of a financial instruments with another takes more than a day. Similarly, a change may be required for entities that derecognize both trade payable and cash on the payment initiation date even if the creditor has not yet received the cash. However, an accounting policy choice is available for derecognizing certain financial liabilities that are settled using an electronic payment system subject to certain criteria being met.

The amendments will be effective from January 1, 2026. Management is currently assessing the impact of the new standard, but it is not expected to have a significant impact on the Fund's financial statements.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

4. Related party transactions:

(a) Management fees:

The Fund pays a management fee to the Manager for the management of the Fund. The management fee is calculated and accrued daily for each class of units based on 1/365 of the annual management fee multiplied by the net asset value of the class of units, plus applicable taxes. The management fee is payable on the last day of each calendar month. The fees for each class of units are as follows:

Class A	1.90%
Class F	0.90%
Class AF	1.45%
Class FF	0.45%

The management fee for Class I units is negotiated with the Manager by individual Class I unitholders and paid directly to the Manager by each unitholder, outside the Fund. Management fees are subject to applicable taxes, including GST/HST.

As at June 30, 2025, the total outstanding management fees payable to the Manager was \$15,534 (December 31, 2024 - \$13,483). The total management fees expense for the period ended June 30, 2025 was \$84,995 (2024 - \$73,698).

(b) Performance fees:

The Manager receives a performance fee plus GST/HST and any other applicable taxes for each Performance Fee Determination Period equal to 15% of the Net Profit (as defined below) of Class A, F, AF and FF units, subject to the High Water Mark (as defined below).

The "Performance Fee Determination Period" means (i) each calendar quarter for those investors that remain in the Fund at the end of each quarterly period, and (ii) the period from the beginning of a calendar quarter until the redemption date for those investors that redeem prior to the end of a calendar quarter.

"Net Profit" means, in respect of each class of units of the Fund for any Performance Fee Determination Period, the amount calculated by deducting the relevant class net asset value per unit on the first business day of that Performance Fee Determination Period for the applicable class from the class net asset value per unit on the last business day of that Performance Fee Determination Period for that class and multiplying the resulting amount by the total number of units of such class outstanding at the close of business on the last business day in that Performance Fee Determination Period.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

4. Related party transactions (continued) :

(b) Performance fees (continued):

No performance fee shall be paid in respect of a class unless the class net asset value per unit for that class exceeds the highest class net asset value per unit in respect of which a performance fee has been previously paid for that class (the “High Water Mark”) and, in such circumstances, a performance fee shall be paid on that portion of the Net Profit that exceeds the High Water Mark.

Class I unitholders may negotiate a performance fee to be paid by the unitholder to the Manager directly that is different than the one described above or may pay no performance fee at all, as determined by the Manager in its discretion.

As at June 30, 2025, the total outstanding performance fees payable to the Manager was \$91,454 (December 31, 2024 - \$42,583). The total performance fees expense for the period ended June 30, 2025 was \$135,717 (2024 - \$49,067).

(c) Unit holdings:

The Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. All transactions with the Manager, its officers and Directors are measured at the exchange amounts. At June 30, 2025, 1,767 (December 31, 2024 – 1,767) Class A units, 6,886 (December 31, 2024 - 6,886) Class AF units, 15,589 (December 31, 2024 – 13,722) Class F units, 5,579 (December 31, 2024 – 5,579) Class FF units and 101,363 (December 31, 2024 – 99,459) Class I units of the Fund were owned by the Manager, or its officers and directors.

(d) Fees reimbursements:

The Fund reimburses the Manager for administration fees paid by the Manager on behalf of the Fund. The Manager, at its discretion, may reduce or waive administration fees and reimburse the Fund for any expenses. For the period ended June 30, 2025, the Manager absorbed \$56,433 of the Fund’s expenses (2024 - \$59,870).

5. Redeemable units of the Fund:

The Fund is authorized to issue an unlimited number of redeemable units in an unlimited number of classes. The Fund currently has five classes of units: Class A, Class F, Class AF, Class FF, and Class I. Class AF and Class FF are Founders classes. Class A and Class AF units are available to all investors. Class F and Class FF units have lower fees than Class A and Class AF units and are usually only available to investors who have fee-based accounts with dealers who have signed an agreement with the Manager. Class I units are only available to private or institutional investors who have entered into an agreement with the Manager and meet certain other conditions.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

5. Redeemable units of the Fund (continued):

The following units were issued or redeemed during the periods ended June 30, 2025 and 2024:

	Opening	Units issued	Non taxable switch-ins	Units redeemed	Non taxable switch-outs	Closing
June 30, 2025						
Class A	97,300	14,015	—	(9,215)	—	102,100
Class AF	14,170	—	—	(196)	—	13,974
Class F	1,110,919	390,307	—	(197,351)	—	1,303,875
Class FF	118,706	—	—	(1,448)	—	117,258
Class I	99,459	1,904	—	—	—	101,363
June 30, 2024						
Class A	57,432	30,824	877	(1,950)	—	87,183
Class AF	23,262	—	—	(8,688)	—	14,574
Class F	1,061,789	249,317	—	(384,174)	(841)	926,091
Class FF	131,515	—	—	(1,350)	—	130,165
Class I	106,881	—	—	(7,422)	—	99,459

6. Increase in net assets attributable to holders of redeemable units per unit

The increase in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2025 and 2024 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units from operations		Weighted Average of Redeemable Units Outstanding During the Period		Increase in net assets attributable to holders of redeemable units per unit	
June 30, 2025						
Class A	\$	45,507	102,015	\$		0.45
Class AF		6,625	14,015			0.47
Class F		602,888	1,170,950			0.51
Class FF		64,506	118,129			0.55
Class I		72,817	100,984			0.72
June 30, 2024						
Class A	\$	8,399	61,991	\$		0.14
Class AF		2,814	17,184			0.16
Class F		220,726	1,109,444			0.20
Class FF		28,967	130,739			0.22
Class I		32,459	106,080			0.31

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

7. Financial risk management:

(a) Risk management framework:

The Fund's investment activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, currency risk and other price risk) and leverage risk. The Fund's exposures to financial risks are concentrated in its investment holdings. Significant risks that are relevant to the Fund are discussed below.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposures for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines, and securities regulations.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund does not hold any assets that are subject to significant credit risk. The Fund's manager actively evaluates the credit quality of its investments and seeks to minimize the risk of counterparty default. As at June 30, 2025 and December 31, 2024, the Fund did not hold any debt securities and derivative contracts. All assets of the Fund are custodied with Schedule I institutions.

(c) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Fund is exposed to daily cash redemptions of redeemable units. In accordance with its investment objectives, the Fund maintains a significant amount of its assets in liquid investments, such that these can be readily disposed of to fund payment of obligations and redemptions of redeemable units. As at June 30, 2025, investments not available in active markets comprised 4.8% (December 31, 2024 - nil%) of total net assets.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the fair value of its holdings of financial instruments. The Manager aims to manage the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Fund's holdings, market events and overall economic conditions.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

7. Financial risk management (continued):

(d) Market risk (continued):

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The longer the term to maturity, all else being equal, the more sensitive a security is to interest rate risk. The Fund pays interest on bank indebtedness to its prime broker based on prevailing overnight interest rates. As at June 30, 2025, the Fund had net bank indebtedness of \$16,157,280 (December 31, 2024 - \$10,012,198).

As at June 30, 2025 and December 31, 2024, the Fund did not hold any interest sensitive assets.

(ii) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currency. As at June 30, 2025 the Fund held U.S. dollar denominated investments net of U.S. dollar bank indebtedness of \$368,070 (December 31, 2024 - \$322,630).

As at June 30, 2025, if the Canadian dollar had strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$18,404 (December 31, 2024 - \$16,132). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The Fund's investment portfolio is monitored on a daily basis by the Manager. Except for securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Fund's statements of financial position. The Schedule of Investment Portfolio summarizes the Fund's exposure to other price risk as at June 30, 2025, by providing the market sector breakdown of investments. Possible losses from securities sold short can be unlimited.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at June 30, 2025 had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively by approximately \$3,704,327 (December 31, 2024 - \$2,793,338), approximately 18% (December 31, 2024 - 16%) of net assets. In practice the actual trading results may differ and the difference could be material.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

7. Financial risk management (continued):

(e) Leverage risk:

When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities, fixed income securities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's aggregate gross exposure to underlying assets is greater than the amount invested. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavorable times.

The aggregate gross exposure of the Fund, to be calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate value of the Fund's outstanding indebtedness under any borrowing agreements; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

During the period ended June 30, 2025, the Fund's lowest and highest aggregate gross exposure was 170.0% (January 2, 2025) and 191.1% (June 25, 2025) of the Fund's net asset value, respectively. The primary source of leverage was cash borrowing. During the period ended June 30, 2025, the Fund's range of cash borrowing was \$10,541,711 to \$17,908,195 (December 31, 2024 - \$10,017,068 to \$15,066,652). The low and high end of the range are as a result of the Fund's investing activities and timing of subscriptions and/or redemptions. The Fund's strategy is outlined in the Simplified Prospectus.

The Manager monitors, on a daily basis, that the Fund's aggregate gross exposure is less than three times the Fund's net asset value.

8. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

8. Fair value of financial instruments (continued):

(a) Valuation models (continued):

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Observable prices and model inputs are usually available in the market for listed equity securities. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction.

Model inputs and values are calibrated against historical data and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statements of financial position.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

8. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value (continued):

All fair value measurements below are recurring.

June 30, 2025:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 31,116,835	\$ 5,108,944	\$ 1,006,884	\$ 37,232,663
Warrants	–	644	–	644
	\$ 31,116,835	\$ 5,109,588	\$ 1,006,884	\$ 37,233,307
Liabilities				
Equities	\$ 190,035	–	–	\$ 190,035
	\$ 190,035	–	–	\$ 190,035

December 31, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 22,923,572	\$ 5,828,124	–	\$ 28,751,696
Right	–	1,944	–	1,944
Warrants	–	2,813	–	2,813
	\$ 22,923,572	\$ 5,832,881	–	\$ 28,756,453
Liabilities				
Equities	\$ 823,076	–	–	\$ 823,076
	\$ 823,076	–	–	\$ 823,076

During the period ended June 30, 2025, \$1,604,096 of equities were transferred from level 2 to level 1 due to increased trading activities on public exchanges, \$2,424,243 of equities were transferred from level 1 to level 2 due to limited trading activities on public exchanges, and \$1,006,884 of equities were transferred from level 2 to level 3 as the securities were delisted from public exchanges.

The changes in investments measured at fair value using significant Level 3 inputs are reflected below:

	Total
Beginning Balance, January 01, 2025	\$ –
Net transfers into and/or out of Level 3	1,006,884
Ending Balance, June 30, 2025	\$ 1,006,884

During the year ended December 31, 2024, \$589,408 of equities were transferred from level 1 to level 2 due to limited trading activity on public exchanges and \$236,670 of equities were transferred from level 2 to level 1 due to increased trading activity on public exchanges.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

8. Fair value of financial instruments (continued):

(c) Financial instruments not measured at fair value:

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy:

Description	Fair value at June 30, 2025	Fair value at December 31, 2024	Valuation technique	Unobservable input	Sensitivity to changes in significant unobservable inputs
Unlisted private equities	\$ 1,006,884	\$ –	Last traded price prior to delisting.	Current publicly traded prices.	The estimated fair value would increase (decrease) if any recorded trades were higher (lower) than estimated fair value or if material changes to future cash flows or market multiples required changes in valuation methodology.

(d) Financial instruments not measured at fair value:

The carrying values of dividends receivable, subscriptions receivable, receivable for investments sold, bank indebtedness, management fees payable, performance fees payable, payable for investments purchased, accrued liabilities and other accounts payable, interest and borrow fees payable, dividends payable and redemptions payable approximate their fair values given their short-term nature.

9. Derivative financial instruments:

The Fund holds the following derivative instruments:

Warrants:

A warrant is a contractual arrangement under which the issuer grants the holder the right, but not the obligation, either to buy at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price directly from the issuer of the underlying securities. The Fund is exposed to price risk on purchased warrants only to the extent of their carrying amount, which is their fair value.

The following table detail the Fund's investments in warrants as at June 30, 2025:

Description	Maturity Date	Strike Price (USD)	Notional Amount (USD)	Fair Value
Mercer Park Opportunities Corp.	5 years from qualifying transaction	\$ 11.50	\$ 103,500	\$ 644

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

9. Derivative financial instruments (continued):

The following table detail the Fund's investments in warrants as at December 31, 2024:

Description	Maturity Date	Strike Price (USD)	Notional Amount (USD)	Fair Value
Mercer Park Opportunities Corp.	5 years from qualifying transaction	\$ 11.00	\$ 286,440	\$ 2,813

Rights:

Rights are offers that allow existing stockholders to buy additional shares at a predetermined price, for a set time period. The Fund is exposed to credit risk on stock rights and purchased warrants only to the extent of their carrying amount, which is their fair value.

The following table detail the Fund's investments in rights as at June 30, 2025:

Description	Maturity Date	Strike Price (USD)	Quantity	Fair Value
Pershing Square SPARC Holdings Ltd	September 29, 2033	\$ 10.00	2,500	\$ -

The following table detail the Fund's investments in rights as at December 31, 2024:

Description	Maturity Date	Strike Price (USD)	Quantity	Fair Value
Mercer Park Opportunities Corp.	6 months from qualifying transaction	\$ nil	18,000	\$ 1,944
Pershing Square SPARC Holdings Ltd	September 29, 2033	\$ 10.00	2,500	-

10. Involvement with unconsolidated structured entities:

The Fund did not hold any interests in unconsolidated structured entities at June 30, 2025 and December 31, 2024.

MAXAM ARBITRAGE FUND

Notes to Financial Statements
(Expressed in Canadian Dollars)

For the period ended June 30, 2025 (Unaudited)

11. Income taxes:

The Fund has non-capital losses available for utilization against taxable income in future years of \$593,729 (2023 - \$331,395).

The Fund has \$nil (2023 - \$nil) net capital losses available to be carried forward at December 31, 2023. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. During the year ended December 31, 2024, the average statutory tax rate was 9.72% (2023: 10.55%).

12. Capital management:

The redeemable units issued by the Fund represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. The Fund's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

13. Fees paid to Auditors:

For the year ended December 31, 2024, fees incurred to KPMG LLP for the audit of the financial statements of the Canadian Reporting Issuer funds managed by Maxam Capital Management Ltd. were \$134,891 (2023 - \$84,500).