HELLO PAL INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2020 AND 2019
(Unaudited – Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Note	August 31, 2020 $	February 29, 2020 $
ASSETS			
Current assets			
Cash		289,656	83,219
Receivables		457,223	44,153
Prepaid expenses		34,451	17,358
		781,330	144,730
Property and equipment	**4**	94,445	25,880
Software application	**5**	1,762,293	1,750,994
Total assets		2,638,068	1,921,604
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**13**	553,563	758,043
Due to related parties	**6**	770,388	1,025,442
Promissory note	**7**	-	110,748
Lease obligation – short-term	**8**	41,255	1,499
Loan payable	**9**	-	140,000
		1,365,206	2,035,732
Lease obligation	**8**	31,267	-
Convertible notes – liability component	**10**	180,883	772,166
		1,577,356	2,807,898
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	**11**	11,910,751	9,407,317
Shares to be issued	**12**	3,129,000	2,078,700
Contributed surplus	**11**	1,792,467	2,580,192
Convertible notes – equity component	**10**	21,613	95,513
Accumulated other comprehensive income		29,284	10,842
Deficit		(15,822,403)	(15,058,858)
		1,060,712	(886,294)
Total liabilities and shareholders’ equity (deficiency)		2,638,068	1,921,604

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved and authorized on behalf of the Board of Directors on October 29, 2020

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

HELLO PAL INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three and six months ended August 31, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

		For the three months ended August 31,		For the six months ended August 31,	
		2020	2019	2020	2019
	Note	$	$	$	$
COMMISSION REVENUE		3,058,879	172,431	4,290,412	198,420
DIRECT COSTS		2,884,468	218,549	4,104,997	261,549
GROSS PROFIT (LOSS)		174,411	(46,118)	185,415	(63,129)
ADMINISTRATIVE EXPENSES					
Accounting and audit	**13**	9,603	64,081	33,893	73,315
Accretion	**10**	5,466	2,715	11,818	7,905
Bitcoin revaluation loss	**6**	4,895	2,258	7,620	15,520
Depreciation and amortization	**4, 5**	138,115	367,837	252,864	982,969
Foreign exchange loss		718	2	721	6
Interest expense	**7, 9, 10**	18,546	36,942	57,578	72,370
Management and consulting fees	**13**	48,867	27,504	97,364	54,834
Marketing		157,486	5,572	162,022	27,581
Legal		13,789	3,239	17,856	5,552
Office and miscellaneous		19,678	66,925	60,538	124,842
Transfer agent and filing fees		10,175	6,277	13,179	15,250
Rent		-	5,568	-	13,194
Salaries and benefits		80,100	21,345	161,068	45,006
Share-based payments	**11, 13**	16,598	-	67,500	-
Shareholder communications		1,117	224	1,789	726
Software application costs		1,803	2,342	3,150	4,647
Total Expenses		(526,956)	(612,831)	(948,960)	(1,443,717)
NET LOSS FOR THE PERIOD		(352,545)	(658,949)	(763,545)	(1,506,846)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations		24,807	28,063	18,442	39,806
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(327,738)	(630,886)	(745,103)	(1,467,040)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.00)	(0.01)	(0.01)	(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		101,735,090	72,985,091	87,282,388	72,985,091

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

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

	Number of Shares #	Share Capital $	Shares to be issued $	Contributed Surplus $	Convertible Notes – Equity Component $	Accumulated Other Comprehensive Income $	Deficit $	Total $
Balance, February 28, 2019	72,985,091	9,407,317	-	1,987,931	95,513	(1,135)	(11,360,775)	128,851
IFRS 16 transition adjustment on March 1, 2019	-	-	-	-	-	-	(509)	(509)
Balance, February 28, 2019 (restated)	72,985,091	9,407,317	-	1,987,931	95,513	(1,135)	(11,361,284)	128,342
Share-based payments (Note 12)	-	-	-	724,213	-	-	-	724,213
Net and comprehensive loss for the period	-	-	-	-	-	39,806	(1,506,846)	(1,467,040)
Balance, August 31, 2019	72,985,091	9,407,317	-	2,712,144	95,513	38,671	(12,868,130)	(614,485)
Share-based payments (Note 12)	-	-	-	(131,952)	-	-	-	(131,952)
Contingent share consideration (Note 12)	-	-	2,078,700	-	-	-	-	2,078,700
Net and comprehensive loss for the period	-	-	-	-	-	(27,829)	(2,190,728)	(2,218,557)
Balance, February 29, 2020	72,985,091	9,407,317	2,078,700	2,580,192	95,513	10,842	(15,058,858)	(886,294)
Issuance of common shares pursuant to private placement (Note 11)	9,993,099	599,586	-	-	-	-	-	599,586
Share issue costs	-	(14,563)	-	-	-	-	-	(14,563)
Issuance of common shares pursuant to debt settlement (Note 11)	17,130,438	1,027,823	-	-	-	-	-	1,027,823
Issuance of common shares pursuant to conversion of convertible notes (Note 10)	14,843,128	890,588	-	-	(73,900)	-	-	816,688
Contingent share consideration (Note 12)	-	-	1,050,300	(1,050,300)	-	-	-	-
Share-based payments (Note 12)	-	-	-	262,575	-	-	-	262,575
Net and comprehensive loss for the period	-	-	-	-	-	18,442	(763,545)	(745,103)
Balance, August 31, 2020	114,951,756	11,910,751	3,129,000	1,792,467	21,613	29,284	(15,822,403)	1,060,712

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

HELLO PAL INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended August 31, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

	2020 $	2019 $
Operating activities:		
Net loss for the period	(763,545)	(1,506,846)
Items not involving cash:		
Depreciation and amortization	252,864	982,969
Bitcoin revaluation loss	7,620	15,520
Accretion	11,818	7,905
Accrued interest	57,578	73,049
Share-based payments	67,500	-
	(366,165)	(427,403)
Changes in non-cash working capital related to operations:		
Receivables	(413,070)	(1,982)
Prepaid expenses	(17,093)	(35,122)
Accounts payable and accrued liabilities	188,143	3,382
Net cash used in operating activities	(608,185)	(461,125)
Investing activities:		
Purchase of property and equipment	(17,263)	(23,316)
Acquisition and development costs of software application	(85,145)	(250,904)
Net cash used in investing activities	(102,408)	(274,220)
Financing activities:		
Proceeds from issuance of shares	585,023	-
Financing received from related parties	334,853	249,717
Proceeds from loan payable	-	30,000
Contingent share consideration	-	390,000
Net cash provided by financing activities	919,876	669,717
Increase in cash during the period	209,283	(65,628)
Effect of exchange rate changes on cash	(2,846)	4,972
Cash – beginning of the period	83,219	71,102
Cash – end of the period	289,656	10,446
Income taxes paid in cash	-	-
Interest paid in cash	-	-

Non-Cash Transactions (Note 14)

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

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. The Company's primary asset is the Hello Pal software application (the "HPI Platform") (Note 5), which is a proprietary and open social exchange language and learning mobile application and also includes the Live Streaming Service. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "HP" and quoted on the OTC Markets Platform under the symbol "HLLPF". The Company's registered and corporate head office is located at 200 - 550 Denman Street , Vancouver, BC, Canada.

These condensed interim 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 August 31, 2020, the Company had a working capital deficiency of $583,876 and an accumulated deficit of $15,822,403 and had not yet achieved profitable operations. In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could result in delays in the course of business and continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. 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 generate positive cash flows from operations, 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

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using the same accounting policies as detailed in the Company's audited annual financial statements for the year ended February 29, 2020. They do not include all the information required for complete annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and therefore should be read together with the audited annual financial statements for the year ended February 29, 2020.

These condensed interim consolidated financial statements were approved by the board of directors for issue on October 29, 2020.

b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and 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 ("HZHP River"), incorporated on April 25, 2017 in China. In addition, the Company consolidates the accounts and operations of Hangzhou Hello Pal Technology Limited ("HZHYB") and Chongqing Hello Pal Technology Limited ("CQHP"), two private companies incorporated in China. Although the Company does not have direct ownership in HZHYB and CQHP, the Company has the right to obtain the majority of the benefits and is exposed to the risks of the activities of these two entities and therefore has the effective control over these two entities.

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. These entities 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.

The Company's subsidiary, HZHP River, has entered into certain contractual arrangements with CQHP and its shareholders. These contractual arrangements allow the Company to effectively govern and administer the business operations and affairs of CQHP, including entitlements to the economic benefits. As a result of these contractual arrangements, the Company is considered the primary beneficiary of CQHP and therefore consolidates 100% of CQHP's operations in its consolidated financial statements.

The contractual arrangements entered into with CQHP include a Management Entrustment Agreement, Exclusive Business Cooperation Agreement, Exclusive Purchase Agreement and Equity Pledge Agreement. Pursuant to these agreements, CQHP entrusts HZHP River to manage all operations and control all of CQHP's assets and has appointed HZHP River as its exclusive service provider for all forms of business support, technical services and consultancy services. In addition, during the term of the 20-year agreements, which are extendable at the sole discretion of HZHP River, HZHP River will own rights and interests over all intellectual property and assume the total revenue rights and all operational risks and losses of CQHP. In addition, HZHP River has an unretractable option to purchase all equity of CQHP for a nominal purchase price, and the shareholders of CQHP have pledged 100% of their equity interest in CQHP as collateral to indemnify against any debts or liabilities that may be accrued by CQHP.

c) Estimates, assumptions and measurement uncertainty

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.

(i) 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 condensed interim 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 condensed interim 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.

(ii) 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

The fair value of shares to be issued under the Vortex Agreement (Note 12) was based on an estimate of 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, the management estimated 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.

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.

3. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

a) New and amended standards adopted by the Company

The Company has adopted the following new standards, along with any consequential amendments, effective March 1, 2019. These changes were made in accordance with the applicable transitional provisions.

The Company adopted all of the requirements of IFRS 16, *Leases* ("IFRS 16") as of March 1, 2019. IFRS 16 replaces IAS 17, *Leases* ("IAS 17"). IFRS 16 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. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on March 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. The following is the Company's new accounting policy for leases under IFRS 16:

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

On the date of transition, the Company recorded a right-of-use asset of $18,271 related to the office rent in property and equipment, and the lease obligation of $18,780 was recorded as at March 1, 2019, discounted using the Company's incremental borrowing rate of 8%, and measured at an amount equal to the lease obligation as if IFRS 16 had been applied since the commencement date. The net difference between right-of-use assets and lease liabilities on the date of transition was recognized as a retained earnings adjustment of $509 on March 1, 2019.

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 adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

(Unaudited – Expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

Cost	Furniture and equipment ($)	Building ($)	Leasehold Improvement ($)	Total ($)
Balance, February 28, 2019	21,383	-	6,088	27,471
IFRS 16 transition adjustment	-	18,271	-	18,271
Additions	15,476	-	-	15,476
Foreign exchange	(405)	-	-	(405)
Balance, February 29, 2020	36,454	18,271	6,088	60,813
Additions	1,848	85,121	-	86,969
Foreign exchange	(275)	-	-	(275)
Balance, August 31, 2020	**38,027**	**103,392**	**6,088**	**147,507**
Accumulated depreciation				
Balance, February 28, 2019	(6,393)	-	(2,715)	(9,108)
Additions	(7,909)	(16,866)	(1,012)	(25,787)
Foreign exchange	(38)	-	-	(38)
Balance, February 29, 2020	(14,340)	(16,866)	(3,727)	(34,933)
Additions	(7,293)	(14,521)	(354)	(22,168)
Foreign exchange	(1,275)	5,314	-	4,039
Balance, August 31, 2020	**(22,908)**	**(26,073)**	**(4,081)**	**(53,062)**
Net Book Value at February 29, 2020	22,114	1,405	2,361	25,880
Net Book Value at August 31, 2020	**15,119**	**77,319**	**2,007**	**94,445**

(Unaudited – Expressed in Canadian Dollars)

5. SOFTWARE APPLICATION

As at August 31, 2020 and February 29, 2020, software application comprises Hello Pal, Travel Pal, Language Pal apps and Live Streaming Service applications as follows:

	Software ($)	Internally Generated Software ($)	Total ($)
Cost			
Balance, February 28, 2019	**5,146,001**	**373,300**	**5,519,301**
Additions – development costs	1,670,043	-	1,670,043
Impairment	-	(380,979)	(380,979)
Foreign exchange	12,110	7,679	19,789
Balance, February 29, 2020	**6,828,154**	**-**	**6,828,154**
Additions – development costs	246,557	-	246,557
Foreign exchange	(21,269)	-	(21,269)
Balance, August 31, 2020	**7,053,442**	**-**	**7,053,442**
Amortization			
Balance, February 28, 2019	**3,375,190**	**92,591**	**3,467,781**
Amortization	1,692,219	79,244	1,771,463
Impairment		(174,618)	(174,618)
Foreign exchange	9,751	2,783	12,534
Balance, February 29, 2020	**5,077,160**	**-**	**5,077,160**
Amortization	230,696	-	230,696
Foreign exchange	(16,707)	-	(16,707)
Balance, August 31, 2020	**5,291,149**	**-**	**5,291,149**
Carrying amount			
As at February 29, 2020	1,750,994	-	1,750,994
As at August 31, 2020	**1,762,293**	**-**	**1,762,293**

During the three and six months ended August 31, 2020, the Company incurred costs of $1,803 and $3,150 (2019 - $2,342 and $4,647) that were charged to the statement of loss and comprehensive loss as they did not meet the criteria for capitalization.

During the year ended February 29, 2020, management decided that the Travel Pal and Language Pal apps HPI Platform were no longer of use to the Company and accordingly, wrote-down the capitalized costs to $nil, recognizing an impairment charge of $206,361 for the year ended February 29, 2020.

6. DUE TO RELATED PARTIES

During the year ended February 29, 2020, the Company received a total of $36,613 from the Interim CEO of the Company and 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 loan has been settled with shares at a price of $0.06 per share for $36,061 during the six months ended August 31, 2020. During the six months ended August 31, 2020, the Company received another $18,513 from the Interim CEO of the Company, which was then settled with shares at a price of $0.06 per share for $75,353. The balance outstanding as at August 31, 2020 was a receivable of $56,840 due from the Interim CEO of the Company (February 29, 2020 – due to balance of $36,613).

On November 5, 2018, the Company entered into a loan agreement for $50,000, which was to mature on November 1, 2020 and had an interest rate of 6% per annum. The lender became a director of the Company on September 1, 2019, so the loan was reclassified from loan payable to due to related parties as at February 29, 2020. The principal plus accrued interest balance of $54,710 has been settled in full with shares at a price of $0.06 per share during the six months ended August 31, 2020 and the balance outstanding as at August 31, 2020 is $nil (February 29, 2020 – $53,953).

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 was due on demand, unsecured and had no maturity date. The loan has been settled in full with shares at a price of $0.06 per share during the six months ended August 31, 2020 and the balance outstanding as at August 31, 2020 is $nil (February 29, 2020 – $1,000).

During the year ended February 28, 2019, the Company received advances totalling $228,572 from a shareholder of the Company. The proceeds were received in three different tranches of CAD$6,000, HKD 740,000 and RMB 500,000. On June 1, 2019, the Company entered into a loan agreement with respect to these advances. The loan matured on June 1, 2020, is past due and has an interest rate of 6% per annum. During the six months ended August 31, 2020 and the year ended February 29, 2020, the Company received additional advances of $316,340 and $548,696 respectively from the same shareholder, which are non-interest bearing, unsecured and due on demand. $384,440 of the loan has been settled with shares at a price of $0.06 per share during the six months ended August 31, 2020. The balance outstanding of $688,239 plus accrued interest of $16,577 as at August 31, 2020 is $704,816 (February 29, 2020 – $787,393). In addition, the Company issued a promissory note during the year ended February 28, 2018 for proceeds received of $100,000 from the same shareholder (see Note 7).

During the year ended February 28, 2019, the Company received $50,000 of proceeds from a shareholder of the Company in advance of a share issuance. $15,200 of the advance has been settled with shares at a price of $0.06 per share during the six months ended August 31, 2020. The balance outstanding as at August 31, 2020 is $34,800 (February 29, 2020 – $50,000).

During the year ended February 28, 2019, the Company also received 2 bitcoins from a shareholder which were awarded to the users as a marketing expense. The fair value of the bitcoin liability as at August 31, 2020 is $30,462 (February 29, 2020 – $23,205), 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 is non-interest bearing.

During the year ended February 29, 2020, the Company received additional non-interest bearing loans of $72,304 from two directors of the Company. The loans are due on demand, unsecured and have no maturity date. $15,648 of the loans has been settled with shares at a price of $0.06 per share during the six months ended August 31, 2020. The balance outstanding as at August 31, 2020 is $57,150 (February 29, 2020 – $73,278).

7. 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 was unsecured, bore an interest rate of 4% per annum calculated on the principal balance and on overdue interest, and was payable on the maturity date.

During the three and six months ended August 31, 2020, the Company recorded interest expense of $nil and $1,008 (2019 – $1,008 and $2,016). The principal and interest balance of $111,756 has been settled in full with shares at a price of $0.06 per share during the six months ended August 31, 2020 and the balance outstanding as at August 31, 2020 is $nil (February 29, 2020 – $110,748).

8. LEASE OBLIGATION

The Company entered into an office lease in Hong Kong in April 2020 and an office lease in Vancouver, BC, Canada in June 2020. With the adoption of IFRS 16, *Leases* (see Note 3), the Company recognized lease obligations with regard to the leases. The terms and the outstanding balances as at August 31, 2020 and February 29, 2020 are as follows:

(Unaudited – Expressed in Canadian Dollars)

	August 31, 2020 $	February 29, 2020 $
Right-of-use asset from office lease repayable in monthly instalments of $1,510 and an interest rate of 8% per annum and an end date of April 2020.	-	1,499
Right-of-use asset from office lease repayable in monthly instalments of $1,330 and an interest rate of 8% per annum and an end date of April 2022.	23,715	-
Right-of-use asset from office lease repayable in monthly instalments of $2,425 to $2,546 and an interest rate of 8% per annum and an end date of May 2022.	48,807	-
	72,522	1,499
Current portion	(41,255)	(1,499)
Non-current portion	31,267	-

The following is a schedule of the Company's future minimum lease payments related to the office lease obligation:

	August 31, 2020 $
2021	22,530
2022	46,152
2023	8,969
Total minimum lease payments	77,651
Less: imputed interest	(5,129)
Total present value of minimum lease payments	72,522
Current portion	(41,255)
Non-current portion	31,267

9. LOAN PAYABLE

During the year ended February 29, 2020, the Company received $140,000 of a non-interest bearing loan. The loan was due on demand, unsecured and had no maturity date. The loan of $140,000 was settled for shares at a price of $0.06 per share during the six months ended August 31, 2020 and the balance outstanding as at August 31, 2020 is $nil (February 29, 2020 – $140,000).

10. CONVERTIBLE NOTES

On April 16, 2018, the Company closed a convertible note private placement in the principal amount of $425,000. Each note bore interest at a rate of 15% per annum and was due five years from the date of issue. The notes were convertible into units at a price of $0.115 per unit and 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. On July 17, 2018, $50,000 of these convertible notes were converted to 434,782 units of the Company. On June 25, 2020, the remaining $375,000 of these convertible notes have been settled with shares at a price of $0.06 per share.

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 (Note 13). On June 25, 2020, $302,000 of these convertible notes have been settled with shares at a price of $0.06 per share.

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.

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.

(Unaudited – Expressed in Canadian Dollars)

	Liability Component $	Equity Component (net of tax) $
Balance, February 28, 2019	754,488	95,513
Accretion expense	17,678	-
Balance, February 29, 2020	772,166	95,513
Accretion expense	11,818	-
Debt settlement	(603,101)	(73,900)
Balance, August 31, 2020	180,883	21,613

During the three and six months ended August 31, 2020, the Company recorded accretion expense of $5,466 and $11,818 (2019 – $2,715 and $7,905) and accrued interest of $9,615 and $42,697 (2019 – $33,082 and $66,164). The accrued interest is recorded in the accounts payable and accrued liabilities.

11. SHARE CAPITAL

a) Authorized – Unlimited common shares without par value.

b) Share issuances:

On June 25, 2020, the Company closed the first tranche of a private placement and debt settlement by issuing a total of 35,299,999 common shares at a price of $0.06 per share for total proceeds of $2,100,000 consisting of 3,026,433 shares issued for cash of $199,586, and 31,973,566 shares issued for debt of $1,918,414.

On July 20, 2020, the Company closed the second and final tranche of a private placement and debt settlement by issuing a total of 6,666,666 common shares at a price of $0.06 per share for total proceeds of $400,000.

There were no share issuances for the year ended February 29, 2020.

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.

(Unaudited – Expressed in Canadian Dollars)

	Number of Options #	Weighted average exercise price $	Weighted Average Life (Years)
Outstanding and exercisable, February 29, 2020 and August 31, 2020	7,240,000	0.16	0.94

As at August 31, 2020, 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		

d) Warrants

	Number of Warrants #	Weighted average exercise price $	Weighted Average Life (Years)
Outstanding, February 28, 2019	8,365,113	0.20	0.36
Expired	(7,930,331)	0.20	-
Outstanding, February 29, 2020 and August 31, 2020	434,782	0.12	2.88

As at August 31, 2020, the Company had the following warrants outstanding:

Number of warrants	Exercise price	Expiry date
434,782	$0.115	July 17, 2023

12. 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 has provided a seasoned management team to 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 $864,000 (RMB 4,300,000) has already been paid and $336,000 (RMB 1,700,000) remains payable.

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 $200,000) by May 31, 2019 – This milestone has been achieved as at August 31, 2020, and the Company estimates 13,858,000 shares to be issued pursuant to this milestone.

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 $5,000,000) by December 31, 2019 – This milestone has been achieved as at August 31, 2020, and the Company estimates 7,002,000 shares to be issued pursuant to this milestone.

3. 13,500,000 shares upon the Company achieving monthly revenue of RMB 10,000,000 (approximately $2,000,000), accumulated revenue of RMB 70,000,000 (approximately $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 $4,000,000), accumulated revenue of RMB 180,000,000 (approximately $28,000,000) over preceding 12 months and net profit of RMB 10,000,000 (approximately $2,000,000) by December 31, 2021.

The above is collectively referred to as the “Vortex Transaction”.

The cash received of RMB 4,000,000 ($768,400) pursuant to the Vortex Transaction was initially treated as contingent shares consideration liability and extinguished when the associated milestones were achieved. The remainder of the shares contingently issuable upon achievement of the above milestones have been treated as share-based compensation for the services provided by Vortex. During the year ended February 29, 2020 the Company assessed the likelihood of receiving the remaining $336,000 (RMB 1,700,000) to be $nil.. Also during the year ended February 29, 2020, the Company reassessed the likelihood of meeting milestones #2, #3 and #4 to be 75%, 10% and 0% respectively. The change in estimation of milestone shares to be issued is considered a change in an accounting estimate, and the resulting change in the fair value of the Vortex Transaction was adjusted to the related carrying amounts of the assets, liabilities or equity in the period of change. During the six months ended August 31, 2020, the Company has recognized $195,075 (February 29, 2020 – $1,445,061) as additions to the software application (Note 5) and $67,500 (February 29, 2020 – $457,500) as share-based compensation in profit and loss, with the corresponding entry to extinguish contingent shares consideration of $nil (February 29, 2020 – $768,400), and increasing share capital of $1,050,300 (February 29, 2020 – $2,078,700) as shares to be issued and contributed surplus of $262,575 (February 29, 2020 – $592,261).

(Unaudited – Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

Related party transactions have been measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these consolidated financial statements are listed below.

The Company incurred charges to directors and officers, or to companies associated with these individuals during the three and six months ended August 31, 2020 and 2019 as follows:

	Three months ended August 31		Six months ended August 31	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Accounting fees	-	17,430	-	26,665
Management fees	32,370	26,366	80,144	53,296
	32,370	43,796	80,144	79,961

Accounts payable and accrued liabilities at August 31, 2020 includes $109,437 (February 29, 2020 – $112,880) due to the Interim CEO of the Company, a company that until July 31, 2018 was controlled by a director and in which the former CFO was an associate until July 31, 2018 and an owner thereafter, and a director and CFO of the Company.

Key management of the Company includes the President, Interim CEO, the current and former CFO and the Directors. During the three and six months ended August 31, 2020, compensation paid to key management consisted of management fees of $17,370 and $35,144 (2019 – $26,366 and $53,296) paid to the Interim CEO, management fees of $15,000 and $45,000 (2019 – $nil and $nil) paid to a director and CFO, and accounting fees of $nil and $nil (2019 – $17,430 and $26,665) paid to a company that until July 31, 2018 was controlled by a director and in which the former CFO was an associate until July 31, 2018 and an owner thereafter.

Other amounts due to related parties are disclosed in Notes 6, 7 and 10.

14. 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 six months ended August 31, 2020, the following transactions were excluded from the consolidated statement of cash flows:

- $195,075 of application development costs included in contributed surplus at August 31, 2020 (Note 12);

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- $582,412 of due to related parties, $111,756 of promissory note, loan payable of $140,000, and accounts payable and accrued liabilities of $193,655 were settled with shares at a share price of $0.06 per share;
- Conversion of convertible notes to units of the Company, valued at $890,588; and
- $33,663 of application development costs included in accounts payable and accrued liabilities at August 31, 2020.

During the six months ended August 31, 2019, the following transactions were excluded from the consolidated statement of cash flows:

- $724,213 of application development costs included in contributed surplus August 31, 2019 (Note 12); and
- $47,038 of application development costs included in accounts payable and accrued liabilities at August 31, 2019.

15. 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:

	August 31, 2020 $	February 29, 2020 $
Canada	1,811,072	1,499,631
Asia	826,996	421,973
Total assets	2,638,068	1,921,604

Geographic segmentation of the Company's revenue during the three and six months ended August 31, 2020 and 2019 is as follows:

	Three months ended August 31		Six months ended August 31	
	2020 $	2019 $	2020 $	2019 $
Canada	-	-	-	-
Asia	3,058,879	172,431	4,290,412	198,420
Net loss	3,058,879	172,431	4,290,412	198,420

(Unaudited – Expressed in Canadian Dollars)

Geographic segmentation of the Company's net income (loss) during the three and six months ended August 31, 2020 and 2019 is as follows:

	Three months ended August 31		**Six months ended August 31**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Canada	(366,995)	(386,763)	(615,016)	(947,637)
Asia	14,450	(272,186)	(148,529)	(559,209)
Net loss	(352,545)	(658,949)	(763,545)	(1,506,846)

16. SUBSEQUENT EVENTS

Subsequent to August 31, 2020, the Company graduated from the OTC Pink Sheets (OTCPK) to the OTCQB Venture Marketplace.

Subsequent to August 31, 2020, the Company granted 7,304,150 stock options to its directors, officers, employees and consultants. The options were granted at a price of $0.10 per share and expire 5 years from the date of grant.