HELLO PAL INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Hello Pal International Inc.:

Opinion

We have audited the consolidated financial statements of Hello Pal International Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and February 28, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2019 and February 28, 2018, 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 a working capital deficiency of $741,999 and an accumulated deficit of $11,360,775 as at February 28, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises 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 these 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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.

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

MNP LLP

Vancouver, British Columbia
June 28, 2019

Chartered Professional Accountants

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	February 28, 2019 $	February 28, 2018 $
ASSETS			
Current assets			
Cash		71,102	83,835
GST recoverable		2,592	1,680
Prepaid expenses		29,141	10,278
		102,835	95,793
Equipment	**6**	18,363	14,134
Software application	**7**	2,051,520	2,926,538
Total assets		2,172,718	3,036,465
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**14**	456,132	250,523
Due to related parties	**8**	281,964	40,318
Promissory note	**10**	106,738	102,739
		844,834	393,580
Advances on convertible notes	**11**	-	325,000
Convertible notes – liability component	**11**	754,488	-
Loan payable	**9**	50,945	-
Contingent share consideration	**13**	393,600	-
		2,043,867	718,580
SHAREHOLDERS' EQUITY			
Share capital	**12**	9,407,317	9,333,317
Contributed surplus	**12**	1,987,931	1,630,919
Convertible notes – equity component	**11**	95,513	-
Accumulated other comprehensive loss		(1,135)	(6,734)
Deficit		(11,360,775)	(8,639,617)
		128,851	2,317,885
Total liabilities and shareholders’ equity		2,172,718	3,036,465

Nature of operations and going concern (Note 1)
Commitment (Note 20)
Subsequent event (Notes 8 and 21)

Approved and authorized on behalf of the Board of Directors on June 28, 2019

“**Robert McMorran**” Director   “**Kean Li Wong**” Director

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended February 28, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	2019 $	2018 $
ADMINISTRATIVE EXPENSES			
Accounting and audit	**14**	81,830	131,853
Accretion	**11**	10,327	-
Bitcoin revaluation gain	**8**	(8,883)	-
Depreciation and amortization	**6, 7**	1,298,778	1,253,879
Foreign exchange loss (gain)		6,383	(2,682)
Interest expense	**10, 11**	113,608	2,739
Management and consulting fees	**14**	99,474	151,491
Marketing		204,206	80,061
Legal		46,373	8,535
Office and miscellaneous		223,633	191,993
Transfer agent and filing fees		28,996	19,577
Rent		54,322	56,963
Salaries and benefits		409,042	315,092
Share-based payments	**12, 14**	161,548	-
Shareholder communications		1,669	72,885
Software application costs		25,178	11,547
Total Expenses		(2,756,484)	(2,293,933)
Loss before tax recovery		(2,756,484)	(2,293,933)
Deferred tax recovery	**19**	35,326	-
NET LOSS FOR THE YEAR		(2,721,158)	(2,293,933)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		5,599	83
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,715,559)	(2,293,850)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.04)	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		72,763,900	66,728,910

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

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars, except for share figures)

	Number of Shares #	Share Capital $	Subscriptions Received $	Contributed Surplus $	Convertible Notes – Equity Component $	Accumulated Other Comprehensive Income $	Deficit $	Total $
Balance, February 28, 2017	64,379,978	8,130,385	495,025	1,630,919	-	(6,817)	(6,345,684)	3,903,828
Private placement of common shares	8,050,331	1,207,550	(495,025)	-	-	-	-	712,525
Less: cash issue costs (Note 12)	-	(4,618)	-	-	-	-	-	(4,618)
Net and comprehensive loss for the year	-	-	-	-	-	83	(2,293,933)	(2,293,850)
Balance, February 28, 2018	72,430,309	9,333,317	-	1,630,919	-	(6,734)	(8,639,617)	2,317,885
Convertible notes (Note 11)	-	-	-		100,971	-	-	100,971
Issuance of common shares pursuant to conversion of convertible notes (Note 11)	434,782	50,000	-	-	(5,458)	-	-	44,542
Issuance of common shares pursuant to exercise of warrants (Note 12)	120,000	24,000	-	-	-	-	-	24,000
Share-based payments (Notes 12, 13)	-	-	-	357,012	-	-	-	357,012
Net and comprehensive loss for the year	-	-	-	-	-	5,599	(2,721,158)	(2,715,559)
Balance, February 28, 2019	72,985,091	9,407,317	-	1,987,931	95,513	(1,135)	(11,360,775)	128,851

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended February 28, 2019 and 2018
(Expressed in Canadian Dollars)

	2019 $	2018 $
Operating activities:		
Net loss for the year	(2,721,158)	(2,293,933)
Items not involving cash:		
Income tax recovery	(35,326)	-
Depreciation and amortization	1,298,778	1,253,879
Bitcoin revaluation gain	(8,883)	-
Accretion	10,327	-
Accrued interest	110,704	2,739
Share-based payments	161,548	-
	(1,184,010)	(1,037,315)
Changes in non-cash working capital related to operations:		
GST recoverable	(913)	3,364
Prepaid expenses	(18,777)	13,700
Accounts payable and accrued liabilities	153,289	45,065
Due to related parties	25,298	-
Net cash used in operating activities	(1,025,113)	(975,186)
Investing activities:		
Purchase of equipment	(8,877)	(16,031)
Acquisition and development costs of software application	(271,466)	(380,678)
Net cash used in investing activities	(280,343)	(396,709)
Financing activities:		
Proceeds from private placement, net of share issue costs	-	707,907
Financing received from related parties	278,498	27,500
Loans payable	50,000	-
Proceeds from promissory note	-	100,000
Proceeds from convertible notes	550,000	-
Advances on convertible notes	-	325,000
Proceeds from exercise of warrants	24,000	-
Contingent share consideration	393,600	-
Net cash provided by financing activities	1,296,098	1,160,407
Decrease in cash during the year	(9,358)	(211,488)
Effect of exchange rate changes on cash	(3,375)	10,253
Cash – beginning of the year	83,835	285,070
Cash – end of the year	71,102	83,835
Income taxes paid in cash	-	-
Interest paid in cash	-	-

Non-Cash Transactions (Note 15)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hello Pal International Inc. ("the Company") was incorporated under the Company Act of British Columbia on October 2, 1986. On May 13, 2016, the Company completed an asset purchase agreement (the "Transaction") with a private Hong Kong based company ("PrivCo"), whereby the Company agreed to acquire all of the assets that comprise the Hello Pal software application (the "HPI Platform") (Note 7). The HPI Platform is a proprietary and open social exchange language and learning mobile application and network for use in a number of applications – including for language learning and socialization. Prior to May 13, 2016, the Company was listed for trading on the TSX Venture Exchange ("TSX-V"). On May 13, 2016, the Company received approval from the TSX-V to have its shares de-listed and received acceptance from the Canadian Securities Exchange ("CSE") to have its shares listed under the symbol "HP". On June 28, 2016, the Financial Industry Regulatory Authority of the United States cleared the Company's Form 211 application for a quotation on OTC Link, and as such, the common shares of the Company now trade under the US symbol "HLLPF". The Company's registered and corporate head office is located at 410-1040 West Georgia Street, Vancouver, BC, Canada.

These consolidated financial statements have been prepared on the going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the consolidated statements of financial position classifications used. Such adjustments could be material.

As at February 28, 2019, the Company had a working capital deficiency of $741,999 and an accumulated deficit of $11,360,775 and had not yet achieved profitable operations. These factors may cast significant doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain the necessary financing to meet its ongoing levels of corporate overhead, required product maintenance and development costs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no guarantee that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PRESENTATION

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention.

These consolidated financial statements were approved by the board of directors for issue on June 28, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company, its two wholly-owned subsidiaries, Hello Pal Asia Limited, incorporated on May 6, 2016 in Hong Kong SAR, China, and Hangzhou Hello Pal River Technology Limited, incorporated on April 25, 2017 in China. In addition, the Company consolidates Hangzhou Hello Pal Technology Limited, a private company incorporated in China. Although Hangzhou Hello Pal Technology Limited is not a subsidiary of the Company, the Company consolidates 100% of its operations as it has effective control and therefore the right to obtain the majority of the benefits and is exposed to the risks of the activities of Hangzhou Hello Pal Technology Limited.

Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

b) Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency of the Company is the Canadian dollar, while the functional currency of Hello Pal Asia Limited is the Hong Kong dollar (“HKD”) and the functional currency of Hangzhou Hello Pal River Technology Limited and Hangzhou Hello Pal Technology Limited is the Chinese Renminbi (“RMB”) as they are the currencies of the primary economic environments in which the companies operate.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss related to the subsidiary are reallocated between controlling and non-controlling interests.

c) Financial instruments

Recognition and Classification

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

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

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

d) Equipment

Equipment includes furniture, equipment and leasehold improvement, which is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures directly attributable to bringing the asset to its operating location and condition necessary for it to be capable of operating in the intended manner.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of equipment.

Depreciation is based on the cost of the assets less estimated residual value and the expected useful life. Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use and is recorded until an asset is disposed of or otherwise removed from services. Depreciation is recorded on a declining-balance basis at the annual rate of 30% for equipment, furniture and leasehold improvement. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

e) Software application

Software application comprises software acquired and internally developed software.

Software application assets acquired separately are measured on initial recognition at cost. Following initial recognition, software application assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of software application assets are assessed as finite.

Software application development costs are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Development costs capitalized are those associated with the Hello Pal, Travel Pal and Language Pal applications. Costs associated with major enhancements providing new capability to the applications are also capitalized provided they can be reliably measured. Development costs incurred during the research phase of an internal project are expensed in the period in which they are incurred.

Costs associated with maintaining these intangible assets such as minor updates and repairs are expensed as incurred.

Amortization of software application assets begins when development is complete and the assets are available for use. Amortization is recorded on a straight-line basis over its estimated finite useful life of four to five years. Software application costs are amortized over the period of expected future benefit. During the period of development, the capitalized development costs are tested for impairment annually. The useful life or amortization method for software application costs is reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on software application assets is recognized in the statement of profit or loss in the expense category that is consistent with the function of the software application assets. As at February 28, 2019, the estimated remaining useful life of the software application is two to three years.

Software application assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on disposal of the assets, determined as the difference between the net disposal proceeds and the carrying amount of the assets, is recognized in profit or loss.

f) Impairment of non-financial assets

The Company performs impairment tests on its non-financial assets when events or circumstances occur which indicate the assets may not be recoverable. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The recoverable amount is the higher of the fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units, or “CGU”s). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the asset. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

g) Share capital

Common shares and warrants are classified as equity instruments. Transaction costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity.

Warrants included in units offered to subscribers as part of corporate financings are bifurcated at fair value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed to the shares issued in the units.

Warrants issued to agents or brokers on a non-cash basis in connection with corporate financings are recorded at fair value using the Black-Scholes option pricing model and charged against share capital as issue costs with an offsetting increase to contributed surplus.

h) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

i) Share-based payments

The fair value at grant date of each separate award of stock options, based on the number of awards expected to vest, is recorded as a charge to operations and a credit to contributed surplus over the vesting period of the options. Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

j) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' results are reviewed by the Company's management in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as those that can be allocated on a reasonable basis.

k) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is estimated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax estimated is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

New and amended standards adopted by the Company

IFRS 9, *Financial Instruments* ("IFRS 9") replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on March 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The Company completed a detailed assessment of its financial assets and liabilities as at March 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	**New classification IFRS 9**
Cash	FVTPL	Amortized cost
Bitcoins payable (grouped in Due to related parties)	N/A	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Promissory note	Other financial liabilities	Amortized cost
Convertible notes	N/A	Amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on March 1, 2018.

New standards and interpretations not yet adopted

IFRS 16, *Leases* ("IFRS 16") specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

Upon adoption of IFRS 16, the Company will record a right-of-use asset, with an associated lease liability, on the consolidated statement of financial position as at March 1, 2019. The right-of-use asset and liability will be unwound over the term of the lease giving rise to an interest expense and depreciation charge, respectively. Currently the Company's operating lease relates to the rental of office space (Note 19 – Commitments). The right-of-use asset capitalized is expected to be $18,271 and the liability recorded is expected to be $18,780.

IFRS 9, *Financial Instruments* ("Amendments") clarifies that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be eligible to be measured at either amortized cost or fair value through other comprehensive income. This classification is subject to the assessment of the business model in which the particular financial asset is held as well as consideration of whether certain eligibility conditions are met. The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

In October 2018, the IASB issued amendments to IFRS 3, *Business Combinations*. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. This amendment will be effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a) Critical Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

Capitalization of software development costs

The application of the Company's accounting policy for capitalization of software development costs requires judgment in determining which development expenditures are recognized as intangible assets and applying the policy consistently. In making this determination, the Company considers the degree to which the development expenditure can be associated with developing new software applications.

Impairment of long-lived assets

Each asset or CGU is evaluated every reporting period to determine whether there are any indicators of impairment. If any such indicators exist, which is often judgment-based, a formal estimate of recoverable amount is performed and an impairment charge is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or CGU of assets is measured at the higher of fair value less costs of disposal or value in use. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in profit or loss.

b) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Contingent share issuance

In accounting for the fair value of shares to be issued under the Vortex Agreement (Note 13), management exercised its judgements in estimating the future revenue to be generated from the live-streaming services and the likelihood of achieving defined milestones within the agreement.

Depreciation and amortization

Software application assets are amortized based on estimated useful life less their estimated residual value. Significant assumptions are involved in the determination of useful life and residual values and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions. Actual useful life and residual values may vary depending on a number of factors including internal technical evaluation, physical condition of the assets and experience with similar assets. Changes to these estimates may affect the carrying value of assets, net income (loss) and comprehensive income (loss) in future periods.

Convertible notes

In accounting for the convertible notes detailed, the management exercised judgment in estimating the market rate of interest for equivalent notes without conversion rights at 20% when bifurcating loan instruments into liability and equity components on initial recognition.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to the statement of loss and comprehensive loss over each award’s vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility, expected life of the option, risk free interest rates, and forfeiture rates. Changes in these input assumptions can significantly affect the fair value estimate.

Income taxes

Significant estimate is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company’s current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

(Expressed in Canadian Dollars)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

6. EQUIPMENT

Cost	Furniture and equipment ($)	Leasehold Improvement ($)	Total ($)
Balance, February 28, 2017	2,502	-	2,502
Additions	9,943	6,088	16,031
Foreign exchange	(12)	-	(12)
Balance, February 28, 2018	12,433	6,088	18,521
Additions	8,877	-	8,877
Foreign exchange	73	-	73
Balance, February 28, 2019	**21,383**	**6,088**	**27,471**
Accumulated depreciation			
Balance, February 28, 2017	(479)	-	(479)
Additions	(2,625)	(1,270)	(3,895)
Foreign exchange	(13)	-	(13)
Balance, February 28, 2018	(3,117)	(1,270)	(4,387)
Additions	(3,265)	(1,445)	(4,710)
Foreign exchange	(11)	-	(11)
Balance, February 28, 2019	**(6,393)**	**(2,715)**	**(9,108)**
Net Book Value at February 28, 2018	9,316	4,818	14,134
Net Book Value at February 28, 2019	**14,990**	**3,373**	**18,363**

7. SOFTWARE APPLICATION

On May 13, 2016, the Company completed the Transaction with PrivCo, whereby the Company acquired all of the assets that comprise the HPI Platform, in consideration for 25,000,000 common shares of the Company. The Company also issued 2,000,000 common shares for finder’s fees.

(Expressed in Canadian Dollars)

The shares issued were valued at $3,750,000 using a market value of $0.15 per share, which was determined based on the share issue price of the private placement financing closed on the date of the acquisition in conjunction with the Transaction. Transaction costs, comprised of professional fees of $25,167 and 2,000,000 common shares issued as finder's fees, were included in the consideration paid to acquire the HPI Platform. The entire acquisition cost was recorded as the cost of software at the date of the asset purchase.

The components of the acquisition costs of software application are as follows:

	$
25,000,000 common shares of the Company at $0.15 per share	3,750,000
2,000,000 common shares issued in finder's fees at $0.15 per share	300,000
Transaction costs	25,167
Total acquisition costs	**4,075,167**

As at February 28, 2019 and 2018, intangible assets comprise the following:

	Software ($)	Internally Generated Software ($)	Total ($)
Cost			
Balance, February 28, 2017	**4,651,523**	**73,486**	**4,725,009**
Additions – development costs	143,610	241,314	384,924
Foreign exchange	(13,606)	775	(12,831)
Balance, February 28, 2018	**4,781,527**	**315,575**	**5,097,102**
Additions – development costs	359,576	50,722	410,298
Foreign exchange	4,898	7,003	11,901
Balance, February 28, 2019	**5,146,001**	**373,300**	**5,519,301**
Amortization			
Balance, February 28, 2017	**920,812**	**2,454**	**923,266**
Amortization	1,221,588	28,396	1,249,984
Foreign exchange	(676)	(2,010)	(2,686)
Balance, February 28, 2018	**2,141,724**	**28,840**	**2,170,564**
Amortization	1,230,584	63,484	1,294,068
Foreign exchange	2,882	267	3,149
Balance, February 28, 2019	**3,375,190**	**92,591**	**3,467,781**

(Expressed in Canadian Dollars)

Carrying amount			
As at February 28, 2018	2,639,803	286,735	2,926,538
As at February 28, 2019	**1,770,811**	**280,709**	**2,051,520**

During the year ended February 28, 2019, the Company incurred costs of $25,178 (2018 - $11,547) that were charged to the statement of loss and comprehensive loss as they did not meet the criteria for capitalization.

8. DUE TO RELATED PARTIES

During the year ended February 28, 2018, the Company received a total of $85,318 from a company controlled by the Interim CEO of the Company, which was non-interest bearing, due on demand, unsecured and had no maturity date. The Company made repayments of $45,000 during the year ended February 28, 2018 and repaid the remaining outstanding balance during the year ended February 28, 2019. The balance outstanding as at February 28, 2019 was ($7,678) (2018 – $40,318).

During the year ended February 28, 2019, the Company received a non-interest bearing loan of $1,000 from a director of the Company. The loan is due on demand, unsecured and has no maturity date. The balance outstanding as at February 28, 2019 is $1,000 (2018 – $nil).

During the year ended February 28, 2019, the Company received $228,572 of proceeds from a shareholder in advance of a loan agreement signed subsequent to February 28, 2019 (Note 21). The proceeds were received in three difference tranches of CAD$6,000, HKD 740,000 and RMB 500,000. The loans mature on June 1, 2020 and have an interest rate of 6% per annum. The balance outstanding as at February 28, 2019 is $228,572 (2018 – $nil).

During the year ended February 28, 2019, the Company received $50,000 of proceeds in advance of a share issuance. The balance outstanding as at February 28, 2019 is $50,000 (2018 – $nil).

During the year ended February 28, 2019, the Company also received 2 bitcoins from a shareholder which was rewarded to the users as a marketing expense. The fair value of the bitcoin liability as at February 28, 2019 is $10,070, with change in fair value from initial recognition recognized in statements of loss and comprehensive loss. The outstanding balance shall be repaid in the form of bitcoins or cash equivalent to the value of bitcoin on the day of repayment. The balance is due on demand and non-interest bearing.

9. LOAN PAYABLE

On November 5, 2018, the Company entered into a loan agreement for $50,000, which matures on November 1, 2020 and has an interest rate of 6% per annum. The principal balance outstanding plus accrued interest of $945 outstanding as at February 28, 2019 is $50,945 (2018 – $nil).

10. PROMISSORY NOTE

On June 23, 2017, the Company entered into a promissory note agreement with a company owned by a shareholder for proceeds of $100,000, maturing on June 23, 2019. The promissory note is unsecured, bears an interest rate of 4% per annum calculated on the principal balance, and is payable on the maturity date.

During the year ended February 28, 2019, the Company recorded interest expense of $3,999 (2018 – $2,739).

The principal and interest outstanding at February 28, 2019 is $106,738 (2018 – $102,739).

11. CONVERTIBLE NOTES

On April 16, 2018, the Company closed a convertible note private placement in the principal amount of $425,000. Each note bears interest at a rate of 15% per annum and is due five years from the date of issue. The notes are convertible into units at a price of $0.115 per unit and each unit will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional share common share of the Company at a price of $0.115 per share for a period of five years from the date of issue. On July 17, 2018, $50,000 of these convertible notes were converted to 434,782 units of the Company. As at February 28, 2018, in advance of the closing of the convertible notes offering, the Company had received $325,000 of the proceeds.

On June 6, 2018, the Company closed another convertible note private placement in the principal amount of $500,000. Each note bears interest at a rate of 15% per annum and is due five years from the date of issue. The notes are convertible into units at a price of $0.14 per unit and each unit will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional share common share of the Company at a price of $0.14 per share for a period of five years from the date of issue. $94,000 of the convertible notes was issued to a company owned by a related party and $65,000 was issued to the interim CEO of the Company.

For accounting purposes, these convertible notes were separated into their liability and equity components. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible notes assuming a 20% effective interest rate which was the estimated rate for convertible notes without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible notes and the fair value of the liability component.

The liability component for the April 16, 2018 convertible note was initially valued at $361,449 with the resulting residual value being allocated to the equity component in the amount of $63,551, net of deferred tax of $17,159.

(Expressed in Canadian Dollars)

The liability component for the June 6, 2018 convertible note was initially valued at $425,235 with the resulting residual value being allocated to the equity component in the amount of $74,765, net of deferred tax of $20,186.

	Liability Component $	Equity Component (net of tax) $
Balance, February 28, 2018	-	-
Amount at date of issue	786,684	100,971
Accretion expense	10,327	-
Conversion to units	(42,523)	(5,458)
Balance, February 28, 2019	754,488	95,513

During the year ended February 28, 2019, the Company recorded accretion expense of $10,327 and accrued interest of $105,760. The accrued interest is recorded in the accounts payable and accrued liabilities.

12. SHARE CAPITAL

a) Authorized – Unlimited common shares without par value.

b) Share issuances:

On July 27, 2017, the Company closed a non-brokered private placement financing, issuing 8,050,331 units at a price of $0.15 per unit for gross proceeds of $1,207,550, $495,025 of which was received during the year ended February 28, 2017. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.20 per share for a period of two years from the date of issuance. In connection with the private placement, the Company incurred legal and filing fees of $4,618. The Company assigned $nil to the warrants.

On July 17, 2018, $50,000 of the convertible notes issued on April 16, 2018 were converted to 434,782 units of the Company. Each unit consists of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional share common share of the Company at a price of $0.115 per share for a period of five years from the date of issue.

In August 2018, the Company issued 120,000 common shares pursuant to exercise of warrants for total gross proceeds of $24,000 at an exercise price of $0.20.

(Expressed in Canadian Dollars)

c) Stock options:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter.

	Number of Options #	Weighted average exercise price $	Weighted Average Life (Years)
Outstanding and exercisable, February 28, 2017 and 2018	6,400,000	0.15	3.21
Granted	840,000	0.22	-
Outstanding and exercisable, February 28, 2019	7,240,000	0.16	2.45

On June 6, 2018, the Company granted 840,000 stock options to its directors, officers and consultants. The stock options have an exercise price of $0.22 per share, vest immediately and expire on June 6, 2023. The fair values of the options were estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 2.16%; expected life – 5 years; expected volatility – 134%; expected forfeitures – 0%; and expected dividends – $nil. Expected price volatility was determined based on the historical share prices of similar companies.

The weighted average fair value of stock options granted during the year ended February 28, 2019 was $0.19 per option.

During the year ended February 28, 2019, the Company recorded share-based payments expense of $161,548 (2018 – $nil) resulted from the grant of options.

As at February 28, 2019, the Company had the following options outstanding:

Number of options	Exercise price	Expiry date
6,400,000	$0.15	May 13, 2021
840,000	$0.22	June 6, 2023
7,240,000		

(Expressed in Canadian Dollars)

d) Warrants

	Number of Warrants #	Weighted average exercise price $	Weighted Average Life (Years)
Outstanding, February 28, 2017	369,189	0.25	1.20
Issued	8,050,331	0.20	-
Outstanding, February 28, 2018	8,419,520	0.20	1.36
Issued	434,782	0.115	-
Exercised	(120,000)	0.20	-
Expired	(369,189)	0.25	-
Outstanding, February 28, 2019	8,365,113	0.20	0.61

As at February 28, 2019, the Company had the following warrants outstanding:

Number of warrants	Exercise price	Expiry date
7,930,331	$0.20	July 27, 2019
434,782	$0.115	July 17, 2023
8,365,113		

e) Escrow shares

13,725,000 shares were placed in escrow upon completion of the Transaction on May 13, 2016. On May 13, 2016, 10% of escrowed shares were released and 15% of the escrowed shares are released each six-month period thereafter. As at February 28, 2019, 2,058,750 (2018 – 6,176,250) issued and outstanding common shares were held in escrow, which were released subsequent to February 28, 2019.

13. VORTEX AGREEMENT

On January 29, 2019, the Company entered into a cooperation agreement (the “Cooperation Agreement”) with Vortex Live Inc. (“Vortex”) and the principals of Vortex (the “Vortex Team”) whereby Vortex would develop and implement live-streaming video functionality into the HPI Platform (“Live Streaming Service”).

Under the terms of the Cooperation Agreement, Vortex will provide a seasoned management team that will join the Company to develop and operate the Live Streaming Service. Vortex will also fund the development of Live Streaming Service by paying the Company a total of $1,200,000, of which $400,000 (RMB 2,000,000) has already been paid on signing of the Cooperation Agreement and $800,000 (RMB 4,000,000) is payable immediately after launch of the Live Streaming Service. If required, Vortex may provide further funding in the form of an interest-free loan of $800,000.

In return, the Company will issue up to 54,000,000 shares to the Vortex Team based on the following milestones:

1. 20,000,000 shares upon the launch of the Live Streaming Service by March 31, 2019, and the Company achieving monthly revenue of RMB 1,000,000 (approximately CAD$200,000) by May 31, 2019.

2. 9,000,000 shares upon the Company achieving monthly revenue of RMB 5,000,000 (approximately CAD$1,000,000) and accumulated revenue of RMB 23,000,000 (approximately CAD$5,000,000) by December 31, 2019.

3. 13,500,000 shares upon the Company achieving monthly revenue of RMB 10,000,000 (approximately CAD$2,000,000), accumulated revenue of RMB 70,000,000 (approximately CAD$14,000,000) over preceding 12 months, net positive cash flow and net profit of RMB 1,000,000 (approximately CAD$200,000) by December 31, 2020.

4. 11,500,000 shares upon the Company achieving monthly revenue of RMB 20,000,000 (approximately CAD$4,000,000), accumulated revenue of RMB 180,000,000 (approximately CAD$28,000,000) over preceding 12 months and net profit of RMB 10,000,000 (approximately CAD$2,000,000) by December 31, 2021.

The shares contingently issuable upon achievement of the above milestones have been accounted for in three components. A portion of the shares has been recorded as a liability against the RMB 2,000,000 ($393,600) already received from Vortex; a further portion will be recorded as a liability upon receipt of the RMB 4,000,000 ($800,000) due from Vortex upon the launch of the Live Streaming service; and the remainder have been treated as share-based compensation for the services provided by Vortex. The two portions recorded as liabilities will be extinguished when the associated milestones are achieved. The share price of $0.15 on the transaction date and likelihood of 60%, 30%, 10%, 0% that the above milestones will be met respectively at the agreed timetable were used by management to determine the fair value of the contingently issuable shares which in total is $2,407,500. Such amount, excluding the approximately $1,200,000 fund received and to be received, will be recorded as share-based compensation through the period of the service. During the year ended February 28, 2019, $195,465 share-based compensation was recorded in contributed surplus in shareholders' equity and capitalized as addition to the software application (Note 7).

14. RELATED PARTY TRANSACTIONS

The Company incurred charges to directors and officers, or to companies associated with these individuals during the years ended February 28, 2019 and 2018 as follows:

(Expressed in Canadian Dollars)

	2019 $	2018 $
Accounting and corporate secretarial fees	30,777	51,292
Salaries capitalized as application development costs	-	23,329
Management fees	99,351	103,880
Share issue costs	-	3,864
Share-based payment	48,080	-
	178,208	182,365

Accounts payable and accrued liabilities at February 28, 2019 includes $128,204 (2018 – $67,867) due to the President and CEO of the Company, and a company that until July 31, 2018 was controlled by a director and in which the CFO was an associate until July 31, 2018 and an owner thereafter. Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Key management of the Company includes the President, Interim CEO, former CTO, CFO and the Directors. During the year ended February 28, 2019, compensation paid to key management consisted of management fees of $99,351 (2018 – $103,880) paid to the Interim CEO, application development costs of $nil (2018 – $23,329) paid to the former CTO, accounting and corporate secretarial fees of $30,777 (2018 – $51,292) and share issue costs of $nil (2018 – $3,864) paid to a company that until July 31, 2018 was controlled by a director and in which the CFO was an associate until July 31, 2018 and an owner thereafter, and share-based payments of $48,080 (2018 – $nil) to directors and officers.

Other amounts due to related parties are disclosed in Notes 8, 10 and 11.

15. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the year ended February 28, 2019, the following transactions were excluded from the consolidated statement of cash flows:

- $195,465 of application development costs included in contributed surplus at February 28, 2019 (Note 13); and
- Conversion of convertible notes to units of the Company, valued at $50,000.

No such non-cash transactions incurred during the year ended February 28, 2018.

16. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to carry out its development plans and operations throughout its current operating period.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the CSE.

17. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, due to related parties, promissory note and convertible notes. Cash, accounts payable and accrued liabilities, due to related parties, promissory note and convertible notes are designated and measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. The Company's cash is carried at fair value using Level 1 inputs.

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

- Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

As at February 28, 2019, the Company believes that the carrying values of cash, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations. The convertible notes are measured at fair value with reference to level 3 within the fair value hierarchy at initial recognition and subsequently measured at amortized costs using the effective interest method. The bitcoin payable is measured at fair value with reference to level 1 within the fair value hierarchy.

b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets as disclosed in the consolidated statements of financial position. The Company's cash is held with reputable banks in Canada, Hong Kong and China. The credit risk related to cash is considered minimal.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the promissory note has a fixed interest rate.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. As at February 28, 2019, the Company has a cash balance of $71,102 (2018 - $83,835) to settle its current liabilities of $844,834 (2018 - $290,841).

Foreign exchange rate risk

Foreign exchange rate risk is the risk that exists when a financial transaction is denominated in a currency other than the functional currency of the company.
The Company operates in Hong Kong and China and its cash is held in Hong Kong dollars and Chinese Renminbi. A significant change in the current exchange rates between the Hong Kong dollar relative to the Canadian dollar and the Chinese Renminbi to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2019, the Company is exposed to currency risk through the following assets and liabilities denominated in Hong Kong dollars and Chinese Renminbi.

(Expressed in Canadian Dollars)

	Hong Kong Dollars ($)	Chinese Renminbi (RMB)
Cash	116,645	259,419
Accounts payable and accrued Liabilities	(517,352)	(173,966)

At February 28, 2019, Hong Kong dollar amounts were converted at a rate of 1 HKD to 0.168 CAD; Chinese RMB were converted at a rate of 1 RMB to 0.197 CAD.

Based on the above net exposures as at February 28, 2019, assuming that all other variables remain constant, a 10% change of the Canadian dollar against the Hong Kong dollar and Chinese RMB would result in a change of approximately $8,414 in the Company's comprehensive loss for the year.

18. SEGMENT INFORMATION

The Company's operations are limited to a single industry, being a provider of an international open social exchange language and learning mobile application and network. Geographic segment information of the Company's total assets is as follows:

	February 28, 2019 $	February 28, 2018 $
Canada	1,445,918	2,352,274
Asia	726,800	684,191
Total assets	2,172,718	3,036,465

Geographic segmentation of the Company's net loss during the years ended February 28, 2019 and 2018 is as follows:

	2019 $	2018 $
Canada	1,508,311	1,343,839
Asia	1,212,847	950,094
Net loss	2,721,158	2,293,933

(Expressed in Canadian Dollars)

19. INCOME TAXES

A reconciliation of the Company's income tax provision computed at statutory tax rates to the reported income tax provision for the years ended February 28, 2019 and 2018 as follows:

	2019	**2018**
	$	**$**
Net (loss) income before tax	(2,756,484)	(2,293,933)
Statutory tax rate	27.00%	26.17%
Expected tax recovery	(744,251)	(600,322)
Non-deductible amounts	112,386	298
Difference in tax rates and foreign exchange	98,647	18,874
Change in estimates	(168,457)	47,344
Change in deferred tax assets not recognized	666,349	533,806
Deferred tax (recovery) expense	(35,326)	-

The statutory tax rate increased from 26.17% to 27.00% due to an increase in the BC corporate tax rate on January 1, 2018.

Deferred tax assets (liabilities) at February 28, 2019 and 2018 are as follows:

	2019	**2018**
	$	**$**
Canada		
Convertible loan	(32,538)	-
Non-capital loss	32,538	-
	-	-

	2019	**2018**
	$	**$**
Hong Kong		
Software application	(114,517)	(18,430)
Non-capital loss	114,517	18,430
	-	-

	2019 $	2018 $
China		
Gain on bitcoin revaluation	(2,229)	-
Non-capital loss	2,229	-
	-	-

Unrecognized deductible temporary differences at February 28, 2019 and 2018 are as follows:

	2019 $	2018 $
Canada		
Non-capital loss carried forward	3,243,808	3,012,022
Resource allowances	2,811,069	2,930,034
Software application and equipment	2,140,435	810,108
Share issuance cost and other	29,819	44,267
	8,225,131	6,796,431
Hong Kong		
Non-capital loss carry forward	2,047,110	1,112,643
China		
Non-capital loss carry forward	623,569	329,018

As at February 28, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards for Canadian tax purposes of approximately $3,243,808 (2018: $3,012,022) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years: :

(Expressed in Canadian Dollars)

Expiry	**$**
2026	116,689
2027	114,648
2028	141,171
2029	114,262
2030	96,333
2031	138,784
2033	721,192
2034	224,728
2035	173,232
2036	149,498
2037	566,001
2038	323,627
2039	363,643
TOTAL	3,243,808

As at February 28, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards for Hong Kong tax purposes of approximately $2,047,110 (2018: $1,112,643) which may be carried forward to apply against future income for Hong Kong tax purposes, subject to the final determination by taxation authorities. These non-capital losses can be carried forward indefinitely.

As at February 28, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards for China tax purposes of approximately $623,569 (2018: $329,018) which may be carried forward to apply against future income for China tax purposes, subject to the final determination by taxation authorities. These non-capital losses can be carried forward for 4 - 5 years.

20. COMMITMENT

On April 6, 2018, the Company entered into a lease agreement for the use of office premises in Hong Kong. The amount of the total lease payments committed is $18,122 for the year ended February 29, 2020 and $1,510 for the year ended February 28, 2021.

21. SUBSEQUENT EVENT

On June 1, 2019, the Company entered into a loan agreement with a shareholder of the Company for $228,572, which matures on June 1, 2020 and has an interest rate of 6% per annum. The proceeds of $228,572 were received in advance as at February 28, 2019.