

Consolidated Financial Statements of

HAPBEE TECHNOLOGIES, INC.

For the years ended December 31, 2024, and 2023

(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.

Morton Garellek, CPA, appointed as the Company's auditors by the Board of Directors, has examined these consolidated financial statements and we ask that you read his report which follows.

(signed) "Yona Shtern"
Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hapbee Technologies Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of Hapbee Technology Inc. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the company Incurred a net loss of \$6,596,111 during the year ended December 31, 2024, deficit working capital of \$2,073,107 and accumulated deficit of \$30,425,252 at December 31, 2024. 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. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Impairment of intangible assets

Description of matter

The Company completed an impairment assessment of its intangible assets as it noted indicators of impairment including recurring reported operating losses for the year ended December 31, 2024. An impairment assessment is completed annually or more frequently when indicators of impairment exist. An impairment loss is recognized when the carrying value of a cash generating unit ("CGU") exceeds the CGU's recoverable amount. The Company's intangible assets consist of the licences and capitalized development costs representing the technology used by the Company and is considered one CGU. The intangibles assets have a cost of \$2,679,980, accumulated depreciation of \$983,237, and a carrying amount of \$1,646,743, as at December 31, 2024. The Company calculated the recoverable amount of the intangible assets using the value in use method as at December 31, 2024. The Company elected to write off its capitalized development costs having a cost of \$1,079,980 and carrying amount of \$449,993. The Company concluded the underlying capitalized technology is deemed obsolete due to the continuous development of its products and launch of new generations of devices. As disclosed in note 6 the Company determined that no other impairment of the remaining intangible assets was required.

Why the matter is a key audit matter

The determination of a CGU's recoverable amount requires significant judgement when determining the inputs into the calculation of the recoverable amount including estimating the expected future net cash flows and the discount rate. This estimation uncertainty required significant auditor judgement and specialized skills and knowledge to evaluate management's estimate.

How the matter was addressed in the audit

The primary procedures performed to address the key audit matter included the following: I evaluated the appropriateness of the future net cash flows by reviewing key assumptions used including forecasted growth rates against historical results and industry data, discount rate used, appropriateness of the valuation method, planned changes and introduction of new products and sales strategies, planned changes to customer type, planned changes in margin against historical trends and management plans relative to the marketing strategies.

Inventories

Description of the matter

I was not appointed as auditors of the Company until December 13, 2024 and thus did not observe the counting of physical inventories at the beginning of the year which was reported at \$156,310.

Why the matter is a key audit matter

As per the Company's inventory policy, the difference in inventory value between periods is reported in the cost of sales for that period. Not being able to observe the inventory counting at the beginning of the year leads to uncertainty about the amount recognised as a cost of sales which amounted to

\$254,137 as stated in the consolidated statements of comprehensive income for the year then ended.

How the matter was addressed in the audit

I performed other analytical procedures to satisfy myself by alternative means concerning the cost of sales amount during the year ended December 31, 2024.

Unearned revenue

Description of the matter

During the initial stages of operations of the Company years 2020 and 2021, one of the business models used was the lifetime subscriptions package. This concept provides the customer who purchases such package a lifetime access to the technology app of the company to benefit from its services. During the year ended 2021, this business model was discontinued and currently the longest term service is the annual subscription. Due to a change in the sales platform in 2021 after the discontinuation of the lifetime business model, the Company no longer has the records of the customers who purchased this type of package in the past. As a result of using this model in the past, an unearned revenue balance was created and is being amortized annually over the period of years. The balance of the unearned revenue amounts to \$139,591 as at December 31, 2024, and the amortization of unearned revenue amounted to \$129,260 for the year then ended. The Company does not have any records about the customers and they will honor the continuation of services to any previous customer who have purchased such package.

Why the matter is a key audit matter

Not having sufficient information about the unearned revenue balance will hinder us from assessing the appropriateness of the balance of unearned revenue and the amounts amortized as revenue in the consolidated financial position as at December 31, 2024, and the consolidated statement of comprehensive income for the year then ended.

How the matter was addressed in the audit

I have read the audited consolidated financial statements of the Company for periods covered by the amortization period and observed this accounting treatment was consistently applied. In addition, as part of my legal inquiries, I did not identify any claims against the Company related to the discontinued lifetime business model.

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. My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the consolidated financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Other Matter

The financial statements of the Company for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2024.

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

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

In preparing the 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 Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 my 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 my 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.⁵
- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my 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 Morton Garellek.

Morton Garellek, CPA Auditor

Morton Garellek, CPA auditor

Montréal (Québec), June 22, 2025

Hapbee Technologies, Inc.
Consolidated Statements of Financial Position
As at December 31, 2024 and 2023

Expressed in U.S. dollars

	December 31, 2024 (audited) \$	December 31, 2023 (audited) \$
Assets		
Current assets		
Cash	132,274	212,653
Receivables	251,175	82,419
Inventory (note 4)	264,891	156,310
Prepaid expenses (note 5)	381,645	-
	<u>1,029,985</u>	<u>451,382</u>
Intangible assets (note 6)	1,196,750	1,858,240
Total assets	<u>2,226,735</u>	<u>2,309,622</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	2,890,607	2,158,275
Product warranty liability (note 8)	9,130	9,130
Loans payable	63,764	133,912
Unearned revenue (note 9)	139,591	227,727
Total current liabilities	<u>3,103,092</u>	<u>2,529,044</u>
Warrant liability (note 13)	1,583,842	492,982
Promissory Note (note 16)	1,499,577	1,499,577
Convertible debentures – deferred compensation (note 17)	161,217	-
Total liabilities	<u>6,347,728</u>	<u>4,521,603</u>
Equity		
Share capital (note 10)	19,595,748	15,219,442
Reserves	6,702,863	6,392,054
Accumulated other comprehensive income	-	-
Accumulated deficit	(30,419,604)	(23,823,493)
Total shareholders' equity	<u>(4,120,993)</u>	<u>(2,211,981)</u>
Total liabilities and shareholders' equity	<u>2,226,735</u>	<u>2,309,622</u>

Nature of operations and going concern (note 1)

Basis of presentation (note 2)

Commitments and contingencies (note 21)

Approved on behalf of the Board of Directors on June 23, 2025.

“Michael Matysik”
Director

“Mark Timm”
Director

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

Hapbee Technologies, Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years-ended December 31, 2024 and 2023

Expressed in U.S. dollars

	December 31, 2024 (audited) \$	December 31, 2023 (audited) \$
Revenues		
Sales	610,877	964,148
Royalties	(186,311)	(140,000)
Cost of goods sold	(232,693)	(412,125)
Gross Profit	191,873	412,023
Expenses		
Amortization of intangible assets (note 5)	211,497	212,498
Consulting	2,219,544	1,872,328
General and administrative (note 20)	1,335,579	732,835
Product development costs	889,456	740,714
Professional fees	267,704	91,267
Salaries and wages	53,055	66,384
Share-based compensation	270,297	45,093
Total operating expenses	(5,247,132)	(3,761,119)
Operating loss before other item	(5,055,259)	(3,349,096)
Other items:		
Change in fair value of warrant liability (note 13)	(1,090,859)	637,527
Impairment expense	(449,993)	-
Net loss for the year	(6,596,111)	(2,711,569)
Other comprehensive income	-	-
Net loss and comprehensive loss for the year	(6,596,111)	(2,711,569)
Loss per share— basic and diluted (note 14)	(\$0.04)	(\$0.03)
Weighted-average number of shares outstanding - basic and diluted	160,481,929	104,415,648

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, 2024

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, 2024	114,985,047	15,219,403	450,000	39	-	6,392,054	(23,823,493)	(2,211,981)
Issuance of shares for non-brokered private placement	73,148,297	4,050,000	-	-	-	-	-	4,050,000
Issuance of shares for transaction	6,917,489	5,609	-	-	-	-	-	5,609
Share issuance cost	-	361,193	-	-	-	-	-	361,163
Share-based compensation	3,054,750	(40,510)	-	-	-	310,807	-	270,297
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(6,596,111)	(6,596,111)
Balance, December 31, 2024	198,105,583	19,595,709	450,000	39	-	6,702,863	(30,425,252)	(4,120,993)

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, 2024

Expressed in U.S. dollars

	December 31, 2024 (Audited) \$	December 31, 2023 (Audited) \$
Operating activities		
Net loss for the year	(6,596,111)	(2,711,569)
Items not involving cash:		
Amortization of intangible assets	211,497	212,498
Impairment expense	449,993	-
Accrued interest	390,292	-
Finders' warrants	-	(113,362)
Share-based compensation	270,297	45,093
Change in fair value of warrant liability	1,090,860	(208,718)
Changes in non-cash working capital balances:		
Decrease / (increase) in receivables	(168,756)	88,129
Decrease / (increase) in prepaid expenses	(381,645)	-
Decrease / (increase) in inventory	(108,581)	104,840
Increase in accounts payable and accrued liabilities	732,332	531,235
(Decrease) / increase in product warranty liability	-	(48,656)
(Decrease) / increase in loans payable	(70,148)	133,912
(Decrease) / increase in unearned revenue	(88,136)	(163,381)
Net cash used in operating activities	(4,268,106)	(2,129,979)
Investing activities		
License fees paid	-	-
Development costs incurred	-	-
Net cash used in investing activities	-	-
Financing activities		
Proceeds from subordinated voting shares issuances	4,050,000	541,885
Proceeds from convertible debenture issuances	161,217	1,499,577
Share issuance costs	-	(19,572)
Net cash provided by financing activities	4,211,217	2,021,890
Effect of foreign exchange on cash	(23,490)	25,521
Increase (decrease) in cash during the year	(80,379)	(82,568)
Cash, beginning of the year	212,653	295,221
Cash, end of the year	132,274	212,653

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, 2024

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). The company’s head office is located at 1771 Robson Street, Suite 1427, Vancouver, BC V6G 3B7. Corporate office is located at 4060 Sainte-Catherine Street West Suite 600, Westmount, Quebec H3Z 2Z3 Its registered and record 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.

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 \$30,419,604 as at December 31, 2024.

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 year-ended December 31, 2024, the Company incurred a net loss of \$6,596,111.

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, 2024

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated 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, 2024.

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.

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, 2024 were approved and authorized for issue by the Board of Directors on June 23, 2025

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

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, 2024 are accounted for as derivative liabilities (see Note 14).

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, 2024

Intangible assets

Management is required to use judgement in determining the useful economic 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 useful economic 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 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
Prepaid Expenses	Amortized cost
Loans	Amortized cost
Notes	Amortized cost
Debentured	Amortized cost

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

Financial Assets

After initial recognition, financial assets are 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 input, 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.

Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2024, and have not been applied in preparing these consolidated financial statements. None of these pronouncements are expected to have material impact on the Company’s consolidated financial statements.

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, 2024

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, 2024

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, 2024

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, 2024.

l) 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).

m) 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.

n) 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 the 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.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

4. INVENTORY

	December 31, 2024	December 31, 2023
	\$	\$
Finished goods	151,200	156,310
Components	113,691	-
	<u>264,891</u>	<u>156,310</u>

5. PREPAID EXPENSES

In anticipation of continued growth in 2025, the Company has prepaid components and finished goods inventory of \$381,645 for the production and purchase of Hapbee products. The Company capitalized the acquisition costs of licenses and development costs related to the design and development of the device prototype.

6. INTANGIBLE ASSETS

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.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

6. INTANGIBLE ASSETS (CONTINUED)

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.

- b) Development Costs**—During the three months ending December 31, 2024, the Company incurred development costs of \$Nil (year ended December 31, 2023: \$nil) related to the development of 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.
- c) Impairment Expense**—The Company made the decision to record an impairment expense for uncanceled development costs of \$449,993 due to the fact that the Company is working actively on the 2nd generation of Hapbee wearables and the balance of the uncanceled development costs were deemed obsolete.

The following table outlines the Company's intangible assets as at December 31, 2024:

	December 31, 2024	December 31, 2023
	\$	\$
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
Development Cost-Impairment expense	(449,993)	-
Accumulated amortization of intangible assets - license fees	(353,250)	(276,250)
Accumulated amortization of intangible assets - development costs	(629,987)	(495,490)
	1,196,750	1,858,240

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
	\$	\$
Trade accounts payable and accrued liabilities	1,495,372	838,663
Amounts payable to related parties (note 15)	1,395,235	1,319,612
	<u>2,890,607</u>	<u>2,158,275</u>

Included in Accounts payable is a liability claimed against the Company by a supplier in court proceedings for the sum of \$24,811. The Company is defending the claim and believes that a settlement will be forthcoming for less than or equal to the claim. Yet the Company has expensed the full claim.

8. PRODUCT WARRANTY LIABILITY

	December 31, 2024	December 31, 2023
	\$	\$
Product warranty liability	9,130	9,130

9. UNEARNED REVENUE

	December 31, 2024	December 31, 2023
	\$	\$
Unearned revenue	139,591	227,727

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

10. 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.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

10. SHARE CAPITAL (CONTINUED)

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 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, 2024, the Company has 198,105,583 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

Shares Issuance

Fiscal Year 2023

- During the year-ended December 31, 2023, the Company issued a 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

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

10. SHARE CAPITAL (CONTINUED)

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 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.

Fiscal Year 2024

- On April 18, 2024, the Company closed a non-brokered private placement of 50,454,544 units at \$C0.055 per unit for total proceeds of \$2,055,351 (\$C2,775,000). 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 July 26, 2024, the Company closed a non-brokered private placement of 22,693,753 units at \$C0.12 per unit for total proceeds of \$2,000,000 (\$C2,710,000). Each unit consisted of one subordinate voting share and one half 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 \$C0.20 per share for a period of 24 months from the closing date. The Company may, in its sole discretion, provide notice to

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

11. SHARE CAPITAL (CONTINUED)

- 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.

The Company, during the year, issued 6,917,489 81 subordinate voting shares in exchange for consulting services to suppliers Company in exchange for fees for the sum of \$310,760.

The Company, during the year received conversion calls on 5,672,000 Restricted Stock Units which were converted into subordinate voting shares, of which Related parties received 4,372,000 subordinate voting shares.

11. 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:

	Options granted on October 15, 2022
Dividend yield	0%
Risk-free interest rate	3.79%
Estimated volatility	110%
Expected life in years	7
Fair value at grant date	\$0.07

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.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

11. STOCK OPTIONS AND RESTRICTED SHARE UNITS (CONTINUED)

The stock options outstanding and exercisable as at December 31, 2024 is as follows:

	Expiry date	Number of options	Exercise price (\$)
Outstanding at December 31, 2023		8,930,000	0.32
Exercisable at December 31, 2023		6,680,000	0.32
Expired		-	N/A
Granted		-	N/A
Outstanding at December 31, 2024		8,605,000	0.32
Vested		1,125,000	
Exercisable at December 31, 2024		7,805,000	0.32

The number of options exercisable as at December 31, 2024 was 7,805,000 (December 31, 2023 – 6,680,000). The weighted average life remaining for the outstanding options were 4.1 years and weighted average exercise price was \$0.32 per option.

Restricted Stock Units

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, 2024, the Company has 3,275,000 RSUs issued and outstanding; and 2,183,333 RSUs exercisable.

RSU Conversions

In January 2024, Directors, Management and Consultants to the Company converted 2,617,250 Restricted Share Units (RSU) that vested into Subordinated Voting Shares (SVS) of which 2,204,750 were issued to Related Parties.

In April 2024, Directors, Management and Consultants to the Company converted 3,054,750 Restricted Share Units (RSU) that vested into Subordinated Voting Shares (SVS) of which 2,167,250 were issued to Related Parties.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

12. WARRANTS

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.

In connection with private placements closed during the year 2024, the Company issued 61,801,421 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at an average price of \$C0.16 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, 2024 are as follows:

	Expiry date	Number of warrants outstanding	Number of warrants exercisable	Exercise Price (\$)
Balance December 31, 2022		48,079,316	48,079,316	0.29
Granted	October 26, 2025	5,524,398	5,524,398	0.37
Expired	January 28, 2023	(182,000)	(182,000)	0.37
Balance December 31, 2023		53,421,714	53,421,714	0.31
Expired	November 9, 2024	(42,589,422)	(42,589,422)	0.29
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
Granted	April 18, 2026	50,454,544	50,454,544	0.09
Granted	July 26, 2026	11,346,869	11,346,869	0.16
Balance December 31, 2024		85,727,193	85,727,193	0.11

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, 2024	December 31, 2023
	\$	\$
Balance at beginning of the period	492,982	701,700
Additions (expirations)	2,181,709	428,809
Fair value adjustment	(1,090,849)	(637,527)
Exercise of warrants	-	-
Other	-	-
Balance at the end of the year	1,583,842	492,982

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

13. WARRANT LIABILITY (CONTINUED)

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, 2024	December 31, 2023
Risk-free interest rate	2.90%	3.79%
Expected dividend yield	0%	0%
Expected warrant life (years)	1.80	0.80
Estimated stock price volatility	131%	110%
Fair value	\$0.18	\$0.17

14. INCOME (LOSS) PER SHARE

The weighted average number of shares outstanding for the year ended December 31, 2024 was 160,481,929. At December 31, 2024, the Company has 198,105,583 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.

15. 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:

		For the year-ended December 31, 2024	For the year-ended December 31, 2023
	Notes	(\$)	(\$)
EMulate Therapeutics Inc. – Royalty Fees	(a)	186,311	140,000
Les Consultants Shtern Inc.	(b)	600,000	600,000
MK & Associates	(c)	239,502	183,071
4114566 Canada Inc.	(d)	175,208	176,926
David Hoppenheim	(e)	153,307	142,243
Brian Mogen	(f)	216,000	216,000
Alchemy Global	(g)	250,000	-
Madeeha Mirza	(h)	74,000	-

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

15. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) EMulate Therapeutics Inc., an entity which has significant influence on the Company charged royalty fees. These royalty fees are calculated on a quarterly basis and are based on a percentage of gross profit from device sales and a percentage of subscription revenues net of platform fees. See Note 5.
- (b) Les Consultants Shtern Inc., an entity owned by the Company's Chief Executive Officer Yona Shtern, charged management consulting fees to the Company for CEO services rendered.
- (c) MK & Associates, an entity owned by the Company's Chief Financial Officer Mitchell Kujavsky, charged management consulting fees to the Company for CFO services rendered.
- (d) 4114566 Canada Inc., an entity controlled by the Company's Corporate Secretary Kenneth Adessky, charged management consulting fees to the Company for services rendered.
- (e) David Hoppenheim is the Chief Operating Officer (COO) of the Company and charged management consulting fees for COO services rendered.
- (f) Brian Mogen is the Chief Technology Officer (CTO) of the Company and was paid a fixed salary for CTO services rendered.
- (g) Alchemy Global is an entity controlled by the Company's Chief Commercial Officer (CCO) Rizwan Shah, charged management consulting fees to the Company for CCO services rendered.
- (h) Madeeha Mirza is the Chief Marketing Officer (CMO) of the Company and charged management consulting fees for CMO services rendered.

The following table outlines the Company's related party payables as referred to in note 7:

	December 31, 2024	December 31, 2023
	\$	\$
Les Consultants Shtern	248,196	381,613
MK & Associates	135,358	129,254
4114589 Canada Inc.	186,906	137,400
EMulate Therapeutics Inc.	489,388	423,076
David Hoppenheim	149,787	98,669
Brian Mogen	185,600	149,600
	1,395,235	1,319,612

Also included in related party payables are amounts due from key Management personnel and Company Directors. This includes \$914,879 of the balance of promissory notes and \$50,000 of the balance of convertible debentures.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

16. PROMISSORY NOTES

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 Promissory Note, details as follows:

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.

As noted above, the promissory notes includes a balance of \$914,879 due to key Management personnel.

17. CONVERTIBLE DEBENTURES

The company received 2 loans of \$25,000USD each from two (2) directors on February 14, 2024, for a term of 3 years with interest payable at fifteen (15%) per annum by issuance of convertible debentures. The loans include one subordinated voting share purchase warrant (each, a "Warrant") for every eleven cents (\$0.11CAD) of principal amount of debentures subscribed for being, with each warrant exercisable at a price of \$0.11CAD to purchase one (1) common share for a period of 36 months from the date of issuance. The debentures are convertible at the holder's option into fully-paid and non-assessable shares at any time prior to the last business day immediately preceding the maturity date for redemption by the company at a conversion price of the lower of \$0.055 per share or the most recent price of a financing close (the "Conversion Price").

The company received a loan of \$150,000CAD from an unrelated party on February 14, 2024, for a term of 3 years with interest payable at fifteen (15%) per annum by issuance of convertible debentures. The loan includes one subordinated voting share purchase warrant (each, a "Warrant") for every eleven cents (\$0.11CAD) of principal amount of Debentures subscribed for being, with each Warrant exercisable at a price of \$0.11CAD to purchase one (1) Common Share for a period of 36 months from the date of issuance. The debentures are convertible at the holder's option into fully-paid and non-assessable Shares at any time prior to the last business day immediately preceding the maturity date for redemption by the Company at a conversion price of the lower of \$0.055CAD per share or the most recent price of a financing close (the "Conversion Price").

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

18. 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.

19. 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 nature. 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.

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.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 \$180,933 Canadian Dollars as at December 31, 2024 (December 31, 2023 – \$240,483), accounts receivable which amounted to \$NIL Canadian Dollars at December 31, 2024 (December 31, 2023 - \$NIL) and accounts payable which amounted to \$622,481 Canadian Dollars at December 31, 2024 (December 31, 2023 - \$382,847).

20. GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year-ended December 31, 2024	For the Year-ended December 31, 2023
General and administrative:	\$	\$
Advertising and marketing	177,454	213,870
Bank charges	39,679	39,716
Exchange (gain) or loss	(23,666)	(47,926)
Insurance	80,387	83,600
Litigations	24,811	-
Office and general	1,036,914	443,575
	1,335,579	732,835

21. COMMITMENTS AND CONTINGENCIES

- a) 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.
- b) The Company continues to order finished goods and components to reduce the commitment outstanding to its suppliers.

22. SUBSEQUENT EVENTS

During the months of January and May 2025, the Company received a loan of \$1,050,000 USD. It will be convertible into subordinate voting shares at the option of the company within a period of six months.

The Company during the month of January 2025 converted \$489,388 of accrued payables being license fees to a Related Party, Emulate Inc., in exchange for 10,500,000 subordinated voting shares.

In January 2025, Directors, Management and Consultants to the Company converted 2,023,500 Restricted Share Units (RSU) that vested into Subordinated Voting Shares (SVS) of which 1,923,500 were issued to Related Parties.

Hapbee Technologies, Inc.
Notes to the Consolidated Financial Statements
For the year-ended December 31, 2024

23. COMPARATIVE FIGURES

Some of the figures from the previous year have been reclassified to align with the presentation of the year ended December 31, 2024.