STEEP HILL INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Steep Hill Inc.:

Opinion

We have audited the consolidated financial statements of Steep Hill Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024, and December 31, 2023, and the consolidated statements of income and comprehensive income, changes in shareholders' equity 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 December 31, 2024, and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had incurred a net loss and negative operating cash flow from continuing operations during the year ended December 31, 2024, and as of that date, the Company had an accumulated deficit. As stated in Note 1, this event or condition, along with other matters in Note 1, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the 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 other key audit matters to communicate in our report.

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Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Darren Rennie.

MNP LLP

Waterloo, Ontario — Chartered Professional Accountants

March 3, 2025 — Licensed Public Accountants

Steep Hill Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at December 31,	**Note**		**2024**		**2023**
Assets					
Current					
Cash	3,12	$	213,927	$	613,412
Term deposits	4		2,000,000		2,000,000
Prepaids			18,678		42,884
Accounts receivable and other	5,12		43,759		85,266
Total current assets			**2,276,364**		**2,741,562**
Non-current					
Property, plant and equipment	6		-		15,370
Total Assets		**$**	**2,276,364**	**$**	**2,756,932**
Liabilities					
Current					
Accounts payable and accrued liabilities	7,11,12	$	254,613	$	1,067,964
Income tax payable	12,14		3,949		19,254
Lease liability	8		-		18,555
Total liabilities			**258,562**		**1,105,773**
Shareholders' Equity					
Share capital	9		12,012,773		12,012,773
Reserves	10		104,660		359,324
Accumulated other comprehensive loss			(23,585)		(52,514)
Deficit			(10,076,046)		(10,668,424)
Total Shareholders' Equity			**2,017,802**		**1,651,159**
Total Liabilities and Equity		**$**	**2,276,364**	**$**	**2,756,932**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENT (Note 15)

Approved on behalf of the board of directors:

"Ian Morton"	*"Jane Wright-Mitchell"*
Director	Director

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

Steep Hill Inc.
Consolidated Statements of Income and Comprehensive Income
(Expressed in Canadian dollars)

For the years ended December 31,	Note		2024		2023
Expenses					
Amortization of property, plant and equipment	6	$	15,370	$	15,723
Amortization of intangible assets			-		915
Consulting fees	11		56,437		210,806
Director fees	11		-		30,000
Office and general expenses			76,350		78,649
Professional fees			44,545		95,164
Regulatory, filing and listing fees			22,861		27,427
Salaries and wages			2,929		68,026
Impairment of property, plant and equipment	6		-		2,688
Loss before other (expenses) income			**(218,492)**		**(529,398)**
Other (expenses) income					
Finance expense	8		(507)		(1,801)
Government assistance	3		-		10,000
Interest income			47,343		51,074
Gain on extinguishment of accounts payable and accrued liabilities	7		39,258		-
Foreign exchange (loss) gain			(71,711)		7,032
Net loss before income tax from continuing operations			**(204,109)**		**(463,093)**
Current income tax recovery			-		23,656
Net loss from continuing operations			**(204,109)**		**(439,437)**
Discontinued operations					
Net income from discontinued operations	12		**541,823**		**1,232,735**
Net income			**337,714**		**793,298**
Other comprehensive income					
Foreign currency translation adjustment from discontinued operations	12		28,929		15,522
Net income and comprehensive income		**$**	**366,643**	**$**	**808,820**
Weighted average number of shares outstanding - basic and diluted			**16,178,653**		**16,188,643**
Basic and diluted net (loss) income per share					
- Continuing operations		$	(0.01)	$	(0.03)
- Discontinued operations			0.03		0.08
Basic and diluted net income per share		**$**	**0.02**	**$**	**0.05**

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

Steep Hill Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	RESERVES Share Based Payments	RESERVES Warrants	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
Balance, December 31, 2023	**16,178,653**	**$ 12,012,773**	**$ 143,477**	**$ 215,847**	**$ (52,514)**	**$ (10,668,424)**	**$ 1,651,159**
Expired warrants (Note 10)	-	-	-	(215,847)	-	215,847	-
Expired options (Note 10)	-	-	(38,817)	-	-	38,817	-
Other comprehensive loss	-	-	-	-	28,929	-	28,929
Net loss from continuing operations	-	-	-	-	-	(204,109)	(204,109)
Net loss from discontinuing operations	-	-	-	-	-	541,823	541,823
Balance, December 31, 2024	**16,178,653**	**$ 12,012,773**	**$ 104,660**	**$ -**	**$ (23,585)**	**$ (10,076,046)**	**$ 2,017,802**
Balance, December 31, 2022	**16,189,640**	**$ 12,012,773**	**$ 1,555,400**	**$ 1,395,655**	**$ (68,036)**	**$ (14,053,453)**	**$ 842,339**
Expired warrants (Note 10)	-	-	-	(1,179,808)	-	1,179,808	-
Expired share-based compensation (Note 10)	-	-	(1,411,923)	-	-	1,411,923	-
Other comprehensive income	-	-	-	-	15,522	-	15,522
Returned to treasury (Note 9)	(10,987)	-	-	-	-	-	-
Net loss from continuing operations	-	-	-	-	-	(439,437)	(439,437)
Net income from discontinuing operations	-	-	-	-	-	1,232,735	1,232,735
Balance, December 31, 2023	**16,178,653**	**$ 12,012,773**	**$ 143,477**	**$ 215,847**	**$ (52,514)**	**$ (10,668,424)**	**$ 1,651,159**

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

Steep Hill Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended December 31,	Note	2024	2023
Operating activities			
Net income for the year		$ 337,714	$ 793,298
Net income from discontinued operation	12	541,823	1,232,735
Net loss from continuing operations		$ (204,109)	$ (439,437)
Non-cash items:			
Amortization of property, plant and equipment	6	15,370	15,723
Amortization of intangible assets		-	915
Impairment of property, plant and equipment	6	-	2,688
Government assistance		-	(10,000)
Finance expense	8	507	1,801
Gain on extinguishment of accounts payable and accrued liabilities	7	(39,258)	-
Foreign exchange loss (gain)		71,711	(7,032)
Changes in non-cash working capital items:			
Prepaids		24,206	(31,151)
Accounts receivable and other		41,507	563,874
Income tax payable		-	(4,402)
Accounts payable and accrued liabilities		(75,352)	(702,872)
Deferred revenue		-	(288,412)
Cash used in operating activities - continuing operations		(165,418)	(898,305)
Cash (used in) generated from operating activities - discontinuing operations		(216,043)	1,640,642
Cash (used in) generated from in operating activities		**(381,461)**	**742,337**
Investing activity			
Purchase of term deposits	4	-	(2,000,000)
Cash used in investing activity		**-**	**(2,000,000)**
Financing activities:			
Payments of lease liability	8	(19,062)	(23,216)
Repayment of CEBA loan		-	(30,000)
Cash used in financing activities		**(19,062)**	**(53,216)**
Decrease in cash during the year		**(400,523)**	**(1,310,879)**
Effects of exchange rate changes on cash - discontinuing operations		1,038	11,485
Cash, beginning of the year		**613,412**	**1,912,806**
Cash, end of the year		**$ 213,927**	**$ 613,412**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Steep Hill Inc. (the "Company" or "Steep Hill") (formerly Canbud Distribution Corporation) was incorporated under the *Canadian Business Corporations Act* on October 4, 2018. On February 28, 2022, the Company changed its name from Canbud Distribution Corporation to Steep Hill Inc. The Company is a publicly listed company on the Canada Securities Exchange ("CSE") and trades under the ticker symbol "STPH". The Company is domiciled in Canada and its registered office is located at 30 Commercial Road, East York, Ontario, M4G 1Z4.

The Company was incorporated to provide hemp-based science-backed differentiated products and services, including analytical testing services within the hemp and cannabis market sectors in Canada. In the beginning of January 2022, the Company began its operation in United States, through acquisition of Steep Hill, Inc. ("Steep Hill US"), a cannabis-science company focused on research and development, licensing, and consulting services in United States. In March 2023, the Company terminated all the licensing agreements in Steep Hill US and subsequently, shut down its operation. Consequently, the Company has no operations in Canada and US. The Company is actively evaluating various strategic alternatives that benefits all of its stakeholders.

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds to meet current and future obligations. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has not yet achieved profitable operations and incurred a net loss from continuing operations of $204,109 (2023 - $439,437) during the year ended December 31, 2024, and the Company has an accumulated deficit of $10,076,046 (2023 - $10,668,424). As at December 31, 2024, the Company has a working capital of $2,017,802 (2023 - $1,635,789) and for the year ended December 31, 2024, the cash flows used in operating activities from continuing operations was $165,418 (2023 - $898,305). These conditions along with whether, and when, the Company can attain profitability and positive cash flows from operations has material uncertainty, which may cast significant doubt upon the Company's ability to continue as going concern. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and by raising capital to fund its operations. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which differ from those shown in these consolidated financial statements.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB").

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 3, 2025.

2. BASIS OF PREPARATION (continued)

Basis of measurement
These consolidated financial statements have been prepared on the historical cost basis.

Basis of consolidation
These consolidated financial statements include the account of the Company and its subsidiary controlled by the Company from the date that control commenced until the date that control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and expose itself to the variable returns from the entity's activities.

The Company's only subsidiary is Steep Hill US in which 100% interest was acquired through an acquisition in January 2022. Steep Hill US was incorporated and registered in the state of Delaware, United States.

Intercompany balances, and any unrealized gains and losses or income and expenses arising from transactions with subsidiary, are eliminated in preparing these consolidated financial statements. Unrealized losses are eliminated to the extent of the gains, but only to the extent that there is no evidence of impairment.

Functional and presentation currency
The consolidated financial statements and the accompanying notes are presented in Canadian dollars, unless otherwise noted. The Company's functional currency (the currency of the primary economic environment in which the Company operates in) is Canadian dollars while the Company's subsidiary, Steep Hill US, functional currency is U.S. dollars.

Reverse share split
References in these consolidated financial statements to share amounts, per share data, share prices, exercise prices, and conversion rates have been adjusted to reflect the effect of the 1-for-15 reverse share split (known as a share consolidation under Canadian law) (the "share consolidation") which became effective on the CSE on December 8, 2023, the share consolidation did not include a change in ticker symbol. The term "share consolidation" is intended to refer to such reverse split and the terms "pre-consolidation" and "post-consolidation" are intended to refer to "pre-reverse split" and "post-reverse split", respectively. In accordance with IFRS, the share consolidation was applied retrospectively to all share and per share figures.

3. MATERIAL ACCOUNTING POLICIES

Cash

Cash of $213,927 (2023 - $613,412) consisted of cash held at reputable banking institutions.

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is measured at fair value, along with identifiable assets acquired, and liabilities and contingent liabilities assumed. Goodwill is initially measured at cost being the excess of the purchase consideration of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any gain on a bargain purchase is recognized directly in the statement of income and comprehensive income. Transaction costs are expensed as incurred.

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized when control of a good or services transferred to a customer. Control either transfers “over time” or “at a point in time”. When the control transfers “over time” the entity can recognize revenue with a counterpart in percentage of completion over the duration of the contract. When the control transfers “at a point in time” the revenue is then recognized only when the performance obligation is fulfilled. The Company will recognize the revenue upon satisfaction of following condition:

- All parties to the contract have approved the contract and are committed to perform their respective obligations;
- Each party’s rights in relation to the goods or services to be transferred can be identified;
- The payments can be identified;
- The contract has commercial substance (i.e., the entity expects the risks, timing or amount of the entity’s future cash flows to change as a result of the contract); and
- It is possible (i.e., more likely than not) that the entity will collect the consideration it is entitled to in exchange for the goods or services.

Licensing and royalty fees

The Company provided the right to access software licenses and licensed laboratory procedures (collectively the “Licensing fees”), which were not considered distinct from each other as the customer was unable to receive economic benefit from the utilization of the licensed procedures without using the software license. The Licensing fees for each relevant licensing agreement were recognized over the term of the respective license agreement from the effective date of the agreement. The Company also earned royalty fees once the licensees conducted their first commercial sale of a test, and customers were subject to a minimum royalty as defined in each agreement. The Company recognized the minimum royalty over the terms of the respective license agreement. Any additional sales-based or usage-based royalties in excess of this guaranteed minimum were recognized in the year that the sales/usage occurs. Advance payments in excess of revenue recognized were recorded as deferred revenue.

Unbilled amounts resulting from minimum royalty being recognized over time where the right to payment was not just subject to the passage of time were recognized as contract assets and included within accounts receivables and other. The licensing agreements giving rise to the Licensing fees were terminated during the year ended December 31, 2023.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is not recorded on property, plant and equipment that is not yet available for use. An asset’s residual value, useful life and depreciation method are reviewed on an annual basis and adjusted prospectively.

3. MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statements of income. Depreciation is calculated using the straight-line method over the useful life of property, plant and equipment. The useful life of the property, plant and equipment is as follows:

- Right-of-use assets: term of the lease with ranges from 3 - 6 years
- Production, processing and lab equipment: 2-8 years
- Office equipment, software and furniture: 3-5 years

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of that asset and reverse the impairment loss recognized in prior periods. The reversal of an impairment loss will not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

Leases

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

Leases are recognized as a right-of-use asset (“ROU”) and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments discounted using the Company’s incremental borrowing rate when the rate implicit in the lease is not readily available.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to the profit or loss using the effective interest rate method and payments are applied against the lease obligation over the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, or a change in the Company’s assessment of whether it will exercise a purchase, extension or termination option. Then there is a remeasurement, a corresponding adjustment is made to the carrying amount of the ROU or recorded in profit or loss if the ROU has been reduced to zero.

3. MATERIAL ACCOUNTING POLICIES (continued)

Share capital and warrants

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Company may incur various costs when issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Costs related to a planned equity offering not completed at the financial statement date are recorded as deferred financing costs until the offering is either completed or abandoned. The costs of an equity transaction that is abandoned are recognized as an expense.

Warrants

Warrants may be granted to third parties as partial compensation for services or issued to shareholders that are part of unit financing. Share purchase warrants are measured at the fair value of the equity instruments and are recognized as share issue costs with an offsetting credit as an increase to warrant reserve.

Upon exercise of share purchase warrants, the Company issues new shares. The associated fair value amount is reclassified from the warrant reserve to share capital. The proceeds received net of any directly attributable transaction costs are credited to share capital when the share purchase warrants are exercised.

The Company may modify the terms of the share purchase warrants originally granted. The Company has elected to recognize the changes in fair value of the warrants that result from the modification within equity. The fair value change is recorded as a reclassification within equity.

Valuation of equity units issued

When the Company issues equity units that include both common shares and share purchase warrants, the proceeds from the issuance of equity units is allocated between the common shares and common share purchase warrants on a pro-rated basis using the relative fair values of common shares and common share purchase warrants. The fair value of the common shares is determined using the share price at the date of the issuance of the units. The fair value of the share purchase warrants is determined using the Black-Scholes valuation model.

Share-based payments

The Company has an equity-settled share-based compensation plan for granting stock options to management, directors, and consultants. The Company recognizes compensation expense for this plan at fair value so that the fair value of each option grant is estimated on the date of the grant and amortized over the vesting year, with the resulting amortization credited to reserves. The Company uses the accelerated method (also referred to as graded vesting) for allocating stock option expense over the vesting year. Stock option expense incorporates an expected forfeiture rate. The forfeiture rate is based on expectations of future forfeitures rates. Adjustments are made if the actual forfeiture rate differs from the expected rate. The fair value of each grant is determined using the Black-Scholes option-pricing model. Consideration paid upon the exercise of stock options is recorded as share capital.

3. MATERIAL ACCOUNTING POLICIES (continued)

Government grant

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the government grants will be received. Grants are recognized as either income over the period(s) necessary to match them with the related costs or if related to a specific expense, as a reduction to the expenses for which they are intended to compensate, on a systematic basis. Grants receivable for costs already incurred or for immediate financial support, with no future related costs, are recognized as income in the period in which the grant is receivable.

If a grant becomes repayable, it is treated as a change in estimate. Where the original grant related to income, the repayment would be applied first against any related unamortized deferred credit, and any excess would be expensed. Where the original grant related to an asset, the repayment would be treated as increasing the carrying amount of the asset or reducing the deferred income balance. The cumulative depreciation which would have been charged had the grant not been received would be charged as an expense.

Government grants include wage subsidies under Canada Emergency Wage Subsidy (“CEWS”) program and the benefit of the below-market interest rate and partial loan forgiveness from the Canada Emergency Business Account (“CEBA”) loan. Government grants related to wages subsidies are presented in the consolidated statements of income and comprehensive income as a reduction of the corresponding operating expenses. CEBA loan forgiveness is presented as other income within net loss from continuing operations in the consolidated statements of income and comprehensive income.

Related party transactions

A related party is a person or entity that is related to the Company; that has control or joint control over the Company; that has significant influence over the Company; or is a member of the key management personnel of the Company.

An entity is related to a Company if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

A related party transaction is a transfer of resources, services or obligations between a Company, and a related party, regardless of whether a price is charged. All transactions with related parties are in the normal course of business and are measured at fair value.

Income taxes

Income tax expense comprise current and deferred taxes. Income taxes are recognized in the consolidated statements of income and comprehensive income except to the extent that it relates to items recognized directly in equity.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Income taxes

Deferred tax
The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences).

Deferred taxes are measured using the tax rates that are expected to be in effect when the temporary differences are likely to be reversed, based on the laws that have been enacted or substantively enacted by the reporting date. The effect on deferred tax assets and liabilities of a change in tax rates is included in earnings in the year in which the change is substantively enacted. The amount of deferred tax assets recognized is limited to the amount that is probable to be realized.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Current and prior year profit or loss from discontinued operations is presented separately in profit or loss. This amount is comprised of the post-tax profit or loss from discontinued operations and post-tax gain or loss on the measurement or disposal of an asset or disposal group classified as held for sale.

The prior year disclosures for discontinued operations represent all operations that have been discontinued by the reporting date for the latest period presented. If the Company ceases to classify a component as held for sale, the results of operations of the component previously presented as a discontinued operation is reclassified and included in income from continuing operations for all periods presented. See Note 12 for information on the Company’s discontinued operations.

Net income (loss) per share

Net income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted net income (loss) per share is calculated using the treasury stock method of calculating the weighted average number of common shares outstanding. The treasury stock method assumes that outstanding stock options and warrants with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the year. Total shares issuable from stock options and warrants were excluded from the computation of diluted loss per share because they were anti-dilutive for the years ended December 31, 2024 and 2023.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities at FVTPL, are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

	IFRS 9	
	Classification	**Measurement**
Financial assets		
Cash	Amortized cost	Amortized cost
Term deposits	Amortized cost	Amortized cost
Trade receivable and other	Amortized cost	Amortized cost
Interest receivable	Amortized cost	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. The Company has made the following classifications:

(i) FVTPL financial assets
Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statements of income and comprehensive income. Transaction costs are expensed as incurred.

(ii) Amortized cost financial assets
Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is initially measured at fair value, including transaction costs and subsequently at amortized cost.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of income and comprehensive income. With the exception of FVOCI equity instruments, if, in a subsequent period, the amount of impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of income and comprehensive income.

(iv) Financial liabilities and other financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. Financial liabilities at FVTPL are stated at fair value, with changes being recognized through the consolidated statements of income and comprehensive income. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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 Company derecognizes financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes 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 derecognition are generally recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 – Financial Instruments introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The simplified ECL impairment model had resulted in a provision of ECL recorded on the Company’s consolidated statements of income and comprehensive income.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

3. MATERIAL ACCOUNTING POLICIES (continued)

Significant Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

The estimates and underlying assumptions are based on current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows:

Expected credit losses
The Company applies the simplified approach as permitted by IFRS 9 for the expected credit loss (“ECL”) associated with financial assets. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. The estimate of expected credit losses is based on historical information, adjusted for forecasts of future economic conditions and may differ from actual results.

Estimated useful lives and amortization of long-lived assets
Depreciation of property, plant and equipment and intangible assets are dependent upon estimates of useful lives which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

Impairment of long-lived assets
Long-lived assets, including property, plant and equipment, and intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously. The Company applies judgment when determining the CGU in which the non-financial asset(s) belong and in estimating the recoverable amount of the asset or CGU.

Share-based compensation
In calculating share-based compensation expense, key estimates such as the rate of forfeiture of awards granted, the expected life of options, the volatility and the risk-free interest rate used.

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

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Going concern
The Company's ability to execute its strategy by funding future working capital requirements requires significant judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Discontinued operations
The Company applies judgment in assessing whether the criterion for discontinued operations is met, specifically whether the operations represent a separate major line of business or geographic area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Changes in accounting policies and disclosures
There was no new standards effective January 1, 2024 that impacted these consolidated financial statements.

Recent accounting pronouncements and changes in accounting policies
The following new standards and amendments are not yet effective and have not been applied in preparing these consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements
IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses – operating, investing or financing – to improve the structure of the consolidated statements of income and comprehensive income, and require all companies to provide new defined subtotals, including operating profit;
2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the consolidated statements of income and comprehensive income; and
3. Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company is currently evaluating the impact of the above amendments on its consolidated financial statements.

4. TERM DEPOSITS

Term deposits of $2,000,000 (2023 - $2,000,000) are held at a reputable banking institution, bearing interest of 2.25% per annum and have a term of 12 months, and are redeemable on demand.

5. ACCOUNTS RECEIVABLE AND OTHER

As at December 31,		**2024**		**2023**
Trade receivable and other receivable	**$**	**-**	$	281
Interest receivable		**35,138**		42,945
Harmonized Sales Tax recoverable		**8,621**		42,040
Total	**$**	**43,759**	$	85,266

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets			
	Office lease	Production, processing and lab equipment	Office equipment, software and furniture	Total
Cost				
Balance, December 31, 2022	$ 76,859	$ 2,688	$ 3,553	$ 83,100
Impairment during the year	-	(2,688)	-	(2,688)
Balance, December 31, 2023	$ 76,859	$ -	$ 3,553	$ 80,412
Expiry of office lease	(76,859)	-	-	(76,859)
Balance, December 31, 2024	**$ -**	**$ -**	**$ 3,553**	**$ 3,553**
Accumulated amortization				
Balance, December 31, 2022	$ 46,117	$ -	$ 3,202	$ 49,319
Additions during the year	15,372	-	351	15,723
Balance, December 31, 2023	$ 61,489	$ -	$ 3,553	$ 65,042
Additions during the year	15,370	-	-	15,370
Expiry of office lease	(76,859)	-	-	(76,859)
Balance, December 31, 2024	**$ -**	**$ -**	**$ 3,553**	**$ 3,553**
Net book value				
Balance, December 31, 2022	**$ 30,742**	**$ 2,688**	**$ 351**	**$ 33,781**
Balance, December 31, 2023	**$ 15,370**	**$ -**	**$ -**	**$ 15,370**
Balance, December 31, 2024	**$ -**	**$ -**	**$ -**	**$ -**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	**2024**	**2023**
Accounts payable (i)	$ **225,143**	$ 970,526
Accrued liabilities	**29,470**	97,438
Total	$ **254,613**	$ 1,067,964

(i) During the year ended December 31, 2024, the Company recognized a gain of $39,258 (2023 - $Nil) on the extinguishment of accounts payable and accrued liabilities, in connection with certain former holders of common shares of Steep Hill US. The gain has been included in other income within net loss from continued operation.

8. LEASE LIABILITY

Office lease

The Company leased an office space in Mississauga, Ontario, which commenced on January 1, 2020 for a term of five years. The Company's incremental rate at the commencement of the lease was 6%.

(Expressed in Canadian dollars)

8. LEASE LIABILITY (continued)

The following is a continuity schedule for leases:

As at December 31,		**2024**		**2023**
Balance, beginning of the year	$	**18,555**	$	39,970
Interest lease expense		**507**		1,801
Lease payments		**(19,062)**		(23,216)
Balance, end of the year	**$**	**-**	$	18,555

The future minimum lease payments due are as follows:

As at December 31,		**2024**		**2023**
No more than a year	$	**-**	$	19,070
1-5 years		**-**		-
Total future minimum lease payments		**-**		19,070
Less: amount representing interest		**-**		(515)
Present value of minimum lease payments		**-**		18,555
Less: current portion		**-**		(18,555)
Non-current portion	**$**	**-**	$	-

Lease payments not recognised as a liability
The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

9. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares.

	Number of shares		**Amount**
Balance, December 31, 2022	**16,189,640**	**$**	**12,012,773**
Returned to treasury (i)	(10,987)		-
Balance, December 31, 2023 and 2024	**16,178,653**	**$**	**12,012,773**

(i) In 2023, the Company's former shareholders transferred a total of 10,600 shares to the Company without any repayment of capital or consideration. In addition, in connection with the share consolidation carried out, 387 shares were cancelled. These shares represented the fractional remainder of the pre-consolidation shares outstanding where a given shareholder's common shares held were not evenly divisible by the share consolidation basis (15:1) in determining the post-consolidation shares outstanding.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

Net (loss) income per share

Basic net (loss) income per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of shares outstanding, made up of common shares. Diluted net (loss) income per share is calculated by adjusting the income (loss) for the year and number of shares for the effects of dilutive options and other dilutive potential ordinary shares. However, there were no options, warrants or financial instruments with dilutive potential ordinary shares as at December 31, 2024 (2023 – Nil). Thus, the diluted net (loss) income per share was the same as the calculated basic net income (loss) per share.

The weighted average number of shares outstanding used in the computation of net (loss) income per share for the year ended December 31, 2024 was 16,178,653 (2023 – 16,188,643).

For the years ended December 31,		**2024**		**2023**
Loss from continuing operations	$	(204,109)	$	(439,437)
Income from discontinued operations	$	541,823	$	1,232,735
Basic and diluted net (loss) income per share				
- Continuing operations	**$**	**(0.01)**	**$**	**(0.03)**
- Discontinued operations		**0.03**		**0.08**
Total basic and diluted net income per share	**$**	**0.02**	**$**	**0.05**

10. RESERVES

Reserves include (i) the accumulated fair value of stock options recognized as share-based compensation, and (ii) the fair value of warrants issued in private placements and for share issue costs. Reserves are increased by the fair value of these items as they vest and are reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled.

SHARE-BASED COMPENSATION

The Company has a common share 20% Rolling Plan (the "Plan") for designated directors, officers, employees, and consultants. Pursuant to the Plan, option awards are recommended by the Compensation Committee of the Board and then reviewed by the Board of Directors. Under the Plan, options on common shares may be issued for up to a cumulative amount that may not exceed 10% of shares outstanding at any given time.

The following table summarizes the continuity of stock options:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2022	**1,568,400**	**1.65**
Expired (i)	(1,354,733)	1.63
Outstanding, December 31, 2023	**213,667**	**1.38**
Expired (i)	(30,000)	1.69
Outstanding, December 31, 2024	**183,667**	**1.34**

(i) During the year ended December 31, 2024, 30,000 (2023 - 1,354,733) options expired as a result of the option holders no longer holding an active position within the Company. As a result, these options have been reclassified from share-based payments reserve to deficit within the consolidated statements of changes in shareholders' equity.

(Expressed in Canadian dollars)

10. RESERVES (continued)

The following stock options are outstanding and exercisable as at December 31, 2024:

Options outstanding and exercisable			
Exercise price $	Number of Options	Remaining contractual life in years	Weighted average exercise price $
1.88	13,333	0.90	0.14
1.50	53,667	1.59	0.44
1.20	116,667	0.34	0.76
	183,667	**0.75**	**1.34**

WARRANTS
Warrant activity is presented below:

	Number of warrants	Weighted average exercise price $
Outstanding, December 31, 2022	**2,975,366**	**3.45**
Expired	(2,711,446)	2.40
Outstanding, December 31, 2023	**263,920**	**4.50**
Expired	(263,920)	4.50
Outstanding, December 31, 2024	**-**	**-**

11. RELATED PARTY TRANSACTIONS

Compensation awarded to key management personnel
The Company has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel and the Board of Directors in the continued and discontinued operations are as follows:

For the years ended December 31,		2024		2023
Salaries, benefits and consulting fees	$	161,208	$	521,381
Director fees		-		30,000
	$	**161,208**	$	**551,381**

As of December 31, 2024, the Company had $44,805 (2023 - $136,930) of unpaid consulting fees to key management personnel included in accounts payable and accrued liabilities.

During the year ended December 31, 2024, the Company incurred document storage fees of $12,000 (2023 - $30,000) and consulting fees of $42,750 (2023 - $174,713) from Summerhill Group Inc (“SGI”). SGI is a company in which the Company’s Chairman and director, Ian Morton, is the majority shareholder.

During the year ended December 31, 2024, the Company incurred consulting fees of $Nil (2023 - $16,087) from Eco Generation Home Services Inc. (“EGHS”). EGHS is a company in which Ian Morton has a 100% ownership interest.

(Expressed in Canadian dollars)

12. DISCONTINUED OPERATIONS

Steep Hill US

In March 2023, the Company, through Steep Hill, Inc., entered into settlement and release agreements with various licensees to terminate the license agreements (the "settlement agreements") in effect and settled for a combined termination fees of $2,724,748 (US$2,014,452). Following the settlement agreements, the Company determined that Steep Hill, Inc.'s operations was no longer commercially sustainable and decided to cease its US operations. Accordingly, the operating results and operating cash flows for the previously reported subsidiary are presented as discontinued operations separate from the Company's continuing operations.

As the operations have been discontinued through abandonment, the assets and liabilities of the discontinued operations have not been reclassified on the consolidated statements of financial position as at December 31, 2024 and 2023.

The assets and liabilities of the discontinued operations are as follows:

As at December 31,		2024		2023
Assets				
Cash	$	48,522	$	58,741
Accounts receivable and other		-		281
Total assets of discontinued operations	**$**	**48,522**	**$**	**59,022**
Liabilities				
Accounts payable and accrued liabilities	$	169,079	$	867,819
Income tax payable		3,949		19,254
Total liabilities of discontinued operations	**$**	**173,028**	**$**	**887,073**

Net income of the discontinued operations is as follows:

For the years ended December 31,		2024		2023
Revenue	$	-	$	99,216
Expenses				
Allowance for expected credit recovery		-		(235)
Consulting, salaries and wages		7,678		842,824
Office and general (recovery) expenses		(65,446)		103,372
Professional fees		16,890		203,776
Impairment of intangible assets and goodwill		-		408,142
Loss before other income		40,878		(1,458,663)
Other income (expense)				
Other income (i)		-		2,724,748
Gain on extinguishment of accounts payable and accrued liabilities (ii)		504,723		432,064
Litigation settlement (iii)		-		(446,160)
Net income before income tax from discontinued operations		545,601		1,251,989
Current income tax expense		(3,778)		(19,254)
Net income from discontinued operations		541,823		1,232,735
Other comprehensive (income)				
Foreign currency translation adjustment		28,929		15,522
Net income and comprehensive income from discontinued operations	**$**	**570,752**	**$**	**1,248,257**

(Expressed in Canadian dollars)

12. DISCONTINUED OPERATIONS (continued)

(i) In March 2023, the Company received total proceeds of $2,724,748 (US$2,014,452) in connection with the settlement agreements from the licensees, which has been included in other income within net income from discontinued operations for the year ended December 31, 2023. Of this balance $256,614 was previously recognized as a contract liability prior to termination and subsequently recognized in other income within net income from discontinued operations for the year, on termination of the licenses. An impairment loss of $408,142 corresponding with the carrying value of the intangible assets (brand and customer relationships) associated with the licenses terminated has been recognized in impairment of intangible assets and goodwill within net income from discontinued operations for the year ended December 31, 2023.

(ii) During the year ended December 31, 2024, the Company recognized a gain on extinguishment of accounts payable and accrued liabilities in the amount of $504,723 (2023 - $432,064), which has been included in other income within net income from discontinued operations.

(iii) In January 2022, a Steep Hill US's former officer (the "former officer") filed a complaint seeking indemnification of legal fees and costs incurred of approximately US$900,000 in connection with a previously filed complaint ("initial complaint") brought by the former officer. The stipulation and order of dismissal of the initial complaint was granted by the Court of Chancery of the State of Delaware in April 2022. In September 2023, the Company and the former officer reached a settlement in the amount of $446,160 (US$330,000) which resolves the initial complaint and releases all claims between the parties, which has been included in litigation settlement within net income from discontinued operations for the year ended December 31, 2023.

Net cashflows from discontinued operations:

For the years ended December 31,	**2024**	**2023**
Cash (used in) generated from operating activities - discontinued operations	$ (216,042)	$ 1,640,642

13. FINANCIAL RISK MANAGEMENT

The Company's objective is to maintain sufficient capital to maintain investor, creditor and customer confidence and to sustain future development of the business and to provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management. The Company has not paid any dividends to its shareholders. The Company is not subject to any externally imposed capital requirements.

As at December 31, 2024, the Company's total managed capital comprised of $2,017,802 (2023 - $1,651,159). There were no changes in the Company's approach to capital management during the year.

(a) Fair value
Financial instruments included in the consolidated statement of financial position as at December 31, 2024 and 2023 consist of cash, term deposits, accounts receivable and other, and accounts payables and accrued liabilities with year-end carrying amounts which approximates their respective fair values.

(b) Interest rate risk
The Company does not have any debts or borrowings from any banks or institutional lenders as at December 31, 2024.

13. FINANCIAL RISK MANAGEMENT (continued)

(c) Currency risk
As the Company operated in the United States (U.S.) during the year, some of the company's assets, liabilities, and transactions are denominated in United States funds. Fluctuation in the exchange rates between the U.S. dollar and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations.

As at December 31, 2024, the Company had net monetary liability denominated in U.S. funds of approximately $124,506 (US$86,528). Based upon the balance as at December 31, 2024, an increase of 15% in the U.S. to Canadian dollar exchange would result in an increase in the net loss and comprehensive loss of $12,450, and a reduction of 15% would result in a decrease in the net loss and comprehensive loss of $12,450. Management believes that it is not likely, but it is possible that the exchange rate could fluctuate by more than 15% within the next 12 months.

(d) Credit risk
Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash, term deposits and trade receivables and other. All of the Company's cash and term deposits are held at financial institutions which are Canadian Chartered Banks in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

As at December 31, 2024, the aggregate credit risk exposure related to trade and other receivables was $Nil (2023 - $Nil).

(e) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset.

The Company manages the liquidity risk resulting from accounts payable and accrued liabilities by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to meet its obligations as they come due.

The Company has the following undiscounted contractual obligations as at December 31, 2024 and 2023, which are expected to be payable in the following respective periods:

December 31, 2024	Within 1 year	Over 1 year	Total
Accounts payable and accrued liabilities	254,613	–	254,613

December 31, 2023	Within 1 year	Over 1 year	Total
Accounts payable and accrued liabilities	1,067,964	–	1,067,964
Lease liability	19,070	–	19,070
Total	1,087,034	–	1,087,034

(Expressed in Canadian dollars)

13. FINANCIAL RISK MANAGEMENT (continued)

As of December 31, 2024, the Company had cash of $213,927 (2023 - $613,412), term deposits of $2,000,000 (2023 - $2,000,000) and total equity attributable to the equity holders of the Company of $2,017,802 (2023 - $1,651,159). The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting, and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. There are no externally imposed capital requirements to which the Company has not complied.

14. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the basic tax rates to net income (loss) from operations before income taxes, shown as follows:

		December 31, 2024		December 31, 2023
Net loss before tax	**$**	**(204,109)**	**$**	**(463,093)**
Expected tax rate		**26.50%**		**26.50%**
Expected tax benefit resulting from loss	$	(54,089)	$	(122,720)
Permanent differences		23		86
Effect of losses not recognized and other deductible temporary differences not recognized		38,662		122,853
True up		15,403		(157)
Other		-		(23,718)
Income tax expense (recovery) – continuing operations	**$**	**-**	**$**	**(23,656)**
Current income tax expense (recovery)	$	-	$	(4,402)
Deferred tax recovery		-		-
Income tax expense (recovery)	**$**	**-**	**$**	**(4,402)**

Deferred taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have been recognized for accounting purposes:

		December 31, 2024		December 31, 2023
Deferred tax asset	$	19,644	$	13,836
Deferred tax liability		(19,644)		(13,836)
Net deferred tax liability	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year are as follows:

		December 31 2023		Recognized in profit and loss		December 31 2024
Deferred tax asset						
Capital loss carryforward	$	9,763	$	9,881	$	19,644
Lease liability		4,073		(4,073)		-
		13,836		5,808		19,644
Deferred tax liability						
Right of use assets		(4,073)		4,073		-
Unrealized foreign exchange gain on intercompany loans		(9,763)		(9,881)		(19,644)
		(13,836)		(5,808)		(19,644)
Net deferred tax liability	**$**	**-**	**$**	**-**	**$**	**-**

The deductible temporary differences and unused tax losses for which no deferred tax asset is recognized, are approximately as follows:

		December 31, 2024		December 31, 2023
Property, plant and equipment	$	507	$	507
Non-capital loss carryforward - Canada		6,186,390		6,072,990
Net operating loss carryforward - US		36,190,705		33,587,932
Capital loss carryforward		506,947		581,515
Share issuance costs		38,477		77,595
Other		-		18,683
Total	**$**	**42,923,026**	**$**	**40,339,222**

The Company has the following Canadian Non-Capital Losses, the benefits of which has not been recognized on the consolidated financial statements, which expire as follows:

2038	$	12
2039		488,240
2040		1,100,217
2041		2,985,075
2042		926,279
2043		515,041
2044		171,526
	$	**6,186,390**

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

The Company has the following US Net Operating Losses, the benefits of which has not been recognized on the consolidated financial statements, which expire as follows:

2034	$	906,352
2035		44,884
2036		44,884
2037		44,884
Indefinite		35,149,701
	$	**36,190,705**

15. SUBSEQUENT EVENT

On February 12, 2025, the Company entered into a share purchase agreement (the “Purchase Agreement”), with a number of arm's length vendors (the "Vendors") to acquire (the "Acquisition") 100% of the issued and outstanding shares of Lir Life Sciences Inc. ("Lir") in consideration for an aggregate of 136,054,422 common shares of the Company (the "Consideration Shares") at a deemed price of $0.147 per Consideration Share.

The Acquisition will represent a reverse take-over of the Company. Under the terms of the Purchase Agreement, the Vendors will acquire 100% of the issued and outstanding shares of Lir in consideration for an aggregate of 136,054,422 common shares of the Company. Under the terms of the Purchase Agreement, Lir will be required to complete an equity financing for proceeds of at least $1,000,000 concurrently with the closing of the Acquisition (the "Concurrent Financing"), and the Company's shares will be consolidated on a 3-for-1 basis immediately following completion of the Acquisition and Concurrent Financing.