PEGASUS MERCANTILE

• PROJECT GENERATOR •

(formerly Xtacy Thereapeutics Corp)

Condensed Consolidated Interim Financial Statements

For the three months ended

December 31, 2024

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Pegasus Mercantile Inc. ("the Company") for the three months ended December 31, 2024 and December 31, 2023, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

Pegasus Mercantile Inc.(formerly Xtacy Therapeutics Corp)

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by management)

	Note	**December 31, 2024 $**	September 30, 2024 $
Assets			
Current assets			
Prepaid expenses		**31,250**	**68,750**
Loan receivable		339,479	365,162
		370,729	433,912
Total assets		**370,729**	**433,912**
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	8	892,866	864,187
Non-current liabilities			
Loan payable	8	18,287	17,927
Total liabilities		**911,153**	**882,114**
Shareholders' deficit			
Share capital	5	35,337,349	35,337,349
Reserves		6,520,600	6,520,600
Deficit		(42,398,373)	(42,306,151)
Total shareholders' deficit		**(540,424)**	**(448,202)**
Total liabilities and shareholders' deficit		**370,729**	**433,912**

Nature of operations and going concern	1
Events after the reporting period	**11**

Approved on behalf of the Board of Directors on April 16, 2025:

"Meris Kott" **Director** *"Lindsey Perry Jr."* **Director**

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

Pegasus Mercantile Inc.(formerly Xtacy Therapeutics Corp)

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Reserves	Subscriptions received in advance	Commitment to issue shares	Deficit	Total shareholders' deficit
	#	$	$	$	$	$	$
2023-10-01 Restated	9,843,011	34,967,862	6,559,158	-	500,645	(42,299,346)	(271,681)
Shares issued for services	1,072,300	268,075	-	-	-	-	268,075
Loss and comprehensive loss for the period						(265,843)	(265,843)
December 31, 2023	10,915,311	35,235,937	6,559,158	-	500,645	(42,565,189)	(269,449)
October 1, 2024	11,631,411	35,337,349	6,520,600	-	-	(42,306,151)	(448,202)
Loss and comprehensive loss for the period	-	-	-	-	-	(92,222)	(92,222)
December 31, 2024	**11,631,411**	**35,337,349**	**6,520,600**	**-**	**-**	**(42,398,373)**	**(540,424)**

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

Pegasus Mercantile Inc.(formerly Xtacy Therapeutics Corp)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by management)

	Note	**December 31, 2024 $**	December 31, 2023 $
Expenses			
Interest expense	8	2,910	2,402
Consulting	4,6	94,826	219,775
Professional fees	6	-	31,000
Regulatory and filing		11,403	12,666
Loss from operating expenses		**(109,139)**	(265,843)
Interest income	4	16,917	-
Foreign exchange gain (loss)		-	-
Loss and comprehensive loss for the period		**(92,222)**	(265,843)
Loss per share			
Weighted average number of common shares outstanding			
- Basic #	5	**11,631,411**	10,585,341
- Diluted #	5	**11,631,411**	10,585,341
Basic loss per share $	5	**(0.01)**	(0.03)
Diluted loss per share $	5	**(0.01)**	(0.03)

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

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – prepared by management)

	December 31, 2024 **$**	December 31, 2023 $
Operating activities		
Loss for the year	(92,222)	(265,843)
Adjustments for:		
Interest income	(16,917)	-
Recovery of bad debts	-	-
Shares issued for services	-	268,075
Accrued interest	360	167
Gain on debt settlement	-	-
Changes in non-cash working capital items:		
Prepaid expenses	(37,500)	-
Accounts payable and accrued liabilities	101,129	(2,399)
	(45,150)	**-**
Financing activities		
Bank overdraft	**2,550**	**-**
Proceeds from loan payable	-	-
Proceeds from loan receivable	42,600	-
	45,150	**-**
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	-	-
Shares issued for debt settlement	-	268,075

The accompanying notes are an integral part of these condensed consolidated interim 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 condensed interim 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. As at December 31, 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 financings 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 condensed consolidated interim 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. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended September 30, 2024, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments measured at fair value. In addition, these 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 functional currency details of the Company's subsidiaries.

2. Significant accounting policies (continued)

(b) Basis of consolidation

These 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	Canadian	100%
Ona Power Oil & Gas Corp (“Ona”)	United States	Inactive	US Dollar	100%
Shanti Therapeutics PTY Ltd. (“Shanti”)	Australia	Active	Australian	100%
KaleidoMyco, LLC (“KM”)	United States	Active	US Dollar	100%

(c) Future changes in accounting policies

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after October 1, 2024. The Company has reviewed these updates and determined that none these updates are applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

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.

<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*.

2. 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 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.

Acquisitions and investments (continued)
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).

<u>Contingent consideration:</u>

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.

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 with15,000 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. As at December 31, 2024, the book value of the loan receivable was $339,479 (US$252,200). During the three months ended December 31, 2024, interest income was $16,917 (US$12,084).

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.

Transactions for the issue of share capital during the three months ended December 31, 2024:

There were no share issuances during the three months ended December 31, 2024.

Transactions for the issue of share capital during the three months ended December 31, 2023:

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.

.

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.

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

	December 31, 2024		September 30, 2024	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of period/year	102,500	1.56	102,500	1.56
Granted	-	-	-	-
Expired/cancelled	(5,000)	3.40	-	-
Options outstanding, end of period/year	**97,500**	**1.56**	102,500	1.56

As at December 31, 2024 the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
50,000	50,000	1.60	May 14, 2025
7,500	7,500	1.60	May 20, 2025
40,000	40,000	1.280	February 24, 2026
97,500	**97,500**		

The following table summarizes information about the stock options outstanding as at December 31, 2024:

Number of options outstanding #	Weighted average remaining life (years)	Weighted average exercise price $
97,500	**0.65**	**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.

A summary of the status of the Company's warrants as at December 31, 2024 and September 30, 2024, and changes during the period/year then ended is as follows:

	Period ended December 31, 2023		Year ended September 30, 2023	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of period/year	542,778	1.50	542,778	1.50
Private placement warrants expired	-	-	-	-
Warrants outstanding, end of period/year	**542,778**	**1.50**	542,778	1.50

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 December 31, 2024.

6. Loss per share

The calculation of basic and diluted loss per share for the period ended December 31, 2024 was based on the loss attributable to common shareholders of $92,222 (2023 - $265,843) and a weighted average number of common shares outstanding of 11,631,411 (2023 –10,585,341).

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 three months ended December 31, 2024 or December 31, 2023.

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 three months ended December 31, 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 3 months ended December 31, 2024 $	Fees 3 months ended December 31, 2023 $	**Balances outstanding December 31, 2024 $**	Balances outstanding September 30, 2024 $
Meris Kott and 1060606 B.C Ltd	30,000	30,000	127,605	131,808
	30,000	30,000	**127,605**	131,808

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. Supplemental cash flow information

Changes in non-cash operating working capital during the three months ended December 31, 2024 and December 31, 2023 were comprised of the following:

	December 31, 2024	December 31, 2023
	$	$
Accounts payable and accrued liabilities	(28,679)	(37,358)
Net change	**(28,679)**	(37,358)

During the three months ended December 31, 2024 and December 31, 2023 there were no non-cash financing or operating activities, additionally, no amounts paid on account of interest or income taxes.

9. 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. As at December 31, 2024, the accrued interest on the Loan was $1,583 and the total loan payable was $18,287.

10. Financial risk management

Capital management

The Company is a merchant bank and considers items included in shareholders' equity (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 December 31, 2024 is comprised of shareholders' deficit of $540,424 (September 30, 2024 - $448,202). There were no changes to the Company's management of capital during the three months ended December 31, 2024.

The Company currently has no source of revenues except for interest received from convertible loans. 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.

10. Financial risk management (continued)

Financial instruments - fair value

The Company's financial instruments consist of cash, 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 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).

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's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments.

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.

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, the Company signed a 2-year, $2,000,000 convertible secured promissory note with Solo Beverage Company Inc., earning 12% interest and 20% warrant coverage based on Solo's $3,000,000 valuation, with a right of first refusal on future financings.

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 calculated 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).