# Planet Based Foods Global Inc.

## Consolidated Financial Statements

## December 31, 2023 and 2022

(Expressed in US Dollars)

# Independent Auditor's Report

To the Shareholders of Planet Based Foods Global Inc.:

## Opinion

We have audited the consolidated financial statements of Planet Based Foods Global Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financialstat ements, including a summary of material accounting policies.

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

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit since inception and incurred a net loss for the year ended December 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

**MNP LLP**

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### Other Information

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jian-Kun Xu.

Vancouver, British Columbia

MNP LLP

July 12, 2024

Chartered Professional Accountants

**Planet Based Foods Global Inc.**
**Consolidated Statements of Financial Position**
**(Expressed in US Dollars)**

| As at | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| | | $ | $ |
| **Current Assets** | | | |
| Cash | | 55,054 | 1,082,719 |
| Accounts receivable and other receivable | 6 | 37,161 | 293,975 |
| Prepaid expenses | | 185,834 | 138,093 |
| Inventory | 7 | 96,305 | 431,793 |
| | | 374,354 | 1,946,580 |
| **Non-Current Assets** | | | |
| Equipment, net | 8 | 133,472 | 183,113 |
| **Total Assets** | | 507,826 | 2,129,693 |
| | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | | 853,785 | 467,653 |
| Due to related parties | 11 | 146,236 | 8,000 |
| Short-term loans | 10 | 152,108 | - |
| | | 1,152,129 | 475,653 |
| **Long Term Liabilities** | | | |
| Loans payable | 14 | 238,063 | - |
| Convertible debentures | 15 | 207,062 | - |
| **Total Liabilities** | | 1,597,254 | 475,653 |
| | | | |
| **Shareholders' Equity** | | | |
| Share capital | 16 | 9,810,979 | 9,738,112 |
| Contributed surplus | 16 | 1,747,090 | 1,588,875 |
| Accumulated other comprehensive loss | | (73,957) | (58,151) |
| Deficit | | (12,573,540) | (9,614,796) |
| **Total Shareholders' (Deficiency) Equity** | | (1,089,428) | 1,654,040 |
| **Total Liabilities and Shareholders' (Deficiency) Equity** | | 507,826 | 2,129,693 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

Approved on Behalf of the Board of Directors on July 12, 2024

*"Braelyn Davis"* Director
Braelyn Davis

*"James Harris"* Director
James Harris

*The accompanying notes are integral to these consolidated financial statements.*

**Planet Based Foods Global Inc.**
**Consolidated Statements of Operations and Comprehensive Loss**
**(Expressed in US Dollars)**

| For the year ended | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| | | $ | $ |
| Sales | | 227,268 | 229,001 |
| Cost of sales | 7 | 327,821 | 237,066 |
| Gross profit | | (100,553) | (8,065) |
| **Operating Expenses** | | | |
| Advertising | | 387,302 | 629,521 |
| Consulting | | 462,874 | 897,719 |
| Depreciation | 8 | 49,641 | 39,019 |
| Employee and related costs | | 688,915 | 768,919 |
| Foreign exchange gain (loss) | | (217) | 480 |
| General and administration | | 212,851 | 70,775 |
| Insurance | | 96,849 | 95,657 |
| Investor relation expenses | | - | 177,983 |
| Professional fees | | 134,421 | 167,283 |
| Research and development | | 544,859 | 357,455 |
| Stock-based compensation | 16 | 146,422 | 742,453 |
| Transfer agent and regulatory | | 71,158 | 87,357 |
| Travel expenses | | 48,377 | 104,716 |
| **Total operating expenses** | | (2,843,452) | (4,139,337) |
| **Other Income (Expenses)** | | | |
| Interest (expense) income | 10,14,15 | (36,469) | 1,169 |
| Other (expenses) income | | (7,335) | 6,240 |
| Other gain | 14 | 29,065 | - |
| Impairment | 9 | - | (709,794) |
| | | (14,739) | (702,385) |
| **Net Loss** | | (2,958,744) | (4,849,787) |
| **Other Comprehensive Loss** | | | |
| Unrealized loss on foreign exchange translation | | (15,806) | (110,507) |
| **Comprehensive Loss** | | (2,974,550) | (4,960,294) |
| **Basic and diluted loss per common share** | | (0.25) | (0.41) |
| **Weighted average number of common shares outstanding – Basic and diluted** | | 11,906,042 | 11,847,045 |

*The accompanying notes are integral to these consolidated financial statements.*

**Planet Based Foods Global Inc.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
**(Expressed in US Dollars)**

| | Number of Subordinated Voting Shares # | Subordinated Voting Shares $ | Number of Multiple Voting Shares # | Multiple Voting Shares $ | Contributed Surplus $ | AOCI $ | Deficit $ | Shareholders' Equity (Deficiency) $ |
|---|---|---|---|---|---|---|---|---|
| **Balance - December 31, 2021** | 10,245,138 | 8,523,022 | 800,000 | 1,211,248 | 830,302 | 52,356 | (4,765,009) | 5,851,919 |
| Shares issued from warrant exercised | 2,000 | 3,842 | - | - | (1,443) | - | - | 2,399 |
| Stock options granted and vested | - | - | - | - | 692,259 | - | - | 692,259 |
| Issuance of restricted share units | - | - | - | - | 67,758 | - | - | 67,758 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (110,507) | (4,849,787) | (4,960,294) |
| **Balance - December 31, 2022** | 10,247,138 | 8,526,864 | 800,000 | 1,211,248 | 1,588,875 | (58,151) | (9,614,796) | 1,654,040 |
| Shares issued from RSU's exercised | 100,000 | 72,867 | - | - | (72,867) | - | - | - |
| Convertible debentures | - | - | - | - | 65,661 | - | - | 65,661 |
| Loan payable | - | - | - | - | 15,243 | - | - | 15,243 |
| Issuance of restricted share units | - | - | - | - | 150,178 | - | - | 150,178 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (15,806) | (2,958,744) | (2,974,550) |
| **Balance - December 31, 2023** | 10,347,138 | 8,599,731 | 800,000 | 1,211,248 | 1,747,090 | (73,957) | (12,573,540) | (1,089,428) |

*The accompanying notes are integral to these consolidated financial statements.*

**Planet Based Foods Global Inc.**
**Consolidated Statements of Cash Flows**
**(Expressed in US Dollars)**

| For the year ended | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| | | $ | $ |
| Net Loss for the Year | | (2,958,744) | (4,849,787) |
| Adjustment for Items not Involving Cash: | | | |
| Accrued interest and accretion | | 29,051 | (459) |
| Depreciation | 8 | 49,641 | 39,019 |
| Foreign exchange gain or loss | | (3,361) | (62,713) |
| Impairment | | - | 709,794 |
| Other gain | | (29,065) | - |
| Stock-based compensation | 16 | 146,422 | 742,453 |
| Changes in Non-cash Working Capital: | | | |
| Accounts receivable and other receivables | | 257,295 | (265,841) |
| Prepaids expenses | | (45,997) | 1,074 |
| Inventory | | 335,488 | (276,422) |
| Accounts payable and accrued liabilities | | 380,752 | 308,007 |
| Cash Used in Operating Activities | | (1,838,518) | (3,654,875) |
| Cash Flows from Investing Activities | | | |
| Acquisition of equipment | | - | (80,665) |
| Cash Used in Investing Activities | | - | (80,665) |
| Cash Flows from Financing Activities | | | |
| Proceeds from loans payable | 10,14 | 418,506 | - |
| Repayment of loans payable | 10 | - | (454,332) |
| Proceeds from related parties | 11 | 138,236 | - |
| Repayment to related parties | 11 | - | (129,558) |
| Proceeds from convertible debentures | 15 | 254,595 | - |
| Net proceeds from Issuance of common stocks | 16 | - | 2,396 |
| Cash Provided from (Used in) Financing Activities | | 811,337 | (581,494) |
| Effect of Foreign Exchange on Cash | | (484) | (25,586) |
| Net Decrease in Cash | | (1,027,665) | (4,342,620) |
| Cash – Beginning of Year | | 1,082,719 | 5,425,339 |
| Cash – End of Year | | 55,054 | 1,082,719 |

*The accompanying notes are integral to these consolidated financial statements.*

## 1. Nature of Operations and Going Concern

Planet Based Foods Global Inc. (the "Company" or "PBF Global"), formerly known as Digital Buyer Technologies Corp.("Digital"), was incorporated on February 18, 2017 under the *Business Corporations Act* (British Columbia). The principal business of the Company at the time of incorporation was the identification and evaluation of assets or businesses.

A wholly owned subsidiary of the Company, Planet Based Foods Inc. ("PBF"), was incorporated on October 9, 2018, under the laws of the State of California, United States. PBF's primary focus is development of vegan meat-analog based products, made primarily from hemp plant derived proteins. PBF utilizes co-packer relationships to manufacture and package its products for the wholesale market, including sales to restaurants and to resellers of Consumer Packaged Goods ("CPG"). PBF's branding and trademarks include the acronym: H.E.M.P. "Honorable Ethical Moral Protein."

Another wholly owned subsidiary, Planet Based Foods Europe Ltd. ("PBF Europe") was incorporated on March 13, 2023 in England and Wales. PBF Europe has no operation since its incorporation.

The Company's head office is located at Suite 2250 – 1055 West Hastings Street, Vancouver. PBF's head office is located at 2869 Historic Decatur Road, San Diego, California 92106.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future.

As of December 31, 2023, the Company has an accumulated deficit of $12,573,540 (December 31, 2022: $9,614,796) since inception. The Company also incurred a net loss of $2,958,744 for the year ended December 31, 2023 (December 31, 2022: $4,849,787). Accordingly, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern. The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

These consolidated financial statements were approved and authorized for issue by the board of directors on July 12, 2024.

## 2. Basis of Presentation

***Statement of Compliance***

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretation Committee as issued by the International Accounting Standards Board ("IASB") in effective as of December 31, 2023.

***Basis of Measurement***

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## 3. Significant Judgments and Estimates

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and reported amounts of expenses during the period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to estimates are adjusted for prospectively in the year in which the estimates are revised.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the consolidated financial statements.

***Key sources of estimation uncertainty***

<u>Fair value calculation of share-based payments</u>

The fair value of share-based payments is calculated using a Black Scholes option pricing model. There are a number of assumptions used in the calculation such as the share price, expected option life, the future price volatility of the underlying security and forfeiture rates which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and historical information.

<u>Sales chargebacks</u>

The Company provides sales chargebacks to its customers to promote the Company's products. The chargebacks are negotiated and agreed between the Company and its customers before settlement of accounts receivable. The Company uses historical information to calculate average sales chargebacks rate. The Company uses average sales chargebacks rate to estimate sales chargebacks when the revenue is recognized.

<u>Valuation of inventory</u>

In calculating final inventory values, management is required to determine an estimate of spoiled, obsolete or expired inventory and compares the inventory cost to estimated net realizable value. The Company must determine if the cost of any inventory exceeds its net realizable value, such as products where prices have decreased or inventory has spoiled or has otherwise been damaged.

<u>Fair value calculation of financial liability</u>

The Company accounts long-term loans and convertible debentures at fair value. The fair value is calculated by discounting the future cash repayment obligations with an effective interest rate of 22%. (See Notes 14 and 15).

The difference between the fair value and the net proceeds of the related party loans is recognized as contributed surplus. The difference between the fair value and the net proceeds of the non-related party loans is recognized as other gains in consolidated statements of operations and comprehensive loss.

The difference between the fair value of the convertible debentures and the net proceeds is first allocated to the free standing warrants issued with the convertible debentures at fair value using a Black Scholes option pricing model. The remaining value is allocated between the conversion feature of the principal and coupon interest based on proportion of shares to be issued for the principal and coupon interest at conversion. The value of the warrants, conversion feature and coupon interest are recognized as contributed surplus.

## 3. Significant Judgments and Estimates (continued)

***Critical judgments in applying accounting policies***

<u>Recoverability of deferred tax assets</u>

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

<u>Going concern</u>

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing these consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company’s ability to execute its strategy and finance the operations through achieving positive cash flows from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company’s ability to realize assets and discharge its liabilities in the normal course of operations.

## 4. Material Accounting Policies

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

***Basis of consolidation***

These consolidated financial statements incorporate the financial statements of the Company and the Company’s wholly owned subsidiaries, PBF and PBF Europe. A subsidiary is the entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar, PBF is US dollar, and PBF Europe is Great British Pound. The presentation currency of the Company is US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, “The Effects of Changes in Foreign Exchange Rates”.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

## 4. Material Accounting Policies (continued)

***Foreign currency translation*** **(continued)**

Assets and liabilities of an entity that has a functional currency that is different from the presentation currency is translated at the exchange rate at the reporting date and the income and expenses are translated at the average exchange rate during the reporting period. Gains and losses resulting from translation adjustments are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity, described as accumulated comprehensive income (loss).

***Cash***

Cash includes cash held with financial institutions and cash on hand.

***Financial Instruments***

The Company's financial instruments consist of cash, accounts receivable and other receivable (excluding tax receivables), accounts payable and accrued liabilities, due to related parties, short-term loans, loans payable, and convertible debentures.

<u>Financial assets</u>

- Initial recognition and measurement:
  Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized cost", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

- Subsequent measurement – financial assets at amortized cost:
  After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The Company has classified its cash and accounts receivable and other receivable (excluding tax receivables) as amortized cost.

- Derecognition
  A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

- Impairment of financial assets
  The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

## 4. Material Accounting Policies (continued)

Financial liabilities

- Initial recognition and measurement
  Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable and accrued liabilities, due to related parties, short-term loans, loan payable and convertible debentures. These are each measured at amortized cost. All financial liabilities are recognized initially at fair value, less all directly attributable transaction costs.

- Subsequent measurement – financial liabilities at amortized cost
  After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

- Derecognition
  A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of operations and comprehensive loss.

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – Value based on unadjusted quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Valuation techniques based on inputs other than quoted prices that are observable for assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – Valuation techniques using inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

As of December 31, 2023 and 2022, no financial instruments are recorded at fair value. The carrying value of the Company's financial instruments approximate their fair values either due to their short-term nature or as the effective interest rate was similar to the market interest rate.

***Equipment***

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of operations and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of operations and comprehensive loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of property and equipment are as follows:

- Production Equipment 5 years

## 4. Material Accounting Policies (continued)

***Impairment of non-financial assets***

At each reporting period, the Company assesses whether there are indicators of impairment for its non-financial assets. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit ("CGU") is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in the consolidated statements of operations and comprehensive loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in profit or loss. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

***Inventory***

Inventories are valued at the lower of cost and net realizable value with cost being determined on a first -in, first-out basis. The cost of inventories comprises costs of raw materials, tolling charges and costs incurred bringing the inventories to their present location. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling costs. In determining inventory valuation, any obsolete or damaged inventory is written down to net realizable value.

***Revenue recognition***

Revenue is recognized by applying the five-step model under IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The Company recognizes revenue when, or as, the goods or services are transferred to the control of the customer and performance obligations are satisfied.

The Company generates its revenue from the sale of products. The Company's revenue is recognized when control of the goods has been transferred, being when the goods are delivered to customers and when all performance obligations have been fulfilled. The amounts recognized as revenue represent the fair value of the consideration received or receivable from third parties on the sales of goods, net of goods and services taxes and less returns, and discounts, at which time there are no conditions for the payment to become due other than the passage of time.

Performance obligations are satisfied at the point in time when products are delivered based on the volumes to customers at contractual delivery points, and prices have been agreed to with the purchaser and collectability is reasonable assured.

## 4. Material Accounting Policies (continued)

***Convertible debentures***

Upon issuance, the proceeds received from the issuance of convertible debentures are allocated among 1) the principal of the host debt, 2) the free standing warrants issued with the debentures, 3) the coupon interest which the Company is not obligated to repay in cash, and 4) the conversion feature at initial recognition. The host debt principal is recorded at fair value initially as a financial liability recorded at amortized cost. The free standing warrants are measured at fair value using the Black Scholes pricing model as an equity element. Upon initial recognition, the residual of the total proceeds less the fair value of the host debt principal and free standing warrants is allocated between coupon interest and conversion feature based on number of shares to be converted for the coupon interest and principal at maturity, both of which are recorded in equity. The host debt is subsequently carried at amortized cost using the effective interest rate method; the liability is accreted to the principal amount of the host debt over the term of the convertible debt. Accretion is expensed to the consolidated statement of operations and comprehensive loss.

***Share-based payments transactions***

The Company's stock-based compensation includes grants of stock options and restricted share units ("RSUs"). The stock option plan allows Company directors, officers and technical consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share-based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the consolidated financial statement period. Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received.

However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee delivers the goods or the services.

The Company accounts for RSUs issued to employees and non-employees (consultants and advisory board members) based on the fair market value of the Company's subordinate voting share as of the date of issuance.

***Warrants***

Proceeds from issuances by the Company of units consisting of subordinate voting shares and warrants other than the straight warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the subordinate voting shares. If the proceeds from the offering are less than or equal to the estimated fair market value of subordinate voting shares issued, a nil carrying amount is assigned to the warrants.

## 4. Material Accounting Policies (continued)

***Government Assistance***

Government Assistance due to impacts of COVID-19 received is recognized based on the specific program under which resources were provided. Non-returnable grants under the Small Business Administration ("SBA") EIDL Advance program are classified as Other Income in the statements of operations and comprehensive loss. The SBA Paycheck Protection Program ("PPP") provided short-term loans that may be forgiven, all or in part, provided certain use of funds conditions are met. These amounts are presented as short-term loans until such time forgiveness is applied for and received. At such time forgiveness is received and recognized as other income in the consolidated statements of operations and comprehensive loss. Any portion of PPP that remains unforgiven will be reclassified as a short-term loan in the consolidated statements of financial position.

***Income taxes***

Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date, in the countries where the Company operates and generates taxable income. Current tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or 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.

Deferred tax

Deferred tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

***Related party transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## 4. Material Accounting Policies (continued)

***Basic and Diluted Loss Per Share***

The Company presents basic and diluted loss per share data for its subordinate voting shares, calculated by dividing the loss attributable to subordinate voting shareholders of the Company by the weighted average number of subordinate voting shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to subordinate voting shareholders or the weighted average number of subordinate voting shares outstanding when the effect is anti-dilutive.

***Comprehensive Income (Loss)***

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes gains or losses, which IFRS requires recognizing in a period, but excluding from net income (loss) for that period.

## 5. New and Future Accounting Standards and Interpretations

***New accounting standards adopted***

IAS 8: Definition of Accountings Estimates
The IASB has issued an amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

IAS 12: Income Taxes
The IASB has issued an amendment to IAS 12 – Income Taxes to narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Disclosure of Accounting Policies
The IASB issued amendments to IAS 1 – Presentation of Financial Statements in February 2021. The amendments require entities to disclose “material” accounting policy information rather than their “significant” accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023.

The adoption of these amendments does not have material impact to the consolidated financial statements of the Company.

**(Expressed in US Dollars)**

## 6. Accounts Receivable and Other Receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Accounts Receivable | 17,548 | 247,487 |
| Other Receivables | - | 4,709 |
| Employee Advances | - | 5,121 |
| GST Receivable | 19,613 | 36,658 |
| | 37,161 | 293,975 |

## 7. Inventory

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Finished Goods Held for Sale | 65,078 | 375,700 |
| Raw Materials for Production | 31,227 | 56,093 |
| | 96,305 | 431,793 |

The cost of inventory recognized as cost of sales during the year ended December 31, 2023 was $327,821 (2022 - $237,066). The write-down of inventories during the year ended December 31, 2023 was $306,479 (2022 - $nil).

## 8. Equipment

| **Cost** | **Production Equipment** |
|---|---|
| | $ |
| As at December 31, 2021 | 173,540 |
| Additions | 80,666 |
| As at December 31, 2023 and 2022 | 254,206 |
| | |
| **Accumulated Depreciation** | |
| As at December 31, 2021 | 32,074 |
| Depreciation Expense | 39,019 |
| As at December 31, 2022 | 71,093 |
| Depreciation Expense | 49,641 |
| As at December 31, 2023 | 120,734 |
| | |
| **Net Book Value** | |
| As at December 31, 2022 | 183,113 |
| As at December 31, 2023 | 133,472 |

## 9. Intangible Assets

Trademarks and Logo
The Company has four trademark and logo registrations from the United States Patent and Trademark Office. Under United States law, trademarks can last an indefinite amount of time, but must be renewed every ten years at nominal cost. The amount capitalized represent the historical costs incurred for professional services in obtaining the trademarks.

Under IAS 38, and in judgement of management, these trademarks will retain their value indefinitely. The trademark and logo names are:

- Honorable Ethical Moral Protein
- May All Be Fed
- Planet Based Foods
- Seed Logo

Recipes

The Company traces its lineage to a now defunct entity called Hemp Food Company, LLC ("HFC"), and acquired the recipes and related intellectual property ("Recipes") of HFC, at fair value in 2018. In exchange, the Company granted 2,000,000 of Planet Based Foods, Inc., common shares to various parties of HFC. The Company further granted 10,000,000 and 500,000 common shares to various directors, officers and a consultant of the Company for their contribution on further refining the Recipes during the year ended December 31, 2018 and the year-ended December 31, 2019, respectively. It was management's judgement that the fair value exchanged is equal to $0.05 fair value per share of Planet Based Foods, Inc., common stock. It was management's judgement that these contributions will retain their value indefinitely. Under IAS 38, the Company will present the value of these non-monetary assets at cost, and management will review the assigned indefinite useful lives of these classes of assets. Management will consider possible future negative impacts such as changes in law, business environment, technology, or indicators of deterioration of financial performance as related to these assets.

As of December 31, 2023, management evaluated recoverability of the value of both trademarks and recipes using value in use approach. For the purpose of annual impairment testing, all of the intangible assets are allocated the only Cash – Generating Unit ("CGU") the Company has as at December 31, 2023. Annual impairment testing involves determining the recoverable amount of the CGU to which the intangible assets are allocated and comparing this to the carrying value of the CGU. The key assumptions used in the estimates of the recoverable amounts are described below:

- Cash flows were projected based on the Company's long-term business plan. The business plan contains forecasts based on actual operating results in conjunction with anticipated future growth opportunities, as well as industry and market trends. The forecasts were extended to a total of five years (with a terminal year thereafter);

- The terminal growth rate of 2% was based on historical and projected industry data;

- The post tax discount rate applied in determining the recoverable amount of the CGU was in the range of 25% - 30%. The discount rates were estimated based on past experience and the weighted average cost of capital of each CGU group, other competitors in the industry and adjusted for risks in the cash flow.

During the year ended December 31, 2022, primarily due to the decrease in the Company's revenues compared to the budgeted revenue, indicators of impairment existed leading to a test of the recoverable amount of the intangible assets. In estimating the recoverable value, measuring fair value, the Company used a discounted cash flow model but determined it could not reliably estimate future revenue streams. The Company compared the indicated fair value using level 3 assumptions to the carrying value of its indefinite-lived assets, and as a result of the analysis, impairment charges of $709,794 were recorded to write down its intangible assets for the year ended December 31, 2022. There is no sign of reversals of the write-down as at December 31, 2023.

**(Expressed in US Dollars)**

## 10. Short-Term Loans

The Company's short-term loans payable balances at December 31, 2023 and December 31, 2022:

| | SBA PPP | Short-Term Loans (A) | VV8 Loan | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| As at December 31, 2021 | 4,791 | 450,000 | - | 454,791 |
| Repayment | (4,332) | (450,000) | - | (454,332) |
| Interest adjustment | (459) | - | - | (459) |
| As at December 31, 2022 | - | - | - | - |
| Additions | - | - | 148,080 | 148,080 |
| Interest | - | - | 1,218 | 1,218 |
| Foreign currency exchange | - | - | 2,810 | 2,810 |
| As at December 31, 2023 | - | - | 152,108 | 152,108 |

On December 1, 2023, The Company received a loan of $148,080 (CAD$200,000) from a third party ("VV8 Loan"). The Company agrees that the Principal Amount will accrue interest at the Bank of Canada rate of prime (7.2%) plus 2.8% for total interest of ten percent (10.00%) per annum paid monthly. The maturity rate of the loan is February 28, 2024. The Company may pay the Loan in full at any time prior to the end of the Term without penalty. The loan and accrued interest have been paid in full subsequent to December 31, 2023.

The SBA PPP Loan was issued by the United States SBA, in response to the COVID-19 pandemic. The loan originated May 1, 2020, and management has selected the 24-week covered period spend option. The loan is fully forgivable by SBA if certain covered spending criteria are met. As of December 31, 2020, no forgiveness was recognized because management estimated that the loan met the criteria for only partial forgiveness. In July 2021, management received notice from lender that an SBA forgiveness of $20,209 was approved and this amount has been recorded as government assistance during the year ended December 31, 2021. The portion of the loan that remains unforgiven accrues interest at 1% per annum, and must be repaid within five years from October 17, 2020. The interest has been paid during the year ended December 31, 2022.

The Short-Term Loans consist of a $50,000 loan from Worldwide Creative, LLC, a $100,000 loan from a former director borrowed on August 6, 2021, a $100,000 loan from a third-party borrowed on August 23, 2021, a $100,000 loan from a former director borrowed on October 1, 2021 and a $100,000 loan borrowed on November 24, 2021. These loans have been repaid during the year ended December 31, 2022.

**(Expressed in US Dollars)**

## 11. Related Party Transactions and Balances

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| ***Transaction:*** | $ | $ |
| Transactions with Research & Development Director | 96,000 | 96,000 |
| Salary – CEO | 129,808 | 125,000 |
| Salary – COO/CFO | 129,808 | 125,000 |
| Consulting Fees with a Director | 32,500 | 111,250 |
| Professional Fees with former CFO | - | 136,390 |
| Accounting and related service by Secretary | 88,231 | - |
| Stock-Based Compensation (directors and officers) | 142,692 | 585,360 |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| ***Balances:*** | $ | $ |
| Amounts owing to CEO | 102,254 | - |
| Amount owing to Research & Development Director | 40,503 | - |
| Amounts owing to director | 51,074 | - |
| Amounts owing to COO/CFO | 156,731 | (5,000)* |
| Amounts owing to former CFO | - | 8,000 |
| Total | 350,562 | 3,000 |

* balance included in accounts receivable and other receivable

During the year ended December 31, 2023, the Company received the loan of $120,426 from a related party. Please refer to Note 14.

These transactions are in the normal course of operations. The stock-based compensation is estimated at fair value, and the others are measured at the exchange amount, which is the amount agreed upon between the related parties.

## 12. Fair Value and Financial Instruments

***Financial Instruments***

The Company's financial instruments consist of cash, accounts receivable and other receivable (excluding tax receivables), accounts payable and accrued liabilities, due to related parties, short-term loans, loans payable, and convertible debentures.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

## 12. Fair Value and Financial Instruments (continued)

***Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and trade and other receivables (excluding GST and HST receivables). The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables (excluding GST and HST receivables), as the Company grants credit to its customers in the normal course of business. Credit risk on trade and other receivables (excluding GST and HST receivables) is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade and other receivables (excluding GST and HST receivables) are assessed for expected credit loss and the consolidated financial statements take into account an allowance for bad debts.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of the Company is the Canadian dollar and the functional currency of PBF is the US dollar. The reporting currency of the Company is the US dollar. A significant change in the currency

exchange rates between the US dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. A 1% fluctuation in the US dollar against the Canadian dollar would have a before-tax effect of approximately an $2,930 increase or decrease in net income, based on amounts held at year end.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have floating rate debt.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company sole sources of funding were from issuance of Shares, shareholder loan, short-term loans, convertible debentures and revolving debt. The Company's access to financing has at times been uncertain. There can be no assurance of continued access to significant debt or equity funding.

## 13. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, contributed surplus, net of accumulated deficit. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors. The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by the management and approved by the board of directors.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to facilitate the completion of a corporate objectives.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. The Company is not exposed to any externally imposed requirements and the Company's overall strategy with respect to capital risk management has not changed from prior year.

## 14. Loans Payable

a) On July 11, 2023, PBF received a loan of $24,426 from a related party of the Company. The loan bears interest at a rate of 10% per annual. The maturity date of the loan is July 11, 2025 (the "Maturity Date"). The interest will be paid on the Maturity Date, calculated and accrued on the quarterly basis. Pursuant to the loan agreement, PBF agrees to pay an administrative fee of $2,442 on the date when the loan is repaid.

PBF must repay the loan together with the administrative fee and all accrued and unpaid interest thereon, in full on the earliest of:

(a) on the Maturity Date and
(b) after an event of default, on the date of lender so demands.

Borrower may at its sole discretion prepay all or any parts of the outstanding principle and accrued interest thereon of the loan, together with the administration fee, prior to the Maturity Date without notice or penalty.

The loan is recorded at fair value on initial recognition, which was determined to be $21,334 using a discount rate of 22%, resulting in a total discount of $3,092. As the loan was provided by a related party of the Company, the discount was recorded as an equity contribution. During the year ended December 31, 2023, interest and accretion expense of $2,069 (2022-$nil) was recorded.

b) On August 31, 2023, PBF received a loan of $85,000 from a related party of the Company. The loan bears interest at a rate of 10% per annual. The maturity date of the loan is August 31, 2025 (the "Maturity Date"). The interest will be paid on the Maturity Date, calculated and accrued on the quarterly basis. Pursuant to the loan agreement, PBF agrees to pay an administrative fee of $8,500 on the date when the loan is repaid.

PBF must repay the loan together with the administrative fee and all accrued and unpaid interest thereon, in full on the earliest of:

(a) on the Maturity Date and
(b) after an event of default, on the date the lender so demands.

Borrower may at its sole discretion prepay all or any parts of the outstanding principle and accrued interest thereon of the loan, together with the administration fee, prior to the Maturity Date without notice or penalty.

**14. Loans Payable (continued)**

The loan is recorded at fair value on initial recognition, which was determined to be $74,241 using a discount rate of 22%, resulting in a total discount of $10,759. As the loan was provided by a related party of the Company, the discount was recorded as an equity contribution. During the year ended December 31, 2023, interest and accretion expense of $5,145 (2022-$nil) was recorded.

c) On October 26, 2023, PBF received a loan of $11,000 from a related party of the Company. The loan bears interest at a rate of 10% per annual. The maturity date of the loan is October 26, 2025 (the "Maturity Date"). The interest will be paid on the Maturity Date, calculated and accrued on the quarterly basis. Pursuant to the loan agreement, PBF agrees to pay an administrative fee of $1,100 on the date when the loan is repaid.

PBF must repay the loan together with the administrative fee and all accrued and unpaid interest thereon, in full on the earliest of:
(a) on the Maturity Date and
(b) after an event of default, on the date the lender so demands.

Borrower may at its sole discretion prepay all or any parts of the outstanding principle and accrued interest thereon of the loan, together with the administration fee, prior to the Maturity Date without notice or penalty.

The loan is recorded at fair value on initial recognition, which was determined to be $9,608 using a discount rate of 22%, resulting in a total discount of $1,392. As the loan was provided by a related party of the Company, the discount was recorded as an equity contribution. During the year ended December 31, 2023, interest and accretion expense of $353 (2022-$nil) was recorded.

d) On October 27, 2023, PBF received a loan of $150,000 from a third party of the Company. The loan bears interest at a rate of 10% per annual. The maturity date of the loan is October 27, 2025 (the "Maturity Date"). The interest will be paid on the Maturity Date, calculated and accrued on the quarterly basis.

PBF must repay the loan together with the administrative fee and all accrued and unpaid interest thereon, in full on the earliest of:

(a) on the Maturity Date and
(b) after an event of default, on the date the lender so demands.

Borrower may at its sole discretion prepay all or any parts of the outstanding principle and accrued interest thereon of the loan, together with the administration fee, prior to the Maturity Date without notice or penalty.

The loan is recorded at fair value on initial recognition, which was determined to be $120,935 using a discount rate of 22%, resulting in a total discount of $29,065, which was recorded as other gain. During the year ended December 31, 2023, interest and accretion expense of $4,379 (2022-$nil) was recorded.

**15. Convertible Debentures**

During the year ended December 31, 2023, the Company completed a private placement of unsecured convertible debenture units of the Company (the "Units") for aggregate proceeds of $254,595 (C$341,000). Each Unit will be comprised of one unsecured convertible debenture in the principal amount of C$1,000 bearing interest at 10% per annum calculated and paid on maturity, being 18 months from the date of issuance (a "Debenture") and 1,000 subordinate voting share purchase warrants of the Company (each, a "Warrant"). Each Warrant is exercisable into one subordinate voting share at a price of C$1.00 per share for a period of two years. Each Debenture is convertible at the holder's option into fully paid subordinate voting shares of the Company at the conversion price of C$0.50 at any time prior to the maturity date. The Company may elect, on its sole discretion, to pay all or a portion of the accrued and unpaid interest in subordinate voting shares at the conversion price of C$0.50 upon maturity date.

**(Expressed in US Dollars)**

## 15. Convertible Debentures (continued)

As the convertible debentures have a conversion feature which meets the "fixed-for-fixed" condition, this conversion feature is considered as an equity instrument, and the equity and debt components must be bifurcated with value assigned to each as well as to warrants issued as part of the offering. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows discounted at 22%, being the estimated rate that the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in finance expenses. The fair value assigned to the warrants on the date of issuance was based on the Black-Scholes option pricing model. Finally, the residual balance of proceeds on the offering was assigned to the conversion feature.

The components of the Company's convertible debentures for the year ended December 31, 2023 are as follows:

| | Liability Component | Equity Component | Warrants | Total |
|---|---|---|---|---|
| | $ | $ | | $ |
| December 31, 2022 | - | - | | - |
| On date of issuances, net of transaction costs | 188,934 | 37,967 | 27,694 | 254,595 |
| Accretion and interest expense recognized during the year | 15,887 | - | - | 15,887 |
| Foreign exchange movement | 2,241 | - | - | 2,241 |
| December 31, 2023 | 207,062 | 37,967 | 27,694 | 272,723 |

The fair value of warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

| | assumptions |
|---|---|
| Share price at grant date | C$0.20 – C$0.25 |
| Risk-free interest rate | 4.60% - 4.81% |
| Expected life | 1.5 |
| Expected volatility | 163.82% - 169.95% |
| Expected dividends | 0.00% |

## 16. Equity

### a) Share Capital

Authorized: Unlimited subordinate voting shares without par value
Unlimited multiple voting shares without par value (Collectively, the "Shares")

The holders of the subordinate voting shares shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting holders of subordinate voting shares shall be entitled to one vote in respect of each subordinate voting share held.

The holders of MVS shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of multiple voting shares will be entitled to one vote in respect of each subordinate voting share into which such multiple voting share could ultimately then be converted, which for greater certainty, shall initially equal 2 votes per multiple voting share.

**(Expressed in US Dollars)**

## 16. Equity (continued)

**Subordinate Voting Shares**

Issued and outstanding subordinate voting shares:

As of December 31, 2023, 10,347,138 (December 31, 2022: 10,247,138) subordinate voting shares were issued and outstanding, and 466,290 (December 31, 2022: 6,635,750) subordinate voting shares were held in escrow.

On May 30, 2023, as a result of the conversion of RSU, the Company issued 100,000 subordinate voting shares. In relation to the conversion of RSU, the fair value of $72,867 (CAD$93,000) was allocated from reserves.

During the year ended December 31, 2022, the Company issued 2,000 subordinate voting shares for the exercise of warrants for cash proceeds of $2,399 (CAD$3,000). In relation to the exercise of the warrants, the proportionate fair value of $1,443 was allocated from reserves.

**Multiple Voting Shares**

As of December 31, 2023, 800,000 (December 31, 2022: 800,000) multiple voting shares were issued and outstanding, and 360,000 (December 31, 2022: 3,000,000) multiple voting shares were held in escrow.

**Share Consolidation**

During the year ended December 31, 2023, the Company completed a five-to-one share consolidation. All references to options, warrants, conversions, share and per share amounts in the consolidated financial statements and accompanying notes to the consolidated financial statements have been retroactively restated to reflect the five-to-one share consolidation.

### b) Warrants

The following is a summary of warrant transactions for the year ended December 31, 2023 and year ended December 31, 2022:

| | Number of Warrants | | Weighted average exercise price | Weighted average remaining contractual life (year) |
|---|---|---|---|---|
| Balance at December 31, 2021 | 4,031,886 | $ | 2.25 | 1.82 |
| Warrants exercised | (2,000) | $ | 1.20 | - |
| Balance at December 31, 2022 | 4,029,886 | $ | 2.25 | 0.82 |
| Warrants expired | (4,029,886) | $ | 2.25 | - |
| Granted | 341,000 | $ | 0.75 | 1.61 |
| Balance at December 31, 2023 | 341,000 | $ | 0.75 | 1.61 |

**(Expressed in US Dollars)**

## 16. Equity (continued)

### b) Warrants (continued)

At December 31, 2023, the warrants outstanding and exercisable were as follows:

| Expiry Date | Exercise Price | | | | Number of Warrants as at December 31, 2023 |
|---|---|---|---|---|---|
| August 4, 2025 | $ | 0.75 | CAD | $ 1.00 | 274,000 |
| August 25, 2025 | $ | 0.74 | CAD | $ 1.00 | 67,000 |
| | $ | 0.75 | | | 341,000 |

During the year ended December 31, 2023, as part of convertible debentures, the Company issued 341,000 warrants. Each Warrant is exercisable to purchase one subordinate voting share at a price of C$1.00 per share for a period of two years.

During the year ended December 31, 2022, 2,000 warrants were exercised at CAD$1.50 each for a total of $2,399 (CAD$3,000). In relation to the exercise of the warrants, the proportionate fair value of $1,443 was allocated to share capital from reserves.

### c) Stock Options

The Company has adopted an incentive share option plan (the "Stock Option Plan"), for the employees, directors, officers, consultants and employees of a person or company which provides management services to the Company or its associated, affiliated, controlled and subsidiaries companies (the "Participants"), to grant such Participants stock options to acquire up to 10% of the Total Share Base from time to time. This is a "rolling" plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

The continuity of stock options for the years ended December 31, 2023 and December 31, 2022 is as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price $ | Number of Options | Weighted Average Exercise Price $ |
| Options outstanding and exercisable, beginning of the year | 575,000 | 1.12 | - | - |
| Granted | - | - | 575,000 | 1.12 |
| Expired | (25,000) | - | - | - |
| Options outstanding, end of year | 550,000 | 1.12 | 575,000 | 1.12 |
| Options exercisable, end of the year | 550,000 | 1.12 | 575,000 | 1.12 |

**(Expressed in US Dollars)**

## 16. Equity (continued)

### c) Stock Options (continued)

The options outstanding at December 31, 2023 are as follows:

| Number of Options Outstanding | Granted Date | Expiry Date | | Exercise Price | | Weighted Average Remaining Contractual life (Years) |
|---|---|---|---|---|---|---|
| 470,000 | January 11, 2022 | January 11, 2032 | $ | 1.19 | (CAD $1.5) | 8.04 |
| 80,000 | August 17, 2022 | August 17, 2025 | $ | 0.72 | (CAD$0.925) | 1.63 |
| 550,000 | | | $ | 1.12 | (CAD$1.42) | 7.10 |

On January 11, 2022, the Company granted 470,000 subordinate voting share purchase options to the directors, officers and a consultant. The options are exercisable at $1.19 (CAD$1.50), fully vested immediately and expire on January 11, 2032. The Company valued the options at $639,812 (CAD$806,520) using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.50%; dividend yield of 0%; expected volatility of 142.84%; and expected option life of 5 years.

On August 17, 2022, the Company granted 80,000 subordinate voting share purchase options to a consultant. The options are exercisable at $0.72 (CAD$0.925), fully vested immediately and expire on August 17, 2025. Company valued the options at $44,704 (CAD$57,250) using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 3.30%; dividend yield of 0%; expected volatility of 140.02%; and expected option life of 3 years.

On October 27, 2022, the Company granted 25,000 subordinate voting share purchase options to a consultant. The options are exercisable at $1.11 (CAD$1.50), fully vested immediately and expire on October 27, 2023. Company valued the options at $7,742 (CAD$10,488) using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 3.82%; dividend yield of 0%; expected volatility of 151.34%; and expected option life of 1 year.

### d) Restricted Share Units ("RSUs")

The Company approved a restricted share units (the "RSU") plan on July 12, 2021, which RSU is designed to provide certain directors, officers, consultants and other key employees of the Company and its related entities with the opportunity to acquire restricted share of the Company. RSU may be redeemed by any holder of RSU to receive an award payout of either: (a) one subordinate voting share of the Company for each whole vested RSU; or, (b) at the Company's election, a cash amount equal to the fair market value of one subordinate voting share of the Company of each whole vested RSU.

The Company has not granted any RSU as at December 31, 2021 but is contractually required to issue 100,000 RSUs to a former director and a third-party related to short-term loans granted to the Company on August 6, 2021, August 23, 2021 and November 24, 2021, respectively (Note 11). This obligation to issue RSUs has been assessed as an equity instrument under IAS 32 because a fixed number of shares will be delivered. The Major Financing Price has been used to calculate the fair value of these RSUs and $118,887 has been included in the contributed surplus balance. 40,000 RSUs has been granted on July 15, 2022 and 60,000 RSUs has been granted on October 27, 2022. On May 30, 2023, 40,000 RSUs have been fully converted.

**(Expressed in US Dollars)**

## 16. Equity (continued)

### d) Restricted Share Units ("RSUs") (continued)

On July 15, 2022, the Company granted 60,000 RSUs to a consultant of the Company, in which 60,000 RSUs can be converted into subordinate voting shares immediately and will expire on December 1, 2025. As at December 31, 2022, the Company recorded a total share-based payment amount of $25,311 (CAD$33,000). On May 30, 2023, 60,000 RSUs have been fully converted.

On October 27, 2022, the Company granted 60,000 RSUs to a former director and 40,000 RSUs to a consultant of the Company, in which 100,000 RSUs can be converted into subordinate voting shares immediately and will expire on December 1, 2025. As at December 31, 2022, the Company recorded a total share-based payment amount of $42,446 (CAD$57,500).

On June 27, 2023, the Company granted 494,000 RSUs to officers, employees and a consultant of the Company, in which 494,000 RSUs can be converted into subordinate voting shares immediately and will expire on December 1, 2026. As at December 31, 2023, the Company recorded a total share-based payment amount of $146,422 (CAD$197,600).

The continuity of RSU for the years ended December 31, 2023 and December 31, 2022 is as follows:

| | Number of RSU's |
|---|---|
| Outstanding, December 31, 2021 | - |
| Granted | 260,000 |
| Outstanding, December 31, 2022 | 260,000 |
| Granted | 494,000 |
| Converted | (100,000) |
| Outstanding, December 31, 2023 | 654,000 |
| Exercisable, December 31, 2023 | 654,000 |

## 17. Income tax

The following table reconciles the expected income taxes (recovery) at the Canadian corporate income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended December 31, 2023 and 2022:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Net loss before tax | (2,958,744) | (4,849,787) |
| Statutory tax rate | 27% | 27% |
| Expected income tax (recovery) | (798,861) | (1,309,442) |
| Non-deductible and other items | 41,765 | 202,487 |
| Tax effect of R&D credits and non-taxable items | 5,526 | (13,165) |
| Foreign Tax Rate Difference | (21,755) | (32,344) |
| Change in deferred tax asset not recognized | 773,325 | 1,152,464 |
| Total income tax expense (recovery) | - | - |

**(Expressed in US Dollars)**

The net deferred tax assets (liabilities) as at December 31, 2023 and 2022 are comprised of the following:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Net operating losses carryforward | 37,345 | 51,235 |
| Non-capital losses carryforward | 13,306 | - |
| Convertible debentures | 13,306 | - |
| Equipment | (37,345) | (51,235) |
| Total deferred tax assets (liabilities) | - | - |

The unrecognized deductible temporary differences as at December 31, 2023 and 2022 are comprised of the following:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Intangible assets | 231,711 | 929,774 |
| R&D Credits | 9,477 | 9,477 |
| Net operating losses carryforwards | 6,684,326 | 4,351,087 |
| Non-capital loss carryforwards | 2,391,749 | 1,179,238 |
| Financing costs | 181,522 | 271,291 |
| Unrecognized deductible temporary differences | 9,498,785 | 6,740,867 |

The Company has net operating losses carryforwards of approximately $6,684,326 (2022: $4,351,087) which may be carried forward to apply against future year income for United States income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| | $ |
|---|---|
| No expiry | 6,684,326 |
| Total | 6,684,326 |

The Company has non-capital loss carryforwards of approximately $2,391,749 (2022: $1,179,238), which may be carried forward to apply against future year income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| | $ |
|---|---|
| 2037 | 269,613 |
| 2038 | 50,530 |
| 2040 | 220,563 |
| 2041 | 295,537 |
| 2042 | 888,013 |
| 2043 | 667,493 |
| Total | 2,391,749 |

## 18. Subsequent Events

Subsequent to December 31, 2023, the Company completed a non-brokered private placement of subordinate voting shares at a price of $0.10 per Share for gross aggregate proceeds of CAD $1,000,000.

Also see note 10.