PEGASUS
MERCANTILE
• PROJECT GENERATOR •

Pegasus Mercantile Inc. (formerly Xtacy Therapeutics Corp.)

Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in Canadian Dollars)

S H I M

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pegasus Mercantile Inc. (formerly Xtacy Therapeutics Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Pegasus Mercantile Inc. (formerly Xtacy Therapeutics Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2024 and 2023, and the consolidated statements of changes in shareholders' deficit, loss and comprehensive loss and cash flows for the years then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2024 and 2023, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dong H. Shim.

"SHIM & Associates LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
April 14, 2025

Pegasus Mercantile Inc. (formerly Xtacy Therapeutics Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	**September 30, 2024**	September 30, 2023
		$	$
			Restated (Note 12)
Assets			
Current assets			
Prepaid expenses		68,750	18,750
Loan receivable	4	365,162	71,456
		433,912	**90,206**
Non-current assets			
Loan receivable	4	-	341,259
Total assets		**433,912**	**431,465**
Liabilities and shareholders' deficit			
Current liabilities			
Bank overdraft		58,893	49,477
Accounts payable and accrued liabilities		805,294	636,965
		864,187	**686,442**
Non-current liabilities			
Loan payable	8	17,927	16,704
Total liabilities		**882,114**	**703,146**
Shareholders' deficit			
Share capital	5	35,337,349	34,967,862
Reserves		6,520,600	6,559,158
Commitment to issue shares	3	-	500,645
Deficit		(42,306,151)	(42,299,346)
Total shareholders' deficit		**(448,202)**	**(271,681)**
Total liabilities and shareholders' deficit		**433,912**	**431,465**

Nature of operations and going concern (Note 1)

Subsequent event (Note 11)

Approved on behalf of the Board of Directors on April 14, 2025:

"Meris Kott" **Director** *"Vanni Barbon"* **Director**

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

Pegasus Mercantile Inc. (formerly Xtacy Therapeutics Corp.)

Consolidated Statements of Changes in Shareholders' Deficit

(Expressed in Canadian Dollars)

	Number of shares #	Share capital $	Reserves $	Subscriptions received in advance (receivable) $	Commitment to issue shares $	Deficit $	Total shareholders' deficit $
September 30, 2022	**7,513,554**	**34,186,420**	**6,559,158**	**(136,000)**	**785,206**	**(41,843,440)**	**(448,656)**
Subscriptions received	-	-	-	36,000	-	-	36,000
Subscriptions cancelled	(111,111)	(100,000)		100,000	-	-	-
Shares issued for settlement of debts	1,410,568	596,881	-	-	-	-	596,881
Share issued for KaleidoMyco acquisition	1,030,000	284,561	-	-	(284,561)	-	-
Loss and comprehensive loss for the year	-	-	-	-	-	(455,906)	(455,906)
September 30, 2023 (Restated, Note 12)	**9,843,011**	**34,967,862**	**6,559,158**	**-**	**500,645**	**(42,299,346)**	**(271,681)**
Shares issued for settlement of debts	1,488,400	294,487	-	-	-	-	294,487
Shares issued for services	300,000	75,000					75,000
Stock options cancelled or expired	-	-	(38,558)	-	-	38,558	-
Earn-out consideration deemed unlikely	-	-		-	(500,645)	500,645	-
Loss and comprehensive loss for the year	-	-	-	-	-	(546,008)	(546,008)
September 30, 2024	**11,631,411**	**35,337,349**	**6,520,600**	**-**	**-**	**(42,306,151)**	**(448,202)**

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

(Expressed in Canadian Dollars)

	Note	**September 30, 2024** **$**	September 30, 2023 $ (Restated – Note 12)
Operating expenses			
Bank charges		-	1,132
Interest expense		34,235	2,285
Consulting	7	519,670	811,629
Professional fees		71,017	45,080
Regulatory and filing		58,126	72,089
Travel	7	-	10,875
Loss from operating expenses		**(683,048)**	**(943,090)**
Recovery of bad debts	4	-	440,026
Interest income	4	58,715	25,653
Gain on debt settlement		77,613	24,551
Foreign exchange gain (loss)		712	(3,046)
Loss and comprehensive loss for the year		**(546,008)**	**(455,906)**
Loss per share			
Weighted average number of common shares outstanding			
- Basic #	6	11,015,545	8,710,250
- Diluted #	6	11,015,545	8,710,250
Basic loss per share $	6	(0.05)	(0.05)
Diluted loss per share $	6	(0.05)	(0.05)

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

Pegasus Mercantile Inc. (formerly Xtacy Therapeutics Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	September 30, 2024 **$**	September 30, 2023 $ (Restated – Note 12)
Operating activities		
Loss for the year	(546,008)	(455,906)
Adjustments for:		
Interest income	(58,715)	(25,653)
Recovery of bad debts	-	(440,026)
Unrealized foreign exchange (gain) loss	(712)	1,289
Shares issued for services	75,000	-
Accrued interest	1,223	737
Gain on debt settlement	(77,613)	(24,551)
Changes in non-cash working capital items:		
Prepaid expenses	(50,000)	279,080
Accounts payable and accrued liabilities	540,429	584,333
	(116,396)	**(80,697)**
Financing activities		
Bank overdraft	9,416	2,422
Proceeds from loan payable	-	26,600
Proceeds from loan receivable	106,980	51,675
	116,396	**80,697**
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	**-**	**-**
Supplemental cash flows disclosure:		
Cash paid for interests	-	-
Cash paid for income taxes	-	-
Shares issued for acquisitions	-	284,561
Shares issued for debt settlement	294,487	596,881

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

1. Nature of operations and going concern

Pegasus Mercantile Inc. (formerly Xtacy Therapeutics Corp.) (the "Company") was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and was continued to British Columbia on January 30, 2006. The Company's shares are publicly traded on the Frankfurt Exchange, OTCQB and Canadian Stock Exchange (the "CSE") under the symbol "LOAN".

On August 2, 2018, the Company completed a change of business and corporate name change to become a merchant bank focused on medical cannabis non-THC, CBD and hemp in both Canada and the United States. On November 5, 2024, the Company completed a corporate name change to Pegasus Mercantile Inc. The head office, principal address and records office of the Company are located at 1100 - 1111 Melville St Vancouver, British Columbia V6E 3V6.

These consolidated financial statements (the "financial statements") have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended September 30, 2024, the Company recorded a net loss of $546,008 (2023 – $455,906) and had a deficit of $42,306,151 (2023 - $42,299,346). As at September 30, 2024, the Company is not able to finance day-to-day activities through operations and continues to incur losses. The continuing operations of the Company are dependent upon its ability to attain profitable operations and generate funds therefrom. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with equity financing and loans from directors and companies controlled by directors. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

On January 30, 2025, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidated common share for every five pre-consolidated common shares. The share consolidation has been applied retrospectively and as a result shares, options, restricted share units, warrants and per share amounts are stated on an adjusted basis (Note 5).

2. Material accounting policies

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of International Financial Reporting Interpretations Committee. The policies applied in these consolidated financial statements are based on IFRS issued as at April 14, 2025, the date the Board of Directors of the Company approved these consolidated financial statements.

These consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars, which is the functional currency of the Company. See Note 2(b) for details of the Company's subsidiaries and their functional currencies.

2. Material accounting policies (continued)

(b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Entity	Incorporation	Status	Functional Currency	Ownership Percentage
Ultra Invest Canada Inc. (“Ultra Invest”)	Canada	Inactive	CAD Dollar	100%
Ona Power Oil & Gas Corp. (“Ona”)	United States	Inactive	US Dollar	100%
Shanti Therapeutics PTY Ltd. (“Shanti”)	Australia	Inactive	AUS Dollar	100%
KaleidoMyco, LLC (“KM”)	United States	Inactive	US Dollar	100%

(c) Changes in accounting standards - New Standards issued but not yet effective

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. These amendments are effective for annual periods beginning on or after January 1, 2024, and are not expected to have a material impact on the Company’s financial statements.

(d) Financial instruments

The Company classifies its financial assets or liabilities in the following categories: fair value through profit or loss (“FVTPL”) or amortized cost. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Non-derivative financial assets and liabilities

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Financial instruments are accounted for in accordance with IFRS 9, “Financial Instruments: Classification and Measurement”.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2. Material accounting policies (continued)

(d) Financial instruments (continued)

The following table shows the classification under IFRS 9:

Financial assets / liabilities	**Classification**
Loan receivable	Amortized cost
Bank Overdraft	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. Material accounting policies (continued)

(d) Financial instruments (continued)

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized costs. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are generally recognized in profit or loss.

(e) Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the parent company's functional and presentational currency. The functional currency of Ultra Invest is the Canadian dollar, the functional currency of Ona and KM is the US dollar and the functional currency of Shanti is the Australian dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's foreign currency translation reserve. These differences are recognized in the profit or loss in the period in which the operation is disposed of.

2. Material accounting policies (continued)

(f) Impairment

Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the cash-generating unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

(g) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, warrants, options and flow-through shares are classified as equity instruments.

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

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of common shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to warrants is recorded to reserves.

(h) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to officers, directors, employees and consultants to acquire shares of the Company.

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments granted. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in a grant with graded vesting is considered a separate grant with a different vesting date and fair value.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense with a corresponding increase in reserves. When options are exercised, the consideration received is recorded as share capital and the related share-based payments originally recorded to reserves are transferred to share capital. When an option is cancelled, or expires, the amount previously recorded is share-based payments is transferred to deficit.

2. Material accounting policies (continued)

(i) Acquisitions

The acquisition method of accounting is used to account for acquisitions. The cost of an acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

If the investee constitutes a business, as defined by IFRS, the acquisition is accounted for as a business combination whereby identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in net loss.

If the investee does not meet the definition of a business, the acquisition is accounted for as an asset acquisition, whereby the cost of the acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. No goodwill can be recognized in an asset acquisition.

(j) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(k) Loss per share

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted LPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held, and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

2. Material accounting policies (continued)

(l) Use of estimates and critical judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

(ii) The fair value of the convertible loan receivables is determined using a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. Where available, the Company seeks comparable interest rates and if unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

(iii) The application of the Company's accounting policy for contingent consideration requires judgment in determining and measuring the fair value. This requires management to make certain estimates and assumptions about future events or circumstances, including but not limited to assumptions relating to assessing probabilities of the contingent consideration and timing of the contingent payments. Estimates and assumptions made may change if new information becomes available.

Judgments

(i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

(ii) Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Additionally, judgment is required to assess whether any amounts paid on the achievement of agreed upon milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration arising from an acquisition should be classified as a liability or equity. Contingent consideration classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement by the Company is accounted for within shareholders' equity. Contingent consideration classified as a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 – Financial Instruments: Recognition and Measurement, or IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, with changes recorded to profit or loss.

(iii) Estimates are made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of property and equipment, intangible assets and/or goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values may involve a variety of assumptions, including revenue growth rates, expected operating income, and discount rates.

3. Acquisitions and investments

KaleidoMyco, LLC ("KM")

On April 5, 2021, and as amended on September 24, 2021, the Company entered into a Limited Liability Company Membership Interest Purchase Agreement and an Agreement Amendment (collectively the "Purchase Agreement") with KM, a private Florida, United States company, whereby the Company would purchase all the membership interest in KM in one tranche representing a 51% membership interest and the second tranche representing a 49% membership interest. There were no specified assets acquired.

In consideration for the purchase of the assets and membership interests, the Company shall pay KM the following:

A. $850,000 ("Purchase Price") in common shares of the Company.
B. Bonus of $2,500,000 in common shares of the Company if the assets realize $2,000,000 in revenues in year two following closing.

The Purchase Price shall be tendered as follows:

(i) $437,500 in common shares upon closing, payable in two instalments representing a 51% of membership interest as follows:

  a. $87,500 in common shares (70,000 shares issued) with a fair value of $58,040 upon signing of definitive agreement;
  b. $350,000 in common shares (280,000 shares issued) with a fair value of $232,159.

(ii) $412,500 in common shares (1,030,000 shares issued) for the remaining 49% of the membership interest with a fair value of $284,561 (Note 5).

<u>Earn-Out Consideration:</u>

As part of the consideration paid, the Company is required to issue additional common shares to KM upon the satisfaction of provisions applicable to one earn-out consideration (the "Earn-Out"). As follows:

- Earn-Out: The Company is required to issue $2,500,000 in common shares with a grant date fair value of $85,955 recorded as a commitment to issue shares, upon KM realizing $2,000,000 in revenues in year two following closing or if KM is granted a formula products patent.

The Earn-Out is payable if, and only if, the applicable target has been met. The Earn-Out was recognized on the acquisition date as contingent consideration. The measurement of contingent consideration is impacted by estimated probabilities and the likelihood that the target will be met, which is payable in common shares, if such target is met. This estimated probability is subjective and is significantly impacted by various factors as of the acquisition date. As of the acquisition date, September 30, 2021, the Company estimated 5% probability of the Earn-Out being met and estimated fair value is determined to be $85,955. The Earn-Out is accounted for under IFRS 2 – Share based payments with no remeasurement in the subsequent period. During the year ended September 30, 2024, management assessed the probability of the applicable target being met as low. As a result, the earn-out recognized on the acquisition date as contingent consideration was reclassified to deficit.

This acquisition has been accounted for as an asset acquisition as KM does not meet the definition of a business under *IFRS 3, Business Combinations*.

(Expressed in Canadian Dollar)

3. Acquisitions and investments (continued)

KaleidoMyco, LLC ("KM") (continued)

In accordance with *IFRS 2 – Share based payments*, the equity consideration on transfer was measured at fair value on the date of acquisition, which is the date control was obtained.

Consideration incurred:		
350,000 common shares at $0.85 per share	$	290,199
Commitment to issue shares		284,561
Contingent consideration		85,955
Total consideration		660,715

During the year ended September 30, 2021, the Company recorded the consideration paid as share-based payments in the total amount of $660,715.

The shares issued to the shareholders of KM are subject to certain hold periods. The total consideration value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restrictions.

Shanti Therapeutics PTY Ltd. ("Shanti")

On September 27, 2021, the Company signed a Share Purchase Agreement to acquire 100% interest in Shanti Therapeutics Pty Ltd. ("Shanti"), which is focused on psychedelic MDMA-based drug development research. There were no specified assets acquired.

In consideration for the acquisition, the Company shall pay the following:

A. $2,500,000 ("Shanti Purchase Price") in common shares with a grant date fair value of $1,890,195; and
B. Contingent consideration of $2,500,000 in common shares with a grant date fair value of $414,690 recorded as commitment to issue shares, based on certain performance measures.

The Shanti Purchase Price shall be tendered as follows:

(i) $2,500,000 in common shares upon closing, payable in 4 instalments representing a 100% of interest as follows:
   a. $625,000 in common shares (694,444 shares issued) upon signing of definitive agreement;
   b. $625,000 in common shares on or before February 28, 2022 (500,000 shares issued) (Note 5);
   c. $625,000 in common shares on or before March 22, 2022(500,000 shares) (Note 5); and
   d. $625,000 in common shares on or before April 20,2022 (416,667 shares issued) (Note 5).

Contingent consideration:

As part of the consideration paid, the Company will issue common shares to Shanti upon the satisfaction of provisions applicable to four earn-out considerations (collectively the "Shanti Earn-Outs"). As follows:

- First Earn-Out: $625,000 in common shares upon the establishment of a medical advisory board and scientific board;
- Second Earn-Out: $625,000 in common shares upon the proof of concept trial registered with the trial authority;
- Third Earn-Out: $625,000 in common shares upon the clinical trial notification granted; and
- Fourth Earn-Out: $625,000 in common shares upon the ethics approval.

(Expressed in Canadian Dollar)

3. Acquisitions and investments (continued)

Shanti Therapeutics PTY Ltd. ("Shanti")

The Shanti Earn-Outs are payable if, and only if, applicable targets have been met. The measurement of the Shanti Earn-Outs is impacted by estimated probabilities and the likelihood that these items will be met, which is payable in common shares, if such targets are met. These estimated probabilities are subjective and are significantly impacted by various factors as of the acquisition date.

As of the acquisition date and September 30, 2021, the Company estimated the fair value of the First Shanti Earn-Out at $262,292 with a 60% probability of the target being met, the fair value of the Second Shanti Earn-Out at $87,247 with a 20% probability of the target being met, the fair value of the Third Shanti Earn-Out at $43,493 with a 10% probability of the target being met, and the fair value of the Fourth Shanti Earn-Out at $21,658 with a 5% probability of the target being met.

As at September 30, 2021, the estimated fair value of the Shanti Earn-Outs was determined to be $414,690. The Shanti Earn-Out is accounted for under IFRS 2-Share based payments with no remeasurement in the subsequent period. During the year ended September 30, 2024, management assessed the probability of the applicable target being met as low. As a result, the earn-out recognized on the acquisition date as contingent consideration was reclassified to deficit.

This acquisition has been accounted for as an asset acquisition as Shanti does not meet the definition of a business under *IFRS 3, Business Combinations*.

In accordance with *IFRS 2,* the equity consideration on transfer was measured at fair value on the date of acquisition, which is the date control was obtained.

Consideration incurred:		
694,444 common shares at $0.85 per share	$	583,333
Commitment to issue shares		1,306,862
Contingent consideration		414,690
Total consideration	$	2,304,885

The common shares are subject to certain hold periods. The total consideration value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restrictions.

4. Loan receivable

Biominerales Pharma Corp.

In August 2018, the Company previously advanced $255,000 pursuant to a convertible secured promissory note with Biominerales Pharma LLC (“Biopharma”). Advance was secured by the assets of Biopharma and bore interest at 14% per annum, payable monthly. The note was convertible into common shares of Biopharma at a price equal to a 10% discount to the price assigned to the common shares of Biopharma from any financing immediately prior to the date of conversion. In October 2018, a further $255,000 was loaned to Biopharma under the same terms. During the year ended September 30, 2020, the Company fully impaired the loans receivable of $505,000 due to uncertainties of collection.

Effective April 1, 2023, Biopharma agreed to repay US$350,000 to the Company over the next 29 months as follows:

(i) US$15,000 upon execution of the debt repayment agreement (paid),

(ii) US$4,000 per month for the six months from April, 2023 to September, 2023 (paid),

(iii) US$6,000 per month for each of the six months from October, 2023 to March, 2024 (paid),

(iv) US$10,000 per month for each of the six months from April, 2024 to September, 2024 (paid),

(v) US$15,000 per month for each of the six months from October, 2024 to March, 2025,

(vi) US$21,666.66 for each of the five months from April, 2025 to August, 2025, and

(vii) US$16,666.70 on September 1, 2025.

During the year ended September 30, 2024, the Company received a repayment of USD$78,000, which was included in the loan receivable as at September 30, 2024, resulting in a shortage of loan receivable payment of $24,307 (USD$18,000).

Pursuant to the debt settlement agreement, Biopharma agreed to provide, as part of the undertaking, the Company 15,000 bottles of 30 count cannabinoid mushroom gummies (“Gummies”) free of charge. In exchange for the Gummies, both parties agree that no interest would be charged for the loan receivable. As of September 30, 2024, no Gummies have been received. The fair value of the Gummies was estimated to be US$63,810 based on interest that would be incurred if the loan bears a reasonable interest compared to other similar loans.

Using a risk-adjusted discount rate of 15%, the fair value of the loan receivable (including the fair value of the Gummies) was calculated as $440,026 (US$325,150) at the effective date, and it was recorded as a recovery of bad debts (Note 12). As at September 30, 2024, the book value of the loan receivable was $340,855 (US$252,410). During the year ended September 30, 2024, interest income was $58,715 (US$43,148).

5. Share capital

On January 31, 2025, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidated common share for every five pre-consolidated common shares. The share consolidation has been applied retrospectively and as a result shares, options, restricted share units, warrants and per share amounts are stated on an adjusted basis (Note 1).

The authorized share capital of the Company consists of unlimited common shares without par value and unlimited preferred shares without par value. No preferred shares have been issued.

5. Share capital (continued)

Transactions for the issue of share capital during the year ended September 30, 2024

On October 16, 2023, the Company issued 472,300 common shares with a fair value of $106,267 as debt settlements. In connection with the shares issued for debts, the Company recognized a gain of $11,808.

On November 17, 2023, the Company issued 300,000 common shares with a fair value of $45,000 as debt settlements. In connection with the shares issued for debts, the Company recognized a gain of $30,000.

On November 17, 2023, the Company issued 300,000 common shares with a fair value of $75,000 for service rendered.

On June 20, 2024, the Company issued 716,100 common shares with a fair value of $143,220 as debt settlements. In connection with the shares issued for debts, the Company recognized a gain of $35,805.

Transactions for the issue of share capital during the year ended September 30, 2023

On January 20, 2023, the Company issued 410,000 common shares with a fair value of $184,500 as debt settlements. In connection with the shares issued for debts, the Company recognized a gain of $20,500.

On March 17, 2023, 111,111 common shares with a fair value of $100,000 were returned to treasury and cancelled.

On April 5, 2023, the Company issued 838,518 common shares with a fair value of $335,407 as debt settlements. In connection with the shares issued for debts, no gains or losses were recognized.

On April 5, 2023, the Company issued 1,030,000 common shares for consideration of the acquisition of KM with a fair value of $284,561 (Note 3).

On May 15, 2023, the Company issued 162,050 common shares with a fair value of $76,974 as debt settlements. In connection with the shares issued for debts, the Company recognized a gain of $4,051.

Stock options

The Company has adopted a stock option plan (the “Plan”) whereby the Company may from time to grant to Directors, Officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company’s common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee’s position with the Company or 30 days following cessation of an optionee conducting investor relations activities’ position.

(Expressed in Canadian Dollar)

5. Share Capital (continued)

Stock options (continued)

A summary of the status of the Company's stock options and changes is as follows:

	Year ended September 30, 2024		Year ended September 30, 2023	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of year	143,250	1.74	143,250	1.74
Expired/cancelled	(40,750)	2.18	-	-
Options outstanding, end of year	**102,500**	**1.56**	143,250	1.74

As at September 30, 2024, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
5,000	5,000	3.40	November 19, 2024
50,000	50,000	1.60	May 14, 2025
7,500	7,500	1.60	May 20 2025
40,000	40,000	1.28	February 24, 2026
102,500	**102,500**		

The following table summarizes information about the stock options outstanding as at September 30, 2024:

Number of options outstanding #	Weighted average remaining life (years)	Weighted average exercise price $
102,500	**0.90**	**1.56**

Warrants

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

(Expressed in Canadian Dollar)

5. Share Capital (continued)

Warrants (continued)

A summary of the status of the Company's warrants as at September 30, 2024 and 2023, and changes during the years then ended is as follows:

	Year ended September 30, 2024		Year ended September 30, 2023	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of year	542,778	1.50	653,889	1.50
Private placement warrants expired	-	-	(111,111)	1.50
Warrants outstanding, end of year	**542,778**	**1.50**	542,778	1.50

As at September 30, 2024, the Company has warrants outstanding and exercisable as follows:

Warrants outstanding #	Exercise price $	Expiry date
542,778	1.50	February 22, 2025
542,778		

Restricted Share Unit

In August 2022, the Company adopted a 10% rolling restricted share unit plan ("RSU Plan") which reserves for the grant of RSUs to a maximum of 10% of the issued and outstanding common shares. The RSU Plan is a "rolling plan" and therefore when RSUs are cancelled (whether or not upon payment with respect to vested RSUs) or terminated, Common Shares shall automatically be available for issuance pursuant to the RSU Plan.

No RSUs have been granted as of September 30, 2024 and 2023.

6. Loss per share

The calculation of basic and diluted loss per share for the year ended September 30, 2024 was based on the loss attributable to common shareholders of $546,008 (2023 - $455,906) and a weighted average number of common shares outstanding of 11,015,545 (2023 – 8,710,250).

All options and warrants were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

7. Related party payables and transactions

A number of key management personnel and directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to management personnel or Directors, or entities over which they have control or significant influence, during the years ended September 30, 2024 and September 30, 2023.

(Expressed in Canadian Dollar)

7. Related party payables and transactions (continued)

Meris Kott, the Company's President and CEO receives a monthly consulting fee and incentive stock options. All other key management personnel and directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days notice. Key management personnel and directors participate in the Company's stock option plan.

No stock options were granted during the year ended September 30, 2024 to Directors and Officers (2023 - Nil).

The Company transacted with the following related parties:

(a) 1060606 BC Ltd. ("106 BC Ltd.") is a consulting firm over which the CEO of the Company has significant influence and ownership. Charges are for consulting, travel, office rent and administration.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Fees Year ended September 30, 2024 $	Fees Year ended September 30, 2023 $	**Balances outstanding September 30, 2024 $**	Balances outstanding September 30, 2023 $
Meris Kott and 1060606 B.C Ltd	120,000	120,000	131,808	77,221
	120,000	120,000	131,808	**77,221**

All related party balances are unsecured and are due within thirty days without interest.

The transactions with the key management personnel and Directors are included in operating expenses as follows:

(a) Consulting and travel expenses
- Includes Meris Kott fee related to consulting, administrative and travel related expenses.

8. Loan payable

On May 15, 2022, the Company signed an unsecured Balloon Promissory Note (the "Loan") with an arm's length party. On May 15, 2023, the principal amount of the Loan was amended to be $15,967. The Loan continues to bear interest at 4% annually and is now due on May 15, 2025 (the "Maturity Date"). Following the Maturity Date, both principal and accrued interest shall bear interest at the rate of 8% annually. The Loan may be repaid at any time in whole or in part without penalty. For the year ended September 30, 2024, the accrued interest on the Loan was $1,223 (2023 - $737) and the total loan payable was $17,927 (2023 - $16,704).

9. Financial risk management

Capital management

The Company is a merchant bank and considers items included in shareholders' deficit as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at September 30, 2024 is comprised of shareholders' deficit of $448,202 (2023 - $271,681). There were no changes to the Company's management of capital during the year ended September 30, 2024.

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to borrow or raise additional financing from equity markets.

Financial instruments – fair value

The Company's financial instruments consist of loan receivable, bank overdraft, accounts payable and accrued liabilities and loan payable.

The carrying value of accounts payable and accrued liabilities and loan payable approximates their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the consolidated statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's contingent consideration was measured using Level 3 inputs.

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, foreign exchange risk, and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no cash. The maximum exposure to credit risk is the carrying amount of the Company's loan receivable from Biopharama.

(Expressed in Canadian Dollar)

9. Financial risk management (continued)

b) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

c) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

10. Income taxes

The provision for income tax, both current and deferred, differs from the amount calculated by applying the combined expected federal and provincial rate to profit before taxes. The reasons for these differences are as follows:

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2024		**2023**
				(Restated)
Loss for the year	$	(546,008)	$	(455,906)
Expected income tax (recovery)	$	(147,422)	$	(123,095)
Permanent differences		(20,955)		(6,629)
Change in unrecognized deductible temporary differences		168,377		129,724
Total income tax recovery	**$**	**-**	**$**	**-**

As of September 30, 2024, the Corporation has approximately the following tax pools available as a deduction from future income at the prescribed tax rates. These tax pools are subject to confirmation by income tax authorities:

	2024	**Expiry Date Range**	**2023 (Restated)**	**Expiry Date Range**
Temporary Differences	**$**		**$**	
Share issue costs	-	-	4,000	2024 to 2025
Allowable capital losses	147,000	No expiry date	147,000	No expiry date
Non-capital losses	7,380,000	2026 to 2044	6,750,000	2026 to 2043

As of September 30, 2024, the Company has non-capital losses of approximately $7,380,000 (2023 - $6,750,000) available to carry forward to reduce future years' taxable income.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(Expressed in Canadian Dollar)

11. Subsequent events

Subsequent to September 30, 2024, the Company formed two wholly owned subsidiaries as follows: on January 8, 2025, the Company incorporated Biomed International, Inc. in the state of Florida, USA and on February 27, 2025, the Company incorporated 1529037 B.C. LTD under the Business Corporation Act of British Columbia.

On January 14, 2025 ("Effective Date"), the Company entered into a convertible secured promissory note ("Note") with Solo Beverage Company Ltd. ("Borrower"), controlled by a consultant of the Company, for $2,000,000 to be loaned to Borrower in tranches ("Advances") when the Company raises funds through future private placements. Pursuant to the Note, commencing on the first day of the month following the first tranche, the Borrower shall pay to the Company interest accrued on the outstanding principal balance of the Advances per month at 12% per annum compounded monthly and monthly thereafter on the first day of each month until January 30, 2027 ("Maturity Date"). In the event that the principal amount is not paid in full when the amount becomes due and payable, interest rate will increase by 4% to accrue on the outstanding balance until the balance is paid. As additional consideration, the Borrower shall issue warrants equivalent to 20% of the amount of the Note based upon Borrower's valuation of $3,000,000 as of the Effective Date. This Note is secured by a Security Interest in Borrower's Assets, defined as a mortgage or other security interest in the Borrowers' real property, leaseholds, equipment, fixtures, furniture, accessories, machinery, intellectual property, inventory, work in process, raw materials, accounts receivable and licensed rights whenever located. The Company has the right to convert this Note, in whole or in part, into shareholding interests of the Borrower representing a 10% discount to the valuation of the Borrower from any financing immediately prior the date of conversion, at any time before the Maturity Date.

12. Restatement of consolidated financial statements

The consolidated financial statements of the Company for the year ended September 30, 2023 have been restated to reflect the fair value of loan receivable recalculated as at the effective date, taking into consideration the fair value of the Gummies established using a reasonable interest rate compared to other similar loans (Note 4).

The following tables present the effects of the restatement:

	As at September 30, 2023 and for the year then ended		
	As previously reported	**Adjustments**	**As restated**
	$	$	$
Loan receivable	83,684	(12,228)	71,456
Loan receivable – non current	265,001	76,258	341,259
Total effect on assets	**348,685**	**64,030**	**412,715**
Recovery of bad debts	379,794	60,232	440,026
Interest income	21,825	3,828	25,653
Foreign exchange gain (loss)	(3,016)	(30)	(3,046)
Total effect on net loss	**398,603**	**64,030**	**462,633**

The Company’s cash flows for the year ended September 30, 2023 remain unchanged, as the restatement relates to non-cash income, including accrued interest income and gain on settlement relating to the loan receivable (Note 4).