

Consolidated Financial Statements of

HAPBEE TECHNOLOGIES, INC.

For the years ended December 31, 2023 and 2022

(Expressed in U.S. dollars)

Management's Report

The accompanying consolidated financial statements of Hapbee Technologies, Inc. (the "Company") have been prepared by the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and a majority of its members are independent directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

Olayinka Oyebola and Co., appointed as the Company's auditors by the Board of Directors, has examined these consolidated financial statements and their report follows.

(signed) "Yona Shtern"
Chief Executive Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Hapbee Technologies, Inc.

Opinion

We have audited the consolidated financial statements of Hapbee Technologies, Inc. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the company Incurred a net loss of **\$2,711,569** during the year ended December 31, 2023, deficit working capital of **\$2,077,662** and accumulated deficit of **\$23,829,141** at December 31, 2023. The company has not achieved profitable operations and, as stated in Note 1, these events and conditions 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high

Hapbee Technologies, Inc.

Consolidated Statements of Financial Position

As at December 31, 2023 and 2022

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 auditors' 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 auditors' 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.

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.

The engagement partner on the audit resulting in this independent auditors' report is Olayinka Oyebola.



OLAYINKA OYEBOLA & CO
CHARTERED ACCOUNTANTS
April 29, 2024

Hapbee Technologies, Inc.
Consolidated Statements of Financial Position
As at December 31, 2023 and 2022

Expressed in U.S. dollars

	December 31, 2023 (audited) \$	December 31, 2022 (audited) \$
Assets		
Current assets		
Cash	212,653	295,221
Receivables	82,419	170,548
Inventory (note 4)	156,310	261,150
Prepaid expenses	-	-
	<u>451,382</u>	<u>726,919</u>
Intangible assets (note 5)	1,858,240	2,070,738
Total assets	<u>2,309,622</u>	<u>2,797,657</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	2,158,275	1,627,040
Product warranty liability (note 7)	9,130	57,786
Loans payable	133,912	-
Unearned revenue (note 8)	227,727	391,108
Total current liabilities	<u>2,529,044</u>	<u>2,075,934</u>
Warrant liability (note 13)	492,982	701,700
Convertible debentures – deferred compensation (note 15)	1,499,577	-
Total liabilities	<u>4,521,603</u>	<u>2,777,634</u>
Equity		
Share capital (note 9)	15,219,442	14,632,464
Reserves	6,397,718	6,530,652
Accumulated other comprehensive income	-	-
Accumulated deficit	<u>(23,823,477)</u>	<u>(21,143,093)</u>
Total shareholders' equity	<u>(2,211,981)</u>	<u>20,023</u>
Total liabilities and shareholders' equity	<u>2,309,622</u>	<u>2,797,657</u>

Nature of operations and going concern (note 1)

Basis of presentation (note 2)

Commitments and contingencies (note 19)

Approved on behalf of the Board of Directors on April 29, 2024.

“Michael Matysik”
Director

“Robert Dzisiak ”
Director

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

Hapbee Technologies, Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years-ended December 31, 2023 and 2022

Expressed in U.S. dollars

	December 31, 2023 (audited) \$	December 31, 2022 (audited) \$
Revenues		
Sales on products	951,662	1,820,541
Cost of goods sold	<u>(552,125)</u>	<u>(881,052)</u>
	399,537	939,489
Other revenue		
Shipping income	12,486	10,664
Expenses		
Amortization of intangible assets (note 5)	212,498	212,498
Consulting	1,872,328	3,935,873
General and administrative (note 18)	732,835	1,754,093
Product development costs	740,714	196,055
Professional fees	91,267	163,282
Salaries and wages	66,384	375,350
Royalty fees	-	178,076
Share-based compensation	45,093	928,595
Total operating expenses	<u>(3,761,119)</u>	<u>(7,743,822)</u>
Operating loss before other item	(3,349,096)	(6,793,669)
Other item:		
Change in fair value of warrant liability (note 15)	637,527	3,119,635
Net loss for the year	<u>(2,711,569)</u>	<u>(3,674,034)</u>
Other comprehensive income	-	-
Net loss and comprehensive loss for the year	<u>(2,711,569)</u>	<u>(3,674,034)</u>
Loss per share– basic and diluted (note 14)	<u>(\$0.03)</u>	<u>(\$0.09)</u>
Weighted-average number of shares outstanding - basic and diluted	<u>104,415,648</u>	<u>76,630,440</u>

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

Hapbee Technologies, Inc.
Consolidated Statements of Changes in Equity
For the year-ended December 31, 2023

Expressed in U.S. dollars

	Number of Subordinated Voting Shares	Subordinated Voting Shares	Number of Multiple Voting Shares	Multiple Voting Shares	Accumulated Other Comprehensive Income	Reserves	Deficit	Total
		\$		\$	\$	\$	\$	\$
Balance, January 1, 2023	98,524,309	14,632,425	450,000	39	-	6,530,652	(21,143,093)	20,023
Issuance of shares for non-brokered private placement	13,093,488	541,885	-	-	-	-	-	541,885
Share issuance cost						(19,572)	-	(19,572)
Share-based compensation	-	45,093	-	-	-	-	-	45,093
Expiry of finder's warrants						(113,362)	25,521	(87,841)
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(2,711,569)	(2,711,569)
Balance, December 31, 2023	111,617,797	15,219,403	450,000	39	-	6,397,718	(23,829,141)	(2,211,981)

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

Hapbee Technologies, Inc.
Consolidated Statements of Cash Flows
For the year-ended December 31, 2023

Expressed in U.S. dollars

	December 31, 2023 (Audited) \$	December 31, 2022 (Audited) \$
Operating activities		
Net loss for the year	(2,711,569)	(3,322,363)
Items not involving cash:		
Amortization of intangible assets	212,498	212,498
Finders' warrants	(113,362)	-
Finders' shares	-	16,443
Share-based compensation	45,093	928,595
Change in fair value of warrant liability	(208,718)	(3,471,306)
Changes in non-cash working capital balances:		
Decrease / (increase) in receivables	88,129	(78,622)
Decrease / (increase) in prepaid expenses	-	-
Decrease / (increase) in inventory	104,840	22,446
Increase in accounts payable and accrued liabilities	531,235	738,959
(Decrease) / increase in product warranty liability	(48,656)	(52,805)
(Decrease) / increase in loans payable	133,912	-
(Decrease) / increase in unearned revenue	(163,381)	(188,244)
Net cash used in operating activities	(2,129,979)	(5,194,399)
Investing activities		
License fees paid	-	-
Development costs incurred	-	-
Cash acquired on amalgamation (note 6)	-	-
Net cash used in investing activities	-	-
Financing activities		
Proceeds from subordinated voting shares issuances	541,885	2,419,093
Proceeds from convertible debenture issuances	1,499,577	-
Exercise of warrants	-	(307,957)
Warrant liability	-	(129,275)
Share issuance costs	(19,572)	(135,884)
Net cash provided by financing activities	2,021,890	1,845,977
Effect of foreign exchange on cash	25,521	(23,856)
Increase (decrease) in cash during the year	(82,568)	(3,334,898)
Cash, beginning of the year	295,221	3,630,119
Cash, end of the year	212,653	295,221

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

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2023

1. NATURE OF OPERATIONS AND GOING CONCERN

Hapbee Technologies, Inc. (formerly known as Elevation Technologies, Inc.) (the “Company”) is a company incorporated on January 3, 2019 under the Business Corporations Act (British Columbia). Its registered and record office and corporate office is located at 700 West Georgia Street, Suite 2500, Vancouver, BC V7Y 1B3. The Company’s principal business activity is to commercialize consumer digital products that will deliver one or more ultra-low radio frequency energy signals to produce mood-altering effects. On June 15, 2020, the Company completed a forward stock split of its common shares on a 1 for 4.5 basis. The Company had 13,455,000 common shares issued and outstanding and the resulting post stock split common shares outstanding are 60,547,500. The numbers of common shares issuable pursuant to all share capital have been retrospectively adjusted in accordance with the stock split ratio. On the same day, the Company amended its articles in order to change its authorized capital from an unlimited number of common shares, without par value, to an unlimited number of Subordinated Voting Shares, and created a new class of unlimited number of Multiple Voting Shares, all without par value. On June 16, 2020, the Company completed an amalgamation with Zander Capital Ltd. (“Zander”), refer to the Company’s financial statements for the year ended December 31, 2022 for details.

The Company’s operations have been financed through the sale of Subordinated Voting Shares, Multiple Voting Shares and issuance of debt. The Company has incurred a significant operating loss since inception and has an accumulated deficit of \$23,428,713 as at December 31, 2023.

These condensed 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 operations as they come due. For the three months period ended December 31, 2023, the Company incurred a net loss of \$436,834.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its working capital and operating requirements and eventually to generate positive cash flows from operations. These condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2023

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the Company’s financial statements for the year ended December 31, 2023.

These unaudited condensed consolidated interim financial statements are expressed in US dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements as if the policies have always been in effect.

b) Basis of Preparation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The financial statements, unless otherwise specified, are presented in US dollars, which is the functional currency of the Company.

c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in US dollars, unless otherwise noted, which is the functional currency of the parent and its wholly owned subsidiaries, 1253596 B.C. Ltd., which was incorporated in British Columbia, Canada and Hapbee Technologies USA, Inc. which was incorporated in the State of Washington, USA.

d) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated financial statements.

e) Approval of the Financial Statements

The condensed consolidated financial statements of the Company for the year-ended December 31, 2023 were approved and authorized for issue by the Board of Directors on April 29, 2024.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements.

a) Critical accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are outlined below.

Share-based payments and warrant liability

The Company makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimates of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants. Certain warrants issued during the year ended December 31, 2023 are accounted for as derivative liabilities (see Note 13).

Deferred income taxes

The Company is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for commodities, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

Going concern

The determination of the Company's ability to continue as a going concern requires the Company to make certain judgements about whether the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Hapbee Technologies, Inc.

Notes to the Consolidated Financial Statements

For the year-ended December 31, 2023

Intangible assets

Management is required to use judgement in determining the economic useful lives of identifiable intangible assets and the capitalization of costs for internally generated intangible assets is subject to judgment including the technical feasibility, timeframe to commercialization, assessment of availability of resources to complete the project, and if economic benefits will be generated from its use. Management is required to use judgement in determining the economic useful lives of identifiable intangible assets. Judgement is also required in identifying indicators of impairment of the Company's intangible assets.

At each financial position reporting date, the carrying amounts of the Company's intangible 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. This requires management to make certain estimates and judgements which could be materiality different than actual results.

Revenue recognition

The Company's revenue is comprised of sales of its products which consists of its wearable device and annual/monthly subscription. As a result, the Company is required to allocate the transaction prices amongst the multiple elements of its packaged products. This requires that management make judgements and estimates related to the allocation which are subjective and could result in material differences if changed.

b) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified into one of the following specified categories: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of loss and comprehensive loss.

The Company's financial instruments are classified as follows:

Financial instrument	Measurement
Cash	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost
Unearned revenue	Amortized cost

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2023

Financial Assets

Subsequent to initial recognition, financial assets classified and measured at amortized cost using the effective interest method.

Financial assets classified as FVTPL are recognized initially at fair values less transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in comprehensive income. The fair value measurements are based on level 1 inputs, being quoted prices in active markets for identical instruments.

c) Impairment of financial assets at amortized cost

The Company recognizes an allowance using the expected credit losses (“ECL”) model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all accounts receivable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

Financial Liabilities

Financial liabilities are classified as and are measured at amortized cost subsequent to initial measurement at fair value.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d) Cash

Cash is comprised of cash held in current operating bank accounts.

e) Inventory

Inventory includes products held for resale in the ordinary course of business (finished goods) and is measured at the lower of cost and net realizable value. The cost of inventory is determined generally on a first-in and first-out basis.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2023

f) Revenue recognition

The Company's revenues are derived from both the sale of hardware as well as subscriptions fees related to the use of its products.

Sales of hardware is recognized upon the transfer of control of the promised product to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products.

Subscription fees are comprised of fees that provide customers with access to its software and application over the contract term without taking possession of the software. Revenue from subscription fees are recognized over the term of the contract.

The Company also collects advance payments from its customers which are recorded as unearned revenue. Recognition of the unearned revenue for subscription fees is over the term of the contract. For sale of hardware, recognition of unearned revenue is based on control of products transferring to customers.

g) Research and development expenditures

Research expenditures are recorded in the period incurred. Product development expenditures are expensed in the period incurred unless the product candidate meets specific criteria related to technical, market and financial feasibility for deferral and amortization. The Company's policy is to amortize deferred product development expenditures over the expected future life of the product once product revenues are recorded. The future life of the product is estimated to be 8 years.

h) Share-based payments

The Company has a share-based compensation plan. Awards of options under this plan are expensed or recorded as additions to resource properties based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. Fair value is estimated using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a graded vesting basis, based on the Company's estimate of the shares that will eventually vest.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the estimated fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Cash consideration received on exercise of options is credited to share capital together with the amounts originally recorded as share-based compensation related to the exercised options.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2023

i) Income taxes

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on taxable income for the year. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity. Current income tax relating to items recognized directly in equity is recognized in the statements of changes in equity and not in the statements of loss and comprehensive loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside of profit or loss is recognized outside of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive loss or directly in equity.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2023

j) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share is equal to loss per share since the exercise of all options and warrants is anti-dilutive.

k) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. There were no material provisions recorded within the condensed consolidated interim financial statements as at December 31, 2023.

l) Foreign currency translation

Foreign currency transactions are translated as follows:

- (i) monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at the statement of financial position date; and
- (ii) non-monetary assets and liabilities denominated in foreign currencies and measured in terms of historic costs are translated using exchange rates at the transaction dates.

m) Related party transactions

Unless otherwise disclosed herein, all transactions with related parties are in the normal course of business and are measured at the exchange amount (note 14).

n) Intangible assets - Licenses

Upon acquisition, intangible assets with finite useful lives are recorded at fair value and are carried at cost less accumulated amortization and impairment losses. Amortization is calculated over the cost of the asset, or revalued amount, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of the Company's licenses are 20 years.

Hapbee Technologies, Inc.
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o) Intangible assets – Development costs

Development expenditures can be capitalized only where a development project meets certain conditions, including technical feasibility of the intangible asset, intention to complete the project, ability to sell the intangible asset, probability that the intangible asset can produce future economic benefits, availability of resources to complete the project, and ability to reliably measure the expenditure attributable to the intangible asset. Development projects are reviewed as they arise and on an on-going basis to assess whether all conditions have been met. Amortization is calculated over the cost of the asset, or revalued amount, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

p) Adoption of new pronouncements

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2023 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its consolidated financial statements.

4. INVENTORY

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Finished goods	156,310	261,150

5. INTANGIBLE ASSETS

The Company capitalized the acquisition costs of licenses and development costs related to the design and development of the device prototype.

a) Licenses

License Agreement for Certain Sensory Technologies

On March 29, 2019, the Company acquired a license from EMulate Therapeutics Inc. (“EMulate”). The Company paid an up-front fee of USD \$1,500,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from sales, lease or rental of the authorized product containing cognate signals. The royalty rate on the first USD \$10,000,000 will be 25%. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. The license has a term of 20 years from the effective date.

Pursuant to amendments to the License Agreement with Emulate, the effective date of the License Agreement was changed to October 26, 2020. All other terms remain unchanged.

Hapbee Technologies, Inc.
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License Agreement for Certain Sensory Technologies

On October 30, 2019, the Company acquired another license from EMulate. The Company paid an up-front fee of USD \$30,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from sales, lease or rental of the authorized product containing cognate signals. The royalty rate on the first USD \$10,000,000 will be 25%. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. The license has a term of 20 years from the effective date.

Pursuant to amendments to the License Agreement with Emulate, the effective date of the License Agreement was changed to October 26, 2020. All other terms remain unchanged.

On April 21, 2021, the Company acquired another license from EMulate. The Company paid an up-front fee of USD \$10,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from sales, lease or rental of the authorized product containing cognate bedtime signals. The royalty rate on the first USD \$10,000,000 will be 25%. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. The license has a term of 20 years from the effective date of April 21, 2021.

On July 29, 2021, the Company acquired another license from EMulate. The Company paid an up-front fee of USD \$10,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from sales, lease or rental of the authorized product containing cognate bedtime signals. The royalty rate on the first USD \$10,000,000 will be 25%. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. The license has a term of 20 years from the effective date of July 29, 2021.

Sensory technologies include the human senses of happiness, sleepiness, focus, alertness, calmness and relaxation.

- b) Development Costs**—During the three months ended December 31, 2023, the Company incurred development costs of \$Nil (year ended December 31, 2022: \$nil) related to the developing an augmentative wearable device that emulates normal molecular interactions in the body through small, specific magnetic fields. Past costs have met the criteria for capitalization under IAS 38.

The following table outlines the Company’s intangible assets as at December 31, 2023:

	December 31, 2023	December 31, 2022
	\$	\$
License Agreement for certain sensory technologies	1,500,000	1,500,000
License Agreement for certain sensory technologies	30,000	30,000
License Agreement for certain sensory technologies	20,000	20,000
Development costs capitalized	1,079,980	1,079,980
	<hr/>	<hr/>
Accumulated amortization of intangible assets - license fees	(276,250)	(199,250)
Accumulated amortization of intangible assets - development costs	(495,490)	(359,992)
	<hr/>	<hr/>
	1,858,240	2,070,738

Hapbee Technologies, Inc.
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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Trade accounts payable and accrued liabilities	838,663	844,175
Amounts payable to related parties (note 14)	1,319,612	782,865
	<u>2,158,275</u>	<u>1,627,040</u>

7. PRODUCT WARRANTY LIABILITY

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Product warranty liability	9,130	57,786

8. UNEARNED REVENUE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Unearned revenue	227,727	391,108

The Company records unearned revenue pertaining to the unearned portions of the subscriptions collected from customers.

9. SHARE CAPITAL

On June 15, 2020, the Company amended its articles in order to change its authorized capital from an unlimited number of common shares, without par value, to an unlimited number of Subordinated Voting Shares, and created a new class of unlimited number of Multiple Voting Shares, all without par value.

Authorized

The Company's authorized capital consists of (i) an unlimited number of Subordinated Voting Shares, and (ii) an unlimited number of Multiple Voting Shares. The holders of Subordinated Voting Shares are entitled to one vote for each Subordinated Voting share held. The holders of Multiple Voting Shares are entitled to 100 votes for each Multiple Voting Share held.

Voting Rights

All holders of Subordinated Voting Shares and Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the Business Corporations Act (British Columbia). A quorum for the transaction of business at any meeting of shareholders is two persons present at the meeting, each of whom is entitled to vote at the meeting, and

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9. SHARE CAPITAL (CONTINUED)

who hold or represent by proxy in the aggregate not less than 5% of the outstanding shares of the Company entitled to vote at the meeting.

On all matters upon which shareholders the Company are entitled to vote:

Each Subordinated Voting Share is entitled to one vote per Subordinated Voting Share; and each Multiple Voting Share is entitled to 100 votes per Multiple Voting Share.

Unless a different majority is required by law or the articles of the Company, resolutions to be approved by shareholders require approval by a simple majority of shareholders.

Conversion Rights and Conditions

The issued and outstanding Multiple Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition (as defined below), at the option of the holder, be converted into Subordinated Voting Shares at a ratio of 100 Subordinated Voting Shares per Multiple Voting Share. Further, the board of directors of the Company may determine in the future that it is no longer advisable to maintain the Multiple

Voting Shares as a separate class of shares and may cause all of the issued and outstanding Multiple Voting Shares to be converted into Subordinated Voting Shares at a ratio of 100 Subordinated Voting Shares per Multiple Voting Share. The right of the Multiple Voting Shares to convert into Subordinated Voting Shares is subject to certain conditions in order to maintain the status of the Company as a “foreign private issuer” under United States securities laws (the “FPI Condition”).

At December 31, 2023, the Company has 111,617,797 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

Shares Issuance

Fiscal Year 2022

- On January 28, 2022, the Company closed a non-brokered private placement of 5,307,894 units at \$C0.30 per unit for total proceeds of \$1,246,824 (\$C1,592,368). Each unit consisted of one subordinate voting share and one subordinate voting share purchase warrant, and each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.50 per share for a period of 36 months from the closing date. The Company may, in its sole discretion, provide notice to warrant holders to shorten the warrant expiry date to 60 days from the notice date if the daily volume weighted average closing price of the Company’s subordinate voting share is greater than \$C1.00 for the 10 consecutive trading days preceding the notice date. In connection with the private placement, the Company paid finders’ fees of \$26,390 (\$C33,600) in cash, and issued 70,000 finder’s shares and 182,000 non-transferrable warrants. Each finder’s warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.50 per share for a period of 12 months from the closing date. The fair value of finder’s warrants of \$11,049 was estimated on the dates of award using the Black-Scholes Option Pricing Model. As the warrants are exercisable in a currency different than the Company’s functional currency, a resulting derivative exists and the Company allocated

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9. SHARE CAPITAL (CONTINUED)

the fair value of the warrants of \$878,692 on the date of issuance as a warrant liability and the residual of \$368,132 was allocated to the share capital.

- On November 9, 2022, the Company closed a non-brokered private placement of 22,380,459 units at \$C0.07 per unit for total proceeds of \$1,160,468 (\$C1,566,632). Each unit consisted of one subordinate voting share and one subordinate voting share purchase warrant, and each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.15 per share for a period of 24 months from the closing date. The Company may, in its sole discretion, provide notice to warrant holders to shorten the warrant expiry date to 60 days from the notice date if the daily volume weighted average closing price of the Company's subordinate voting share is greater than \$C0.50 for the 10 consecutive trading days preceding the notice date. In connection with the private placement, the Company paid no finders' fees. As the warrants are exercisable in a currency different than the Company's functional currency, a resulting derivative exists and the Company allocated the fair value of the warrants of \$817,832 on the date of issuance as a warrant liability and the residual of \$342,635 was allocated to the share capital.

Fiscal Year 2023

- During the year-ended December 31, 2023, the Company issued total 13,093,488 Subordinated Voting Shares of the Company for total proceeds of \$834,462 (C\$1,126,524).
- On June 12, 2023, the Company closed a non-brokered private placement of 7,904,450 units at \$C0.09 per unit for total proceeds of \$526,963 (\$C711,400). Each unit consisted of one subordinate voting share and one subordinate voting share purchase warrant, and each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.15 per share for a period of 24 months from the closing date. The Company may, in its sole discretion, provide notice to warrant holders to shorten the warrant expiry date to 60 days from the notice date if the daily volume weighted average closing price of the Company's subordinate voting share is greater than \$C0.50 for the 10 consecutive trading days preceding the notice date. In connection with the private placement, the Company paid no finders' fees. As the warrants are exercisable in a currency different than the Company's functional currency, a resulting derivative exists and the Company allocated the fair value of those warrants as a warrant liability.
- On October 19, 2023, the Company closed a non-brokered private placement of 3,788,587 units at \$C0.08 per unit for total proceeds of \$224,510 (\$C303,088). Each unit consisted of one subordinate voting share and one subordinate voting share purchase warrant, and each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.15 per share for a period of 24 months from the closing date. The Company may, in its sole discretion, provide notice to warrant holders to shorten the warrant expiry date to 60 days from the notice date if the daily volume weighted average closing price of the Company's subordinate voting share is greater than \$C0.50 for the 10 consecutive trading days preceding the notice date. In connection with the private placement, the Company paid no finders' fees. As the warrants are exercisable in a currency different than the Company's functional currency, a resulting derivative exists and the Company allocated the fair value of those warrants as a warrant liability.
- On December 22, 2023, the Company closed a non-brokered private placement of 1,400,451 units at \$C0.08 per unit for total proceeds of \$82,990 (\$C112,036). Each unit consisted of one subordinate voting share and one subordinate voting share purchase warrant, and each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.15 per share for a period of 24

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9. SHARE CAPITAL (CONTINUED)

months from the closing date. The Company may, in its sole discretion, provide notice to warrant holders to shorten the warrant expiry date to 60 days from the notice date if the daily volume weighted average closing price of the Company's subordinate voting share is greater than \$0.50 for the 10 consecutive trading days preceding the notice date. In connection with the private placement, the Company paid no finders' fees. As the warrants are exercisable in a currency different than the Company's functional currency, a resulting derivative exists and the Company allocated the fair value of those warrants as a warrant liability.

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10. STOCK OPTIONS AND RESTRICTED SHARE UNITS

Stock Options

The Company has adopted a stock option plan on November 6, 2019, providing the Board of Directors with the discretion to issue an equivalent number of options of up to 7,515,000 Subordinated Voting Shares of the Company. Stock options are granted with an exercise price of not less than the closing share price the date preceding the date of grant. The details of outstanding items are as follows:

- On January 20, 2020, the Company granted 3,600,000 incentive stock options to officers, directors and consultants of the Company. The options are exercisable at the price of \$0.22 per share until January 20, 2028.
- On August 12, 2020, the Company replace its Old Plan with a new 10% rolling stock option plan (the "New Plan") and adopted a 10% fixed restricted share unit plan (the "RSU Plan"), which were subsequently approved by the TSX Venture Exchange upon the Listing.
- On November 12, 2020, the Company granted 4,266,875 incentive stock options to officers, directors and consultants of the Company pursuant to the Company's New Plan. The options are all exercisable at the price of \$0.56 (C\$0.73) per share until November 12, 2028, subject to earlier termination in accordance with the New Plan.
- On February 17, 2021, the Company signed an agreement with Octagon Media Corp. ("Octagon") where Octagon is engaged to provide marketing services to the Company for a period of 6 months ending August 16, 2021. The Company agreed to pay \$125,000 upfront and granted 600,000 options at an exercise price of \$0.63 (C\$0.80) to Octagon in return for marketing services. The options vested immediately are exercisable unit February 17, 2021
- On March 5, 2021, the Company granted 40,000 stock options exercisable to purchase up to an aggregate of 40,000 shares to a consultant. The options vested immediately are exercisable at the price of \$0.53 (C\$0.67) per share until March 5, 2029.
- On June 1, 2021, the Company granted 330,000 stock options exercisable to purchase up to an aggregate of 330,000 shares to an entity owned by the new CEO of the Company. The options will be vested 1/3 on the 12, 24 and 36 months' anniversary. The options are exercisable at the price of \$0.40 (C\$0.48) per share until June 1, 2029.
- The fair value of share options awarded to officers, directors and consultants was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

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10. STOCK OPTIONS AND RESTRICTED SHARE UNITS (CONTINUED)

	Options granted on June 1, 2021	Options granted on March 5, 2021	Options granted on February 17, 2021
Dividend yield	0%	0%	0%
Risk-free interest rate	1.23%	1.37%	0.15%
Estimated volatility	110%	110%	94%
Expected life in years	7	8	1
Fair value at grant date	\$0.37	\$0.52	\$0.29

- On October 15, 2022, the Company granted 3,375,000 incentive stock options to officers, directors and consultants of the Company pursuant to the Company's Plan. The options will be vested 1/3 on the 12, 24 and 36 months' anniversary. The options are all exercisable at the price of \$0.05 (C\$0.07) per share until October 15, 2029, subject to earlier termination in accordance with the Plan.

The stock options outstanding and exercisable as at December 31, 2023 is as follows:

	Expiry date	Number of options	Exercise price (\$)
Outstanding at December 31, 2021		8,836,875	0.44
Exercisable at December 31, 2021		8,041,250	0.43
Expired		(600,000)	0.63
Expired		(3,006,875)	0.39
Granted	Oct 15, 2029	3,375,000	0.07
Outstanding at December 31, 2022		8,605,000	0.29
Exercisable at December 31, 2022		5,230,000	0.29
Outstanding at December 31, 2023		8,605,000	0.29
Exercisable at December 31, 2023		6,355,000	0.24

The number of options exercisable as at December 31, 2023 was 6,355,000 (December 31, 2022 – 5,230,000). The weighted average life remaining for these options were 5.0 years and weighted average exercise price was \$0.29 per option.

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10. STOCK OPTIONS AND RESTRICTED SHARE UNITS (CONTINUED)

Restricted Stock Units

During the year ended December 31, 2021, the Company granted an aggregate of 5,466,875 restricted stock units (the “RSU”) to officers, directors, key employees and consultants pursuant to the Company's RSU Plan with a fair value of \$0.58 per RSU. The RSU will be vested 1/2 on the 12 and 24 months’ anniversary. These units were exercisable until November 12, 2023.

On March 5, 2021, the Company granted 100,000 RSU with a fair value of \$0.53 per RSU. The RSU will be vested 1/2 on the 12 and 24 months’ anniversary. These units are exercisable until March 5, 2024.

On June 1, 2021, the Company granted 1,072,000 RSU to an entity owned by the new CEO of the Company, with a fair value of \$0.38 per RSU. The RSU will be vested 1/2 on the 12 and 24 months’ anniversary. These units are exercisable until June 1, 2024.

During the year ended December 31, 2022, the Company granted an aggregate of 3,275,000 restricted stock units (the “RSU”) to officers, directors, key employees and consultants pursuant to the Company's RSU Plan with a fair value of \$0.05 per RSU. The RSU will be vested 1/3 on the 12, 24 and 36 months’ anniversary. These units are exercisable until October 15, 2026.

The fair value of RSUs awarded to officers, directors, key employees and consultants was estimated on the dates of award using the fair market value of the Company share price. As at December 31, 2023, the Company has 8,367,875 RSUs issued and outstanding; and 5,419,542 RSUs exercisable.

11. WARRANTS

In connection with the private placement closed during the year 2021, the Company issued 20,308,963 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.50 per share for a period of 36 months from the closing date. The fair value of warrants was valued using the Black-Scholes Option Pricing Model.

In connection with a private placement closed during the year 2022, the Company issued 5,307,894 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.50 per share for a period of 36 months from the closing date. The fair value of warrants was valued using the Black-Scholes Option Pricing Model.

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11. WARRANTS (CONTINUED)

In connection with a private placement closed during the year 2022, the Company issued 22,380,459 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.15 per share for a period of 24 months from the closing date. The fair value of warrants was valued using the Black-Scholes Option Pricing Model.

In connection with private placements closed during the year 2023, the Company issued 13,093,488 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.15 per share for a period of 24 months from the closing date. The fair value of warrants was valued using the Black-Scholes Option Pricing Model.

The warrants outstanding and exercisable as at December 31, 2023 are as follows:

	Expiry date	Number of warrants outstanding	Number of warrants exercisable	Exercise Price (\$)
Balance December 31, 2021		20,898,129	20,898,129	0.38
Granted	January 29, 2024	5,307,894	5,307,894	0.37
Granted	January 29, 2024	182,000	182,000	0.37
Granted	November 8, 2024	22,380,459	22,380,459	0.11
Expired		(589,166)	(589,166)	0.39
Balance December 31, 2022		48,179,316	48,179,316	0.29
Expired	January 28, 2023	(182,000)	(182,000)	0.37
Granted	October 19, 2025	3,788,587	3,788,587	0.11
Granted	December 22, 2025	1,400,451	1,400,451	0.11
Granted	June 2, 2025	7,904,450	7,904,450	0.11
Balance December 31, 2023		61,090,804	61,090,804	0.23

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12. INCOME (LOSS) PER SHARE

The weighted average number of shares outstanding for the year-ended December 31, 2023 was 104,415,648. At December 31, 2023, the Company has 111,617,797 shares issued and outstanding. The Company included both weighted average subordinated voting shares outstanding and weighted average multiple voting shares outstanding in the loss per share calculation.

13. WARRANT LIABILITY

The Company's warrant liability arises as a result of the issuance of warrants exercisable in Canadian dollars ("CAD"). As the denomination currency of the exercise price is different from the US dollar functional currency of the entity issuing the underlying warrants, the Company recognizes a derivative liability for these warrants and re-measures the liability at the end of each reporting period using the Black-Scholes model. Changes in respect of the Company's warrant liability are as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Balance at beginning of the period	701,700	3,102,566
Additions	200,626	3,110,683
Fair value adjustment	(409,344)	(5,511,549)
Exercise of warrants	-	-
Other	-	-
Balance at the end of the year	492,982	701,700

Continuity of the underlying warrants during the year is as follows:

	Underlying warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable, December 31, 2022	48,179,316	\$0.29
Granted	13,093,488	\$0.11
Exercised	-	-
Expired	(182,000)	-
Warrants outstanding and exercisable, December 31, 2023	61,090,804	\$0.26

Valuation of the warrant liability requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing warrants is based on volatility observed in historical periods and comparative companies' historical information. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of the warrant liability was calculated using the Black-Scholes model with the following weighted average assumptions and resulting fair values:

	December 31, 2023	December 31, 2022
Risk-free interest rate	1.56%	1.13%
Expected dividend yield	0%	0%
Expected warrant life (years)	1.50	2.90
Estimated stock price volatility	110%	110%
Fair value	\$0.17	\$0.17

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14. RELATED PARTY TRANSACTIONS

The aggregate value of transactions recorded relating to key management personnel and entities which they have control or significant influence were as follows:

	Notes	For the year-ended December 31, 2023 (\$)	For the year-ended December 31, 2022 (\$)
EMulate Therapeutics Inc. – Royalty Fees	(a)	140,000	105,000
Les Consultants Shtern Inc.	(b)	600,000	450,000
MK & Associates	(c)	123,980	125,110
4114566 Canada Inc.	(d)	176,926	180,000
David Hoppenheim	(e)	142,243	180,974
Brian Mogen	(f)	216,000	216,000

- (a) EMulate Therapeutics Inc., an entity which has significant influence on the Company charged royalty fees. See note 5.
- (b) Les Consultants Shtern Inc., an entity owned by Yona Shtern, the new CEO charged consulting fees to the Company.
- (c) MK & Associates, an entity controlled by the Company’s Chief Financial Officer, charged consulting fees to the Company.
- (d) 4114566 Canada Inc., an entity controlled by the Company’s Corporate Secretary, charged consulting fees to the Company.
- (e) David Hoppenheim is the Chief Operating Officer (COO) of the Company.
- (f) Brian Mogen is the Chief Technology Officer (CTO) of the Company.

The following table outlines the Company’s related party payables:

	December 31, 2023 \$	December 31, 2022 \$
Les Consultants Shtern	381,613	254,532
MK & Associates	129,254	78,439
4114589 Canada Inc.	137,400	86,606
EMulate Therapeutics Inc.	423,076	283,076
David Hoppenheim	98,669	80,212
Brian Mogen	149,600	-
	1,319,612	782,865

15. CONVERTIBLE DEBENTURE

Several of the Company’s consultants and employees agreed to defer collection of the outstanding portion of their fees for services and salaries as at April 30, 2023 by issuing a convertible debenture, details as follows:

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15. CONVERTIBLE DEBENTURE (CONTINUED)

The Company adopted a phased in approach to base compensation whereas deferred compensation be phased in as per: phase 1 - November 2022 to April 2023 (inclusive) be deferred, phase 2 - as of May 1, 2023 (assuming equity raise) be paid 50% of base salary. Phase 3 - as of September 1, 2023 (assuming equity raise) be paid 100% of base salary. A 3-year note was assigned to employees to compensate them for their deferred compensation. Terms of the note and repayment are as follows:

Period: 3 year note with a maximum amount of US\$1.5 million

Repayment in 3 annual payments with the first third, payable on the closing of a US\$3 million financing by January 1, 2024; second third payable 12 months after first repayment or earlier at the discretion of the Board of Directors; final third payable 12 months after second repayment or earlier at the discretion of the Board of Directors. The Company has discretion to repay amounts at an earlier date on approval of the Board of Directors. Interest in the form of equity converted to RSU's at \$0.10/share; pro-rated to the number of months outstanding when repaid and payable at 50% of the deferred amounts per employee.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other shareholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and accounts payable. The fair values of the Company's cash and accounts payable approximate their carrying values, due to their short-term natures. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected cash requirements by obtaining financing through the issuance of debt or common shares. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to interest rate risk.

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company is not exposed to price risk as it has no instruments in publicly held securities.

c) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk as all of its operations are in the United States of America, except for cash held in Canadian Dollars which amounted to \$240,483 Canadian Dollars as at December 31, 2023 (December 31, 2022 – \$134,650), accounts receivable which amounted to \$NIL Canadian Dollars at December 31, 2023 (December 31, 2022 - \$NIL) and accounts payable which amounted to \$213,360 Canadian Dollars at December 31, 2023 (December 31, 2022 - \$382,847).

18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year-ended December 31, 2023	For the Year-ended December 31, 2022
General and administrative:	\$	\$
Advertising and marketing	213,870	942,951
Bank charges	39,716	33,316
Exchange (gain) or loss	(47,926)	(10,272)
Insurance	83,600	157,674
Office and general	443,575	630,424
	732,835	1,754,093

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19. COMMITMENTS AND CONTINGENCIES

- a) On March 29, 2019, the Company entered into an exclusive license agreement with EMulate Therapeutics Inc. (“EMulate”), which is subsequently amended and restated on October 30, 2019, January 24, 2020, June 1, 2020 and October 26, 2020. The agreement will be in effect for 20 years. Based on the agreement, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. In exchange, the Company will pay EMulate an upfront non-refundable, non-creditable payment of \$1,500,000 by the earlier of April 30, 2020 or the date by which the Company has raised aggregated amounts of \$5 million or more by equity financing. The Company will also pay to EMulate royalties on the quarterly net income from sales, lease or rental of the authorized product in the territory multiplied by a percentage royalty rate of 20%. During the period ended December 31, 2023, the Company has paid license fees of \$Nil (2022 - \$Nil).
- b) On October 30, 2019, the Company entered into an exclusive license agreement with EMulate, which is subsequently amended and restated on January 24, 2020 and June 1, 2020 and October 26, 2020. The agreement will be in effect for 20 years. Based on the agreement, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. In exchange, the Company will pay EMulate an upfront non-refundable, non-creditable payment of \$10,000 for each cognate designated by and provided to the Company. The Company will also pay to EMulate royalties on the quarterly new income from sales, lease or rental of the authorized product in the territory multiplied by a percentage royalty rate of 20%.
- c) On April 21, 2021, the Company entered into an exclusive license agreement with Emulate. The agreement will be in effect for 20 years. Based on the agreement, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. In exchange, the Company will pay EMulate an upfront non-refundable, non-creditable payment of \$10,000 for the cognate designated by and provided to the Company. The Company will also pay to EMulate royalties on the quarterly new income from sales, lease or rental of the authorized product in the territory multiplied by a percentage royalty rate of 20%.
- d) On July 29, 2021, the Company entered into an exclusive license agreement with Emulate. The agreement will be in effect for 20 years. Based on the agreement, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate’s technology. In exchange, the Company will pay EMulate an upfront non-refundable, non-creditable payment of \$10,000 for the cognate designated by and provided to the Company. The Company will also pay to EMulate royalties on the quarterly new income from sales, lease or rental of the authorized product in the territory multiplied by a percentage royalty rate of 20%. During the quarter ended December 31, 2023, the royalty fees payable to Emulate are \$248,076 (2022—\$178,076).
- e) The Company has entered into a supply agreement with its supplier and committed to purchasing 25,000 units of its primary product with an estimated cost of \$2,500,000.

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20. SUBSEQUENT EVENTS

Private Placement

On April 18, 2024, the Company completed a non-brokered private placement of units of the Company for aggregate gross proceeds of USD \$2,055,000 (C\$2,775,000). Net proceeds from the placement are intended to fund working capital for on-going operations, invest in product innovation and enhancements, underwrite long term growth initiatives and reduce cost of goods by migrating manufacturing to offshore manufacturing partners.

The private placement round was led by Rizwan Shah and Jaylen Brown. In addition to their investment, they have assumed active roles as members of the Company's leadership team as Chief Commercial Officer and Chief Innovation Officer, respectively.

As part of the Offering, the Company issued 50,454,544 Units at a price of CAD \$0.055 per Unit (the "Offering Price"), which consisted of the issuance of 50,454,544 subordinate voting shares of the Company ("Shares") and 50,454,544 Share purchase warrants ("Warrants") with each Warrant entitling the holder thereof to acquire one Share at a price of CAD\$0.11 per Share for a period of 3 years from the closing date of the Offering.

The expiry date of the Warrants will be subject to prior acceleration, at the discretion of the Company, should the volume weighted average price of the Company's listed Shares on the TSX Venture Exchange ("TSXV"), or any other stock exchange on which the Company's Shares are then listed, is greater than CAD\$0.40 for a period of 10 consecutive trading days, the whole in accordance with the terms of the Warrants. Each Share and Warrant issued (including the Shares underlying the Warrants) will be subject to a hold period of four months plus one day following the closing of the Offering (the "Hold Period") pursuant to Canadian and US securities laws.

Any net proceeds received by the Company from the Offering are intended to be used for product development, manufacturing, business development, working capital and general corporate purposes.

Convertible Debentures

In January 2024, the Company issued convertible debentures in the amount of USD \$161,431 in exchange for USD \$161,431.

RSU Conversions

In January 2024, Directors, Management and Consultants to the Company have converted 2,617,250 Restricted Share Units (RSU) that have vested into Subordinated Voting Shares (SVS). In April 2024 Directors and Consultants to the Company in April 2024 have converted 3,054,750 RSU into SVS.