
Icarus Capital Corp.

Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian Dollars)

Icarus Capital Corp.

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Independent Auditor's Report

To the Shareholders of Icarus Capital Corp.

Opinion

We have audited the consolidated financial statements of Icarus Capital Corp. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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 for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of goodwill

Description

The Company conducts an impairment test annually during the fourth quarter, or whenever certain events or changes in circumstances indicate that the carrying value may be greater than the recoverable amount. Goodwill was fully impaired resulting in an impairment of \$ 250,819 for the year ended December 31, 2024.

We considered this to be a key audit matter due to the significant judgement made by management in estimating the recoverable amount for goodwill and a high degree of auditor judgement, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates.

How the Key Audit Matter Was Addressed in the Audit

Our approach to addressing the matter included the following procedures, among others:

- Evaluated the appropriateness of the discounted cash flow model by testing the completeness, accuracy, and relevance of underlying data used in the cash flow model.
- Evaluated management's assumptions related to revenue growth rates, ratio of expenses to revenue and capital expenditures by considering: (i) the current and past performance of the CGU, (ii) available industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Evaluated the accuracy and reasonableness of the Company's impairment model, including:
 - Evaluating the reasonableness of the discount rates by comparing the Company's weighted average cost of capital against publicly available market data; and
 - performing a sensitivity analysis by developing a range of independent estimates of weighted average cost of capital.
- Assess the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company recorded a net loss of \$ 535,530 and, as at December 31, 2024, the Company had an accumulated deficit of \$ 895,840 and a working capital deficit of \$ 289,899. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



D&H Group LLP
Chartered Professional Accountants
300 – 855 Homer Street
Vancouver, BC V6B 2W2

dhgroup.ca
t. 604.731.5881
f. 604.731.9923

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

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

The engagement partner on the audit resulting in this independent auditor's report is Carly Bergman.

Vancouver, B.C.
August 1, 2025

"D&H Group LLP"
Chartered Professional Accountants

Icarus Capital Corp.

Consolidated Statements of Financial Position

December 31, 2024 and 2023

(Expressed in Canadian Dollars)

	2024	2023
	\$	\$
Assets		
Current assets		
Cash	51,500	239,135
Accounts receivable	29,618	34,769
Inventory	12,273	9,814
	<u>93,391</u>	<u>283,718</u>
Deposit	10,500	10,500
Licenses (Notes 4 & 13)	41,167	67,817
Right-of-use assets (Note 6)	271,916	327,273
Goodwill (Notes 12 & 13)	<u>-</u>	<u>250,819</u>
	<u>416,974</u>	<u>940,127</u>
Liabilities		
Current liabilities		
Bank indebtedness (Note 5)	35,118	-
Accounts payable and accrued liabilities	104,116	41,662
Unearned revenue	-	3,462
GST/HST payable	7,760	11,541
Income taxes payable	1,166	3,396
Due to related parties (Note 10)	57,000	57,000
Current portion of loans payable (Note 5)	58,318	104,915
Current portion of convertible debenture (Note 8)	60,649	-
Current portion of lease liabilities (Note 7)	59,163	46,646
	<u>383,290</u>	<u>268,622</u>
Convertible debenture (Note 8)	-	64,191
Long-term loans payable (Note 5)	229,855	226,953
Lease liabilities (Note 7)	214,526	285,070
	<u>827,671</u>	<u>844,836</u>
Shareholders' equity		
Share capital (Note 8)	389,342	382,342
Shares to be issued (Note 8)	19,000	-
Share based payment reserve (Note 8)	58,450	58,450
Equity portion of convertible debenture (Note 8)	18,351	14,809
Retained earnings (deficit)	<u>(895,840)</u>	<u>(360,310)</u>
	<u>(410,697)</u>	<u>95,291</u>
	<u>416,974</u>	<u>940,127</u>

Nature of operations and going concern (Note 1)

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

/s/ "Eric Lapointe", Director
Eric Lapointe, Director

/s/ "Thomas Bell", Director
Thomas Bell, Director

Icarus Capital Corp.

Consolidated Statements of Loss and Comprehensive Loss

Years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

	2024	2023
	\$	\$
Sales	1,273,367	392,510
Cost of sales	<u>849,762</u>	<u>246,577</u>
Gross profit	<u>423,605</u>	<u>145,933</u>
Expenses		
Accretion of interest on lease liabilities	4,465	576
Accretion of interest on long-term loans payable	15,053	6,994
Advertising and promotion	67,259	5,990
Agency fees	13,655	11,018
Amortization	123,414	18,985
Consulting fees (Note 10)	-	18,203
Dues and subscriptions	4,250	1,678
Filing fees	9,530	10,789
Insurance	20,096	4,526
Interest and bank charges	9,457	969
Interest on long-term debt	43,540	14,937
Management fees (Note 10)	-	45,000
Office	29,198	9,738
Professional services	95,128	117,283
Property taxes	16,261	5,420
Rent	12,737	15,750
Royalty fees (Note 11)	82,528	26,420
Salaries and benefits	78,256	-
Telephone and utilities	36,182	18,056
Travel	6,038	5,197
	<u>667,047</u>	<u>337,529</u>
Income (loss) from operations	<u>(243,442)</u>	<u>(191,596)</u>
Other income (expense)		
Debt forgiveness	20,000	-
Impairment of goodwill and intangible assets	<u>(310,798)</u>	<u>-</u>
	<u>(290,798)</u>	<u>-</u>
Income (loss) before income taxes	(534,240)	(191,596)
Income taxes	<u>1,290</u>	<u>3,396</u>
Net loss and comprehensive loss for the year	<u>(535,530)</u>	<u>(194,992)</u>
Basic and diluted loss per share (Note 14)	(0.08)	(0.03)
Weighted average number of common shares outstanding	6,567,827	6,367,827

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

Icarus Capital Corp.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Common shares		Shares to be issued	Convertible Debenture	Share- based payment reserve	Deficit	Total
	Number of shares	Amount					
		\$					
Balance, December 31, 2022	4,000,000	123,805	-	-	58,450	(165,318)	16,937
Shares issued for cash	1,992,827	219,010	-	-	-	-	219,010
Shares issued for business acquisition	225,000	24,750	-	-	-	-	24,750
Shares issued for trademark	150,000	16,500	-	-	-	-	16,500
Convertible debenture (Note 8)	-	-	-	14,809	-	-	14,809
Share issuance costs	-	(1,723)	-	-	-	-	(1,723)
Net and comprehensive loss	-	-	-	-	-	(194,992)	(194,992)
Balance, December 31, 2023	6,367,827	382,342	-	14,809	58,450	(360,310)	95,291
Shares issued for cash (Note 8)	-	-	19,000	-	-	-	19,000
Shares issued for rights to theatre shows (Note 8)	200,000	7,000	-	-	-	-	7,000
Convertible debenture (Note 8)	-	-	-	3,542	-	-	3,542
Net and comprehensive loss	-	-	-	-	-	(535,530)	(535,530)
Balance, December 31, 2024	6,567,827	389,342	19,000	18,351	58,450	(895,840)	(410,697)

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

Icarus Capital Corp.

Consolidated Statements of Cash Flows Years ended December 31, 2024 and 2023 (Expressed in Canadian Dollars)

	2024	2023
	\$	\$
Cash flows from (used in) operating activities		
Net loss	(535,530)	(194,992)
Items not affecting cash		
Amortization	123,414	18,985
Accretion of interest on lease liabilities	4,465	576
Accretion of interest on long-term loans payable	15,053	6,994
Impairment of goodwill and intangible assets	310,798	-
Debt forgiveness	(20,000)	-
Issuance of shares for rights to theatre shows	7,000	-
Changes in non-cash working capital		
Accounts receivable	5,151	(34,769)
Inventory	(2,459)	5,107
Accounts payable and accrued liabilities	41,340	4,418
Unearned revenue	(3,462)	3,462
GST/HST payable	(5,277)	8,441
Income taxes payable	(2,230)	3,396
Due to related parties	(1,000)	57,000
	<u>(62,737)</u>	<u>(121,382)</u>
Cash flows from (used in) investing activities		
Acquisition of YYC, net of cash acquired	-	(154,929)
Acquisition of YYS, net of cash acquired	(1)	-
	<u>(1)</u>	<u>(154,929)</u>
Cash flows from (used in) financing activities		
Repayment of lease liabilities	(68,870)	(17,096)
Proceeds from issuance of long-term loans payable	-	200,000
Repayment of long-term loans payable	(71,428)	(12,815)
Proceeds from issuance of convertible debenture	-	79,000
Repayment of bank indebtedness	(4,599)	-
Issuance of common shares	-	219,010
Proceeds received for shares to be issued	20,000	-
Share issuance costs	-	(1,723)
	<u>(124,897)</u>	<u>466,376</u>
Increase (decrease) in cash during the year	(187,635)	190,065
Cash, beginning of year	<u>239,135</u>	<u>49,070</u>
Cash, end of year	51,500	239,135

Supplemental cash flow information (Note 15)

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

Icarus Capital Corp.

Notes to Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Icarus Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on February 2, 2021. The Company, through its wholly owned subsidiary 1401935 Alberta Ltd. (“YYC”), operates a Yuk Yuk’s franchise comedy club in the Elbow River Casino in Calgary, Alberta. On September 29, 2023, the Company acquired YYC as part of its qualifying transaction.

The Company acquired Yuischi Inc. (“YYS”) on July 1, 2024. YYS promotes and operates pop-up comedy shows across British Columbia and Alberta, including a hybrid-format Yuk Yuk’s Surrey club located at Elements Casino in Surrey, British Columbia.

The Company’s shares trade on the TSX Venture Exchange under the trading symbol “ICRS”.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. 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. For the year ended December 31, 2024, the Company had a net loss of \$535,530 (2023 - \$194,992) an accumulated deficit of \$895,840 (2023 - \$360,310). The Company’s ongoing operations and ability to continue as a going concern are dependent the performance of its operating subsidiaries, successful integration of YYS’s operations, and the ability to secure additional financing.. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. While management is actively exploring financing options and operating improvements, there can be no assurance that such efforts will be successful. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. Should the Company not be able to continue as a going concern, adjustments to the recorded amount and classifications of assets, liabilities and expenses will be required. Such adjustments could be material.

The head office of the Company is located at #404-1688 152nd Street, Surrey BC, V4A 4N2.

2. Summary of material accounting policies

Basis of presentation

These consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

2. **Summary of material accounting policies - continued**

The consolidated financial statements of the Company were approved by the Board of Directors on August 1, 2025.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These consolidated financial statements are presented in Canadian dollars unless otherwise stated.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned YYC, YYS and Icarus Media Inc. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation.

Critical judgments and sources of estimation uncertainty

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 reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are 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. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

2. Summary of material accounting policies - continued

- ii. The preparation of the consolidated financial statements in accordance with IFRS Accounting Standards requires management to make judgments, estimates, and assumptions that affect the reported amount of the right-of-use assets and lease liabilities, and the resulting interest and depreciation expense. Actual results could differ significantly as a result of these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include the incremental borrowing rate. The rates used to present value of future lease payments are based on judgments about the economic environment in which the Company operates and theoretical analyses about the security provided by the underlying leased asset, the amount of funds required to be borrowed in order to meet the future lease payments associated with the leased asset, and the term for which these funds would be borrowed.
- iii. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires judgment as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the expected volatility of the Company's share price, the risk-free interest rate and expected dividends.
- iv. The carrying values of goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The Company tests for impairment of goodwill and intangible assets by comparing the carrying amount of the CGU to its recoverable amount, which is the greater of estimated fair value less costs to sell and value-in-use calculations that use a discounted cash flow model. The determination of the Company's CGUs is based on management's judgement.

Estimates of fair value less costs to sell are based on the best information available to reflect the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal. Fair value less costs to sell calculations may encompass an income approach, market approach, or cost approach, as prescribed in IFRS 13, Fair value.

Value-in-use calculations employ key assumptions regarding future cash flows, growth prospects, economic risks, and estimates of the Company's ability to achieve key operating metrics, among other items. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested.

2. Summary of material accounting policies - continued

The recoverable amount is sensitive to several items, including the discount rate applied in the discounted cash flow model (if applicable) and expectations regarding growth rates and future cash flows. The estimated fair value less costs to sell may also be based upon an assessment of comparable company multiples and precedent transaction multiples.

Critical estimates

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

a) Provisions for income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

b) Measurement of convertible debenture

Measurement of fair value of convertible loans on inception is based on the estimated market rate of interest for similar debt facilities without an equity conversion option.

Financial instruments

i. *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

2. Summary of material accounting policies - continued

ii. *Measurement*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in other comprehensive income (loss) in the period in which they arise.

iii. *Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the nine month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the consolidated statements of income (loss) and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv. *Derecognition*

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. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss).

2. Summary of material accounting policies - continued

Accounts receivable

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records a credit loss at an amount equal to the lifetime expected credit losses using a present value and probability weighted model.

Accounts payable and accrued liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are classified as amortized cost initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of comedy club tickets, food and beverages and performance-related services in the ordinary course of YYC and YYS activities. Revenue is recognized upon completion of services to customers, and collection is reasonably assured.

In addition to the Company's permanent club operations, revenue also includes income from pop-up comedy events and hybrid-format venues operated by YYS. YYS holds commercial arrangements with third-party venues, including fixed-fee venue rentals, variable profit-sharing arrangements based on ticket sales, and events held in rent-free locations. Revenue from these activities is recognized at the time the performance obligation is satisfied, typically at the completion of the event.

Inventory

Inventory consists of purchased beverage products. Inventory is recorded at the lower of cost and net realizable value.

Licenses

Licenses acquired separately or in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values. The licenses are amortized over their useful lives of 5 years. The remaining useful life of the licenses is 3.75 years.

Goodwill

Goodwill represented the future economic benefits arising for a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

2. Summary of material accounting policies - continued

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amounts of the assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statements of loss and comprehensive loss in the period in which the impairment is identified. Impairment losses that have been recognized in respect of goodwill are not subsequently reversed.

Income taxes

Deferred income taxes are provided in full, using the liability method, on temporary differences arising between the income tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined using income tax rates and income tax laws that have been enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized.

Leases

The Company recognizes a right-of-use asset and a lease liability for its leases. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date.

The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in profit or loss.

2. Summary of material accounting policies - continued

Impairment of assets

At year end, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. 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. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Equity financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance voting shares or units. Units typically comprise a certain number of voting shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional voting shares at a price prior to expiry as stipulated by the terms of the transaction.

The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying voting shares and share purchase warrants issued as private placement units. The fair value of the share purchase warrants issued in equity financing transactions is determined by an option pricing model, calculated on the transaction date. The balance, if any, is allocated to the attached voting shares.

2. Summary of material accounting policies - continued

Share-based payments

The fair value, at the grant date, of equity-settled share awards is charged to comprehensive income (loss) over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share award reserve. The fair value of awards is calculated using an option pricing model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected life of the award
- Current market price of the underlying shares
- Expected forfeitures

Share capital

Voting shares issued by the Company are classified as equity. Costs directly attributable to the issuance of voting shares are recognized as a deduction from equity. Cash received for voting shares yet to be issued is recorded as share subscriptions received when a legal obligation to issue the shares exists.

3. Financial instruments and risk management

Financial instruments

The Company's financial instruments include cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities.

The carrying amounts shown in the consolidated statements of financial position are as follows:

	Category	December 31, 2024	December 31, 2023
Cash	FVTPL	\$51,500	\$ 239,135
Accounts receivable	Amortized cost	\$29,618	\$ 34,769
Accounts payable and accrued liabilities	Amortized cost	\$104,116	\$ 41,662
Bank indebtedness	FVTPL	\$35,118	-
Due to related parties	Amortized cost	\$57,000	\$57,000
Convertible debenture	Amortized cost	\$60,649	\$64,191
Loans payable	Amortized cost	\$348,821	\$ 331,868

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

3. Financial instruments and risk management - continued

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - applies to assets or liabilities for which there are unobservable market data.

Pursuant to IFRS 7, the fair value of cash is measured on a recurring basis based on Level 1 inputs. The fair values of accounts receivable and accounts payable and accrued liabilities are approximated by the carrying amount due to their short-term nature.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations to the Company. The Company's credit risk is primarily attributable to cash, which is held on deposit with a major Canadian bank.

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. All of the Company's financial liabilities, except lease liabilities, long-term loans payable and convertible debenture, are classified as current and the Company has a practice of paying their outstanding payables within 30 days.

	Less than 3 months	3 – 12 months	1-5 years	Over 5 years	Total
Cash	\$51,500	-	-	-	\$51,500
Accounts receivable	\$29,618	-	-	-	\$29,618
Accounts payable and accrued liabilities	\$104,116	-	-	-	\$104,116
Bank indebtedness	-	\$35,118	-	-	\$35,118
Due to related parties	-	\$57,000	-	-	\$57,000
Convertible debenture	-	\$60,649	-	-	\$60,649
Loans payable	-	\$73,009	\$ 275,812	-	\$348,821

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. Some of the Company's long-term loans payable bear interest at a variable rate. The long-term loans payable are therefore subject to

interest rate price risk as fluctuations in the market rates of interest may increase or decrease their fair value. If the market rate of interest increased by 1%, the Company would be obligated to pay approximately \$ 3,800 in additional annual interest.

3. Financial instruments and risk management - continued

Capital risk management

The Company manages, as capital, the components of shareholders' equity and its cash. The Company's objectives when managing capital, are to safeguard its ability to sustain business operations.

The Company intends to manage its capital structure, and make adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares or borrow. The Company does not anticipate the payment of dividends in the foreseeable future.

4. Licenses

	2024	2023
	\$	\$
Balance beginning of year	67,817	-
Additions to licenses	-	71,500
Less: amortization	(14,300)	(3,683)
Less: impairment of licenses	(12,350)	-
	41,167	67,817

See note 13.

5. Loans payable and facilities

The following loans were outstanding as at December 31, 2024:

a. Bank indebtedness

The Company, through YYS, has an operating credit facility in the amount of \$40,000 bearing interest at bank prime rate plus 3.85%.

b. Canada Emergency Business Account

During the year ended December 31, 2020, YYC received a \$60,000 loan under the Canada Emergency Business Account program created by the Government of Canada in response to the CoVID-19 pandemic. The loan was non-interest bearing, and was repayable by January 18, 2024. The Company repaid \$40,000 of the loan on January 18, 2024 and the remaining balance of \$20,000 was forgiven. The repayment was funded by issuance of a new \$40,000 loan that bears interest at the lender's prime rate plus 1.95% per annum and is repayable in monthly instalments of \$833 over 5 years. The loan is due in January 2029.

5. **Loans payable and facilities** - continued

During the year ended December 31, 2020, YYS received a loan, repayable by January 18, 2024, under the Canada Emergency Business Account program created by the Government of Canada in response to the CoVID-19 pandemic. The repayment was funded by issuance of a new \$40,000 loan that bears interest at the lender's prime rate plus 3.5% per annum and is repayable in monthly instalments of \$667 over 5 years. The loan is due in January 2029.

c. **Highly Affected Sector Credit Availability Program**

During the year ended December 31, 2021, YYC qualified for the Highly Affected Sector Credit Availability Program ("HASCAP Canada"). This a term loan that bears interest at the rate of 4% per annum, is collateralized by a pledge of the Company's assets and is repayable in 5 years. The Company may borrow up to \$50,000 under this credit facility. The Company fully utilized the term loan, drawing the allowable \$50,000 amount in May 2021.

d. **BDC bank loan**

During the year ended December 31, 2023, the Company received a \$200,000 term loan bearing interest at the lender's floating base rate plus 5% per annum, presently 12.55%. The loan is payable in monthly instalments of \$2,778 including interest over 72 months and is due in October 2029. The full amount of the debt is guaranteed by an officer of the Company and secured by a pledge of all the Company's assets.

e. **Vendor financing**

As part of the acquisition of YYC the vendor agreed to payment terms for \$ 100,000 which will bear interest at the rate of 5% per annum. The loan is unsecured and is payable in monthly installments of \$1,608 including interest over 72 months and is due in August 2029.

The following principal payments, are required in the following fiscal years:

	\$
2025	73,009
2026	67,276
2027	65,091
2028	65,497
2029 and thereafter	57,014

6. Right-of-use assets

The Company has lease contracts for use of a comedy club and equipment.

	2024	2023
	\$	\$
Balance beginning of year	327,273	-
Additions to right-of-use assets	6,378	342,575
Less: amortization	(61,735)	(15,302)
	271,916	327,273

7. Lease liabilities

Lease liabilities have been measured by discounting future lease payments using the Company's incremental borrowing rates at December 31, 2024 and 2023. As at December 31, 2024, lease liabilities have a remaining lease term of approximately 5 years or less and were determined using an effective interest rate of 4%.

	2024	2023
	\$	\$
Balance, beginning of year	331,716	-
Additions to lease liabilities	6,378	348,812
Less: principal payments	(64,405)	(17,096)
Balance, end of year	273,689	331,716
Less: current portion of lease liability	(59,163)	(46,646)
Long-term lease liability	214,526	285,070

8. Shareholders' equity

During the year ended December 31, 2024, the Company issued 200,000 shares to a Director of the Company in exchange for the rights to two theatre shows valued at \$7,000.

Proceeds of \$19,000 were also received from Directors for shares to be issued. These proceeds were received in advance of the closing of a non-brokered private placement. See note 16.

During the year ended December 31, 2023, the Company issued 2,367,827 common shares, 1,992,827 of which were issued for cash proceeds of \$219,010. The remaining 150,000 and 225,000 shares were issued in exchange for the rights to a licence valued at \$16,500 and for acquisition of YYC valued at \$24,750 respectively.

8. **Shareholders' equity** – continued

Stock option plan

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan which is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

A summary of the Company's share options at December 31, 2024 and 2023 and the changes for the year ended on those dates, is as follows:

	Number of stock options	Weighted average exercise price
		\$
Stock options awarded	400,000	0.10
Balance, December 31, 2024 and 2023	400,000	0.10

Expiry date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding
March 11, 2032	\$0.10	8.25	400,000
Balance, December 31, 2024 and 2023	\$0.10	8.25	400,000

See Note 16.

8. **Shareholders' equity** – continued

Warrants

	Number of warrants	Weighted average exercise price
Warrants issued	200,000	\$ 0.10
Balance, December 31, 2024 and 2023	200,000	0.10

Expiry date	Exercise price	Weighted average remaining contractual life (years)	Number of warrants outstanding
March 13, 2027	\$0.10	3.5	200,000
Balance, December 31, 2024 and 2023	\$0.10	3.5	200,000

Convertible debenture

During the year ended December 31, 2023, the Company issued a \$79,000 convertible debenture at an interest rate of 10% per annum to a director of the Company. The debenture has a maturity date of August 28, 2025 and is repayable upon maturity. At any time after 4 months of issuance the debenture, including accrued interest, may be converted at the option of the holder into one common share and one debenture warrant of the Company at a price of \$0.25. A debenture warrant grants the ability to purchase one common share at \$0.25 and expires 2 years from the date of conversion. No conversion occurred during the year ended December 31, 2024.

As at December 31, 2024, \$11,552 (2023 - \$3,652) of interest was accrued on the debenture.

9. **Income taxes**

The significant components of the Company's deferred income taxes are as follows at December 31:

	2024	2023
Deferred income tax asset		
Non-capital losses	\$ 190,600	\$ 101,000
Equipment and leasehold improvements	(8,600)	(8,800)
Right-of-use assets	(62,500)	(75,300)
Lease liabilities	62,900	76,300
Valuation allowance	(182,400)	(93,200)
	\$ -	\$ -

9. Income taxes – continued

The combined Canadian federal and provincial statutory income tax rate for the Company and YYS is 27% and for YYC is 23%. The reconciliations of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Loss before income taxes	\$ (534,240)	\$ (191,596)
Additional losses incurred in YYC before acquisition	-	(1,338)
Additional income incurred in YYS before acquisition	12,163	-
Expected income tax recovery	(144,707)	(51,996)
Permanent differences	56,790	-
Change in valuation allowance	89,200	48,600
Income tax expense	\$ 1,290	\$ 3,396

As at December 31, 2024, the Company has estimated non-capital losses of \$705,000 (2023 - \$374,000) that may be carried forward to reduce taxable income of future years. The non-capital losses expire in the tax years ending between December 31, 2041 and December 31, 2044.

10. Related parties

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors.

During the year ended December 31, 2024, management and consulting fees of \$Nil (2023 - \$57,000) were paid to key management personnel as compensation for their services. As at December 31, 2024, management and consulting fees of \$57,000 (December 31, 2023 - \$57,000) remain unpaid.

During the year ended December 31, 2024, the Company acquired YYS from a Director of the Company. See Note 12 for details of the acquisition.

See note 8.

11. Commitments

The Company has entered into license agreements concerning the use of trademarks and certain proprietary interests of various licensors. Under the terms of the agreements, the Company is required to pay minimum annual royalty fees of \$ 48,000 to the licensors. The agreements expire in September 2028. Royalty fees paid in 2024 were \$82,528 (2023 - \$26,420) and \$nil (2023 - \$nil) remained payable at year end.

12. Acquisition of subsidiaries

On July 1, 2024 the Company closed the 100% acquisition of Yuischi Inc. (“YYS”) for \$1. YYS holds an agreement to host comedy shows in the Elements Casino in Surrey, British Columbia. The fair value of the intangible asset acquired and liabilities assumed as at the acquisition date are as follows:

Summary	
Purchase price	\$ 1
Cash (bank indebtedness)	(39,718)
Accounts payable and accrued liabilities	(21,113)
GST/HST payable	(1,496)
Long-term loans payable	<u>(32,680)</u>
	<u>(95,007)</u>
Intangible asset	<u>\$ 95,008</u>

The intangible asset is amortized over its one-year term. Total amortization of \$47,379 was recognized in 2024. See note 13.

On September 29, 2023 the Company closed the 100% acquisition of 1401935 Alberta Ltd. (dba Yuk Yuk’s Calgary) (“YYC”) for \$154,929, net of cash acquired. 225,000 shares of the Company valued at \$0.11 per share were issued to YYC as part of the acquisition. YYC operates a Yuk Yuk’s franchise comedy club in the Elbow River Casino in Calgary, Alberta. The acquisition constituted the Company’s qualifying transaction. The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

12. Acquisition of subsidiaries - continued

Purchase price		\$ 257,381
Shares issued		<u>24,750</u>
		282,131
Cash	45,072	
Inventory	14,921	
Deposit	10,500	
Franchise fee	55,000	
Right-of-use assets	57,505	
Accounts payable and accrued liabilities	(5,112)	
GST/HST payable	(3,100)	
Lease liabilities	(63,166)	
Long-term loans payable	<u>(80,308)</u>	
		<u>31,312</u>
Goodwill		<u>\$ 250,819</u>

The goodwill recognized on acquisition is attributable mainly to the expected future growth potential from operations. None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill arising on the acquisition of subsidiaries is measure at cost less accumulated impairment losses. The Company incurred acquisition-related costs which were expensed as incurred.

The following table summarized the sales and net income YYC contributed to the Company from acquisition for the year ended December 31, 2023:

	\$
Sales	392,510
Net income	18,954

13. Impairment of goodwill and intangible assets

The Company has applied a slow growth approach to acquiring and expanding the business through the acquisition of comedy clubs and rights to pop-up comedy shows. Such an approach has led to shared corporate costs not being offset by current operations. The timing of when all corporate costs will be offset by operations is uncertain.

13. Impairment of goodwill and intangible assets - continued

Goodwill

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. The recoverable amount of each CGU was determined based on value-in-use calculations. The present value of the expected cash flows of each CGU is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment. An impairment loss of \$250,819 was recognized in 2024 (2023 - \$nil). The recoverable amount of goodwill at December 31, 2024 is \$nil (2023 - \$250,819).

Licenses and intangible asset

Impairment is determined for licenses and intangible asset by assessing the recoverable amount of the assets. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. 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. An impairment loss of \$12,350 was recognized on the license in 2024 (2023 - \$nil). An impairment loss of \$47,629 was recognized on the intangible asset in 2024 (2023 - \$nil). The recoverable amount of licenses and intangible asset at December 31, 2024 is \$41,167 (2023 - \$67,817) and \$nil (2023 - \$nil) respectively.

14. Loss Per Share

Basic and diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

15. Supplemental cash flow information	2024	2023
	\$	\$
Investing activities not affecting cash		
Acquisition of right-of-use assets	(6,378)	(285,070)
Acquisition of trademark	-	(16,500)
	<u>(6,378)</u>	<u>(301,570)</u>
Financing activities not affecting cash		
Increase in lease liabilities	6,378	285,070
Share issuance	-	16,500
	<u>6,378</u>	<u>301,570</u>
	-	-

16. **Subsequent events**

On June 9, 2025, the Company announced the closing of a non-brokered private placement of 2,010,000 units at a price per unit of \$0.10 for aggregate gross proceeds to the Company of \$201,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.10 for a period of three years from the date of issuance.

In accordance with the Company's stock option plan, 200,000 unexercised options expired early on April 23, 2025.