



**STEEP HILL INC. (FORMERLY CANBUD DISTRIBUTION CORPORATION)**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023*  
*(Expressed in Canadian Dollars)*

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada.

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

<b>As at</b>	<b>Note</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>			
<i>Current</i>			
Cash		\$ 470,082	\$ 613,412
Term deposits	4	2,000,000	2,000,000
Prepays		14,222	42,884
Accounts receivable and other	5	36,585	85,266
<b>Total current assets</b>		<b>2,520,889</b>	<b>2,741,562</b>
<i>Non-current</i>			
Property, plant and equipment	6	11,527	15,370
<b>Total assets</b>		<b>\$ 2,532,416</b>	<b>\$ 2,756,932</b>
<b>Liabilities</b>			
<i>Current</i>			
Accounts payable and accrued liabilities	8	\$ 1,028,747	\$ 1,067,964
Income tax payable		-	19,254
Lease liability	9	13,602	18,555
<b>Total liabilities</b>		<b>1,042,349</b>	<b>1,105,773</b>
<b>Shareholders' Equity</b>			
Share Capital	10	12,012,773	12,012,773
Reserves	11	359,324	359,324
Accumulated other comprehensive loss		(56,609)	(52,514)
Deficit		(10,825,421)	(10,668,424)
<b>Total Shareholders' Equity</b>		<b>1,490,067</b>	<b>1,651,159</b>
<b>Total liabilities and Equity</b>		<b>\$ 2,532,416</b>	<b>\$ 2,756,932</b>

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**

Approved on behalf of the board of directors:

"Ian Morton"  
Director

"Anthony Viele"  
Director

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

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

For the three months ended March 31,				
	Notes	2024		2023
<b>Expenses</b>				
Amortization of property, plant and equipment	6	\$ 3,843	\$	4,052
Amortization of intangible assets	7	-		114
Consulting fees	12	67,470		51,677
Director fees	12	-		12,000
Office and general expenses		24,072		25,458
Professional fees		9,158		10,185
Regulatory, filing and listing fees		3,928		3,720
Salaries and wages		12,037		59,778
Impairment of property, plant and equipment	6	-		2,688
Loss before other (expenses) income		<b>(120,508)</b>		<b>(169,672)</b>
Other (expenses) income				
Finance expense	9	-		(451)
Interest income		13,191		-
Foreign exchange (loss) gain		(16,234)		27,041
<b>Net loss from continuing operations</b>		<b>(123,551)</b>		<b>(143,082)</b>
<b>Discontinued operations</b>				
(Loss) income from discontinued operations - Steep Hill US	13	(33,446)		2,155,516
<b>Net (loss) income for the period</b>		<b>(156,997)</b>		<b>2,012,434</b>
<b>Other comprehensive (loss) income</b>				
(Loss) income on translation of discontinued operations - Steep Hill US		(4,095)		668
<b>Total (loss) income and comprehensive (loss) income</b>		<b>\$ (161,092)</b>	<b>\$</b>	<b>2,013,102</b>
Weighted average number of shares outstanding				
- basic and diluted		<b>16,179,040</b>		<b>15,784,224</b>
<b>Basic and diluted net (loss) income per share</b>				
- Continuing operations		\$ (0.01)	\$	(0.01)
- Discontinued operations		(0.00)		0.14
<b>Basic and diluted net (loss) income per share</b>		<b>\$ (0.01)</b>	<b>\$</b>	<b>0.13</b>

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

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

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	Number of shares	Share capital	RESERVES		Accumulated Other Comprehensive income (loss)	Deficit	Total shareholders' equity
			Share based payments	Warrants			
<b>Balance, December 31, 2023</b>	<b>16,179,040</b>	<b>\$ 12,012,773</b>	<b>\$ 143,477</b>	<b>\$ 215,847</b>	<b>\$ (52,514)</b>	<b>\$ (10,668,424)</b>	<b>\$ 1,651,159</b>
Other comprehensive loss	-	-	-	-	(4,095)	-	(4,095)
Net loss from continuing operations	-	-	-	-	-	(123,551)	(123,551)
Net loss from discontinuing operations	-	-	-	-	-	(33,446)	(33,446)
<b>Balance, March 31, 2024</b>	<b>16,179,040</b>	<b>\$ 12,012,773</b>	<b>\$ 143,477</b>	<b>\$ 215,847</b>	<b>\$ (56,609)</b>	<b>\$ (10,825,421)</b>	<b>\$ 1,490,067</b>
<b>Balance, December 31, 2022</b>	<b>16,189,253</b>	<b>\$ 12,012,773</b>	<b>\$ 1,555,400</b>	<b>\$ 1,395,655.00</b>	<b>\$ (68,036)</b>	<b>\$ (14,053,453)</b>	<b>\$ 842,339</b>
Expired options (Note 11)	-	-	(1,411,923)	-	-	1,411,923	-
Net loss from continuing operations	-	-	-	-	-	(143,082)	(143,082)
Net income from discontinuing operations	-	-	-	-	668	2,155,516	2,156,184
<b>Balance, March 31, 2023</b>	<b>16,189,253</b>	<b>\$ 12,012,773</b>	<b>\$ 143,477</b>	<b>\$ 1,395,655</b>	<b>\$ (67,368)</b>	<b>\$ (10,629,096)</b>	<b>\$ 2,855,441</b>

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

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

		For the three months ended March 31,	
		2024	2023
<b>Operating activities</b>			
Net (loss) income for the period		\$ (156,997)	\$ 2,012,434
Net (loss) income from discontinued operation	13	(33,446)	2,155,516
Net loss from continuing operation		\$ (123,551)	\$ (143,082)
Non-cash items:			
Amortization of property, plant and equipment	6	3,843	4,052
Amortization of intangible assets	7	-	114
Finance expense	9	-	451
Foreign exchange gain		16,234	(2,051)
Changes in non-cash working capital items:			
Prepays		28,662	(15,000)
Accounts receivable and other	5	48,681	(13,490)
Accounts payable and accrued liabilities	8	(102,568)	(62,877)
Cash used in operating activities - continuing operations		(128,699)	(231,883)
Cash (used in) generated from operating activities - discontinuing operations		(5,174)	2,146,731
<b>Cash (used in) generated from in operating activities</b>		<b>(133,873)</b>	<b>1,914,848</b>
<b>Investing activities</b>			
Purchase of term deposits	3	-	(2,000,000)
<b>Cash used in investing activities</b>		<b>-</b>	<b>(2,000,000)</b>
<b>Financing activities:</b>			
Payments of lease liability	11	(5,201)	(3,944)
<b>Cash used in financing activities</b>		<b>(5,201)</b>	<b>(3,944)</b>
<b>Decrease in cash during the period</b>		<b>(139,074)</b>	<b>(89,096)</b>
Effects of exchange rate changes on cash - discontinuing operations		(4,256)	-
<b>Cash, beginning of the period</b>		<b>613,412</b>	<b>1,912,806</b>
<b>Cash, end of the period</b>		<b>\$ 470,082</b>	<b>\$ 1,823,710</b>

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

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**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023****(Expressed in Canadian dollars)**

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**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 January 2022, the Company began its operation in United States, through acquisition of Steep Hill, Inc., 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, Inc. 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 will benefit its stakeholders.

These condensed interim 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 \$156,997 (2023 - \$143,082) during the three months ended March 31, 2024 and the Company has an accumulated deficit of \$10,825,421 (2023 - \$10,668,424). As at March 31, 2024, the Company has a working capital of \$1,478,540 (2023 - \$1,635,789) and cash flows used in operating activities from continuing operations for the three months ended March 31, 2024 was \$128,699 (2023 - \$231,883). 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 condensed interim 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 condensed interim consolidated financial statements.

**2. BASIS OF PREPARATION****Statement of Compliance**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and do not include all the information required for full annual consolidated financial statements required by IFRS as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023****(Expressed in Canadian dollars)**

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These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2023. These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on May 30, 2024.

**2. BASIS OF PREPARATION (continued)****Basis of measurement**

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain investments measured at fair value.

**Basis of consolidation**

These condensed interim 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 Inc., in which 100% interest was acquired through an acquisition completed on January 31, 2022.

Intercompany balances, and any unrealized gains and losses or income and expenses arising from transactions with subsidiary, are eliminated in preparing these condensed interim 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 condensed interim 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 condensed interim 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**

The material accounting policies followed in the condensed interim consolidated financial statements for the three months ended March 31, 2024 are consistent with those applied in the Company's audited condensed interim consolidated financial statements for the year ended December 31, 2023.

#### **Significant Estimates and Judgments**

The preparation of these condensed interim 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 condensed interim 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 condensed interim 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 condensed interim consolidated financial statements are described as follows:

#### *Business combination*

In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of the equity issued, assets acquired, and liabilities assumed. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

The estimate of fair value of the acquired property, plant and equipment assumed at the date of acquisition as well as the useful lives of the acquired property, plant and equipment are based on assumptions estimating the fair value of these items. The fair value of property, plant and equipment recognized in a business combination is based on Fair Market Value -In Use ("FMV-In Use").

The FMV-In Use of the property, plant and equipment is the estimated amount for which property, plant and equipment would change hands on the acquisition date between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. See Note 4 – Business Acquisition.



**3. MATERIAL ACCOUNTING POLICIES (continued)**

*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.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, discount rate, forecasts, and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

*Incremental borrowing rate and lease term on leases*

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

*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 income 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.

*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.

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**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023**  
(Expressed in Canadian dollars)

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**3. MATERIAL ACCOUNTING POLICIES (continued)***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.

*Accounting standards issued but not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the current year and have not been early adopted as follows. The Company is reviewing the new standards but does not expect their future adoption to have a material impact on the Company in the current or future reporting years.

*Amendments to IAS 1 – Covenants*

The amendment that clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company does not expect to have a material impact as a result of the adoption of the amendment.

*Amendments to IAS 16 – Leases*

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15: Revenue to be accounted for as a sale. The amendment is effective for annual period beginning on or after January 1, 2024. The Company does not expect to have a material impact as a result of the adoption of the amendment.

**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**

	March 31, 2024	December 31, 2023
Trade receivable and other receivable	\$ -	\$ 281
Interest receivable	1,233	42,945
Harmonized Sales Tax recoverable	35,352	42,945
Total	\$ 36,585	\$ 85,266

## Steep Hill Inc.

### Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023

(Expressed in Canadian dollars)

#### 6. PROPERTY, PLANT AND EQUIPMENT

	<u>Right-of-use assets</u>					
	Office lease		Production, processing and lab equipment		Office equipment, software and furniture	Total
<b>Cost</b>						
Balance, December 31, 2022	\$ 76,859	\$	2,688	\$	3,553	\$ 83,100
Impairment during the year	-		(2,688)		-	(2,688)
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>\$ 76,859</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>3,553</b>	<b>\$ 80,412</b>
<b>Accumulated amortization</b>						
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 period	3,843		-		-	3,843
<b>Balance, March 31, 2024</b>	<b>\$ 126,821</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>3,553</b>	<b>\$ 68,885</b>
<b>Net book value</b>						
<b>Balance, December 31, 2022</b>	<b>\$ 30,742</b>	<b>\$</b>	<b>2,688</b>	<b>\$</b>	<b>351</b>	<b>\$ 33,781</b>
<b>Balance, December 31, 2023</b>	<b>\$ 15,370</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 15,370</b>
<b>Balance, March 31, 2024</b>	<b>-\$ 49,962</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 11,527</b>

#### 7. INTANGIBLE ASSETS

	Brand and Customer relationships		IT Platform development and website		Total Intangible assets
<b>Cost</b>					
Balance December 31, 2022	490,691		2,292		519,233
Transferred to discontinued operation	(407,560)		-		(407,560)
<b>Balance December 31, 2023 and March 31, 2024</b>	<b>\$ 83,131</b>	<b>\$</b>	<b>2,292</b>	<b>\$</b>	<b>111,673</b>
<b>Accumulated amortization</b>					
Balance December 31, 2022	83,131		1,377		110,758
Additions during the year	-		915		915
<b>Balance December 31, 2023 and March 31, 2024</b>	<b>\$ 83,131</b>	<b>\$</b>	<b>2,292</b>	<b>\$</b>	<b>111,673</b>
<b>Net book value</b>					
<b>Balance December 31, 2022</b>	<b>\$ 407,560</b>	<b>\$</b>	<b>915</b>	<b>\$</b>	<b>408,475</b>
<b>Balance December 31, 2023 and March 31, 2024</b>	<b>\$ -</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2024	December 31, 2023
Accounts payable	\$ 858,798	\$ 970,526
Accrued liabilities	169,949	97,438
<b>Total</b>	<b>\$ 1,028,747</b>	<b>\$ 1,067,964</b>

**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023**  
(Expressed in Canadian dollars)**9. LEASE LIABILITY***Office leases*

The Company leases an office space in Mississauga, Ontario, which commenced on January 1, 2020 for a term of five years.

The Company's incremental rates at the commencement of the above leases range from 4% - 10%.

The following is a continuity schedule for leases:

As at	March 31, 2024	December 31, 2023
Balance, beginning of the period/year	\$ 18,555	\$ 39,970
Interest lease expense	248	1,801
Lease payments	(5,201)	(23,216)
<b>Balance, end of the period/year</b>	<b>\$ 13,602</b>	<b>\$ 18,555</b>

The future minimum lease payments due are as follows:

	March 31, 2024	December 31, 2023
No more than a year	\$ 13,869	\$ 19,070
1-5 years	-	-
<b>Total future minimum lease payments</b>	<b>13,869</b>	<b>19,070</b>
Less: amount representing interest	(267)	(515)
Present value of minimum lease payments	13,602	18,555
<b>Less: current portion</b>	<b>(13,602)</b>	<b>(18,555)</b>
<b>Non-current portion</b>	<b>\$ -</b>	<b>\$ -</b>

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.

**10. SHARE CAPITAL**

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

	Number of shares	Amount
<b>Balance, December 31, 2022</b>	<b>16,189,640</b>	<b>\$ 12,012,773</b>
Returned to treasury <sup>(i), (ii)</sup>	(10,987)	-
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>16,189,640</b>	<b>\$ 12,012,773</b>

(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.

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**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023**  
(Expressed in Canadian dollars)

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**10. SHARE CAPITAL (continued)**

- (ii) In 2023, 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.

*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 March 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 three months ended March 31, 2024 was 16,189,640 (2023 – 15,784,224).

For the three months ended March 31,	2024		2023	
Loss from continuing operations	\$	(123,551)	\$	(143,082)
Loss (income) from discontinued operations	\$	(33,446)	\$	2,155,516
Basic and diluted net (loss) income per share				
- Continuing operations	\$	(0.01)	\$	(0.01)
- Discontinued operations		(0.00)		0.14
Total basic and diluted net (loss) income per share	\$	(0.01)	\$	0.13

**11. 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 \$
<b>Outstanding, December 31, 2022</b>	<b>1,568,400</b>	<b>1.65</b>
Expired <sup>(i)</sup>	(1,354,733)	1.63
<b>Outstanding, December 31, 2023 and March 31, 2024</b>	<b>213,667</b>	<b>1.38</b>

- (i) During the year ended December 31, 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 condensed interim consolidated statements of changes in shareholders' equity.

**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023**  
(Expressed in Canadian dollars)**11. RESERVES (continued)**

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

Options outstanding and exercisable			
Exercise price \$	Number of Options	Remaining contractual life in years	Weighted average exercise price \$
1.88	33,333	1.65	0.29
1.50	57,000	2.35	0.40
1.20	123,334	1.09	0.69
	<b>213,667</b>	<b>1.51</b>	<b>1.38</b>

**WARRANTS**

Warrant activity is presented below:

	Number of warrants	Weighted average exercise price \$
<b>Outstanding, December 31, 2022</b>	<b>2,975,366</b>	<b>3.45</b>
Expired	(2,711,446)	2.40
<b>Outstanding, December 31, 2023 and March 31, 2024</b>	<b>263,920</b>	<b>4.50</b>

The following warrants are outstanding and exercisable as at March 31, 2024:

Warrants outstanding and exercisable			
Exercise price \$	Number of Warrants	Remaining contractual life in years	Weighted average exercise price \$
4.50	263,920	0.27	4.50

**12. 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 three months ended March 31,		<b>2024</b>		2023
Salaries, benefits and consulting fees	\$	103,912	\$	69,778
Director fees		-		12,000
	<b>\$</b>	<b>103,912</b>	<b>\$</b>	<b>81,778</b>

As of March 31, 2024, the Company had \$122,390 (2023 - \$12,000) of unpaid consulting fees to key management personnel and directors' fees to directors included in accounts payable and accrued liabilities.

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**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023**  
(Expressed in Canadian dollars)

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**12. RELATED PARTY TRANSACTIONS**

During the three months ended March 31, 2024, the Company incurred document storage fees of \$12,000 (2023 - \$3,000) and consulting fees of \$21,675 (2023 - \$20,058) from Summerhill Group Inc ("SGI"). SGI is a company in which the Company's Chairman and director, Ian Morton, is the majority shareholder. As of March 31, 2024, \$38,335 (2023 - \$Nil) was due to SGI.

During the three months ended March 31, 2024, the Company incurred consulting fees of \$Nil (2023 - \$7,783) from Eco Generation Home Services Inc. ("EGHS"). EGHS is a company in which Ian Morton has a 100% ownership interest. As of March 31, 2024, \$6,780 (2023 - \$Nil) was due to EGHS.

**13. 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 operation was no longer commercially sustainable and decided to cease its US operation.

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

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

<b>As at</b>	<b>March 31, 2024</b>		<b>December 31, 2023</b>	
<b>Assets</b>				
Cash	\$	55,006	\$	58,741
Accounts receivable and other		281		281
<b>Total assets of discontinued operations</b>	<b>\$</b>	<b>55,287</b>	<b>\$</b>	<b>59,022</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$	869,593	\$	867,819
Income tax payable		-		19,254
<b>Total liabilities of discontinued operations</b>	<b>\$</b>	<b>869,593</b>	<b>\$</b>	<b>887,073</b>

**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023**  
(Expressed in Canadian dollars)**13. DISCONTINUED OPERATIONS (continued)**

Net (loss) income of the discontinued operations is as follows:

	For the three months ended March 31,	
	2024	2023
<b>Revenue</b>		
	\$ -	\$ 355,275
<b>Expenses</b>		
Allowance for expected credit recovery	-	(6,099)
Consulting, salaries and wages	33,405	204,843
Office and general expenses	41	45,949
Professional fees	-	33,604
Loss before other income	(33,446)	76,978
Other Income		
Other Income <sup>(i)</sup>	-	2,078,538
<b>(Loss) income before income tax from discontinued operations</b>	<b>(33,446)</b>	<b>2,155,516</b>
<b>Other comprehensive (loss) income</b>		
Foreign currency translation adjustment	(4,095)	668
<b>(Loss) income and comprehensive (loss) income from discontinuing operation</b>	<b>\$ (37,541)</b>	<b>\$ 2,156,184</b>

- (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 (loss) from discontinued operations for the three months 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 (loss) from discontinued operations for the period, 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 (loss) from discontinued operations for the year ended December 31, 2023.

Net cashflows from discontinued operations:

	For the three months ended March 31,	
	2024	2023
<b>Operating activities</b>		
Cash generated from operating activities - discontinuing operation	\$ (5,174)	\$ 2,146,731

**14. 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.



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**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023****(Expressed in Canadian dollars)**

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**14. FINANCIAL RISK MANAGEMENT (continued)**

As at March 31, 2024, the Company's total managed capital comprised of equity attributable to the equity holders of the Company \$1,490,067 (December 31, 2023 - \$1,670,413). There were no changes in the Company's approach to capital management during the year.

(a) Fair value

Financial instruments included in the condensed interim consolidated statement of financial position as at March 31, 2024 and December 31, 2023 consist of cash, term deposits, accounts receivable and other, and accounts payables and accrued liabilities with period-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 March 31, 2023.

(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 March 31, 2024, the Company had net monetary liability denominated in U.S. funds of approximately \$814,587 (US\$601,171). Based upon the balance as at March 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 \$122,188, and a reduction of 15% would result in a decrease in the net loss and comprehensive loss of \$122,188. 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. All of the Company's cash and term deposits are held at financial institutions which are Canadian Chartered Banks or fund held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

As at March 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, leases by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to meet its obligations as they come due.

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**Steep Hill Inc.****Notes to Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023**  
(Expressed in Canadian dollars)

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**14. FINANCIAL RISK MANAGEMENT (continued)**

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

March 31, 2024	Within 1 year		Over 1 year	Total
Accounts payable and accrued liabilities	\$	1,028,747	\$ –	\$ 1,028,747
Lease liability		13,602	–	13,602
Total	\$	1,042,349	\$ –	\$ 1,042,349

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

As of December 31, 2023, the Company had cash of \$470,082 (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 \$1,490,067 (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.