
HELLO PAL INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020
(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	May 31, 2021 \$	February 28, 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,971,263	1,415,013
Receivables	7, 14	530,940	1,675,126
Prepaid expenses		791,399	506,306
		8,293,602	3,596,445
Cryptocurrency	3	438,122	-
Property and equipment	4	157,829	168,068
Mining assets	5	7,723,028	-
Software application	6	2,494,880	2,615,708
Total assets		19,107,461	6,380,221
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	892,965	817,458
Due to related parties	7	267,450	773,727
Lease obligations – short-term	9	39,619	43,626
Loan payable	10	25,000	10,000
		1,225,034	1,644,811
Lease obligations	9	2,527	8,864
Convertible notes – liability component	11	87,440	143,082
		1,315,001	1,796,757
SHAREHOLDERS' EQUITY			
Share capital	12	27,674,485	18,883,542
Subscription receivable	12	(300,000)	(300,000)
Shares to be issued	13	2,025,000	2,025,000
Contributed surplus	12	7,607,352	2,566,359
Convertible notes – equity component	11	10,152	16,912
Accumulated other comprehensive (loss) income		(34,634)	50,425
Deficit		(23,182,576)	(18,658,774)
Total equity attributable to shareholders of the Company		13,799,779	4,583,464
Attributable to non-controlling interest		3,992,681	-
		17,792,460	4,583,464
Total liabilities and shareholders' equity		19,107,461	6,380,221

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on July 29, 2021

"Gunther Roehlig" Director

"Kean Li Wong" Director

HELLO PAL INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended May 31, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars)

	Note	2021 \$	2020 \$
REVENUE		6,972,100	1,231,533
DIRECT COSTS		6,178,285	1,220,529
GROSS PROFIT		793,815	11,004
INCOME FROM CRYPTOCURRENCY MINING		342,097	-
ADMINISTRATIVE EXPENSES			
Accounting and audit	14	22,835	24,290
Accretion	11	2,077	6,352
Bitcoin revaluation (gain) loss	7	(21,431)	2,725
Depreciation and amortization	5, 6	213,200	114,749
Foreign exchange loss		(35,445)	3
Interest expense	7, 8, 11	6,521	39,032
Management and consulting fees	14	60,331	48,497
Marketing		266,340	4,536
Legal		24,358	4,067
Office and miscellaneous		118,777	39,233
Transfer agent and filing fees		20,872	3,004
Rent		-	1,627
Salaries and benefits		225,009	80,968
Share-based payments	12, 13, 14	4,540,629	50,902
Shareholder communications		69,488	672
Software application costs		2,853	1,347
Total Expenses		(5,516,414)	(422,004)
NET LOSS FOR THE PERIOD		(4,380,502)	(411,000)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		(85,059)	(6,365)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(4,465,561)	(417,365)
(LOSS) INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		(4,523,802)	(411,000)
Non-controlling interest		143,300	-
		(4,380,502)	(411,000)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		(4,608,861)	(411,000)
Non-controlling interest		143,300	-
		(4,465,561)	(411,000)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.03)	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		157,122,736	72,985,091

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 \$	AOCI \$	Deficit \$	NCI \$	Total \$
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)
Share-based payments (Notes 12, 13)	-	-	-	198,008	-	-	-	-	198,008
Net and comprehensive loss for the period	-	-	-	-	-	(6,365)	(411,000)	-	(417,365)
Balance, May 31, 2020	72,985,091	9,407,317	2,078,700	2,778,200	95,513	4,477	(15,469,858)	-	(1,105,651)
Issuance of common shares pursuant to private placement (Note 12)	23,326,431	3,599,586	-	-	-	-	-	-	3,599,586
Share issue costs	-	(20,108)	-	-	-	-	-	-	(20,108)
Subscription receivable (Note 12)	-	(300,000)	-	-	-	-	-	-	(300,000)
Issuance of common shares pursuant to debt settlement (Note 12)	17,130,438	1,027,822	-	-	-	-	-	-	1,027,822
Issuance of common shares pursuant to conversion of convertible notes (Note 11)	15,378,842	1,044,190	-	-	(78,601)	-	-	-	965,589
Issuance of common shares pursuant to Vortex agreement (Note 13)	23,940,000	3,591,000	(2,078,700)	(1,050,300)	-	-	-	-	462,000
Issuance of common shares pursuant to exercise of stock options	693,500	195,235	-	(103,040)	-	-	-	-	92,195
Issuance of common shares pursuant to exercise of warrants	334,782	38,500	-	-	-	-	-	-	38,500
Share-based payments (Notes 12, 13)	-	-	-	941,499	-	-	-	-	941,499
Contingent share consideration (Note 13)	-	-	2,025,000	-	-	-	-	-	2,025,000
Net and comprehensive loss for the period	-	-	-	-	-	45,948	(3,188,916)	-	(3,142,968)
Balance, February 28, 2021	153,789,084	18,583,542	2,025,000	2,566,359	16,912	50,425	(18,658,774)	-	4,583,464
Issuance of common shares pursuant to Offering (Note 12)	5,880,000	7,234,000	-	116,000	-	-	-	-	7,350,000
Share issue costs	-	(1,418,562)	-	379,898	-	-	-	-	(1,038,664)
Issuance of common shares pursuant to conversion of convertible notes (Note 11)	442,364	64,479	-	-	(6,760)	-	-	-	57,719
Issuance of common shares pursuant to acquisition of Crypto Pal (Note 5)	1,800,000	2,214,000	-	36,000	-	-	-	3,849,381	6,099,381
Issuance of common shares pursuant to exercise of stock options	366,150	68,149	-	(31,534)	-	-	-	-	36,615
Issuance of common shares pursuant to exercise of warrants	2,712,958	628,877	-	-	-	-	-	-	628,877
Share-based payments (Notes 12, 13)	-	-	-	4,540,629	-	-	-	-	4,540,629
Net and comprehensive loss for the period	-	-	-	-	-	(85,059)	(4,523,802)	143,300	(4,465,561)
Balance, May 31, 2021	164,990,556	27,374,485	2,025,000	7,607,352	10,152	(34,634)	(23,182,576)	3,992,681	17,792,460

HELLO PAL INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended May 31, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars)

	2021 \$	2020 \$
Operating activities:		
Net loss for the period	(4,380,502)	(411,000)
Items not involving cash:		
Depreciation and amortization	213,200	114,749
Bitcoin revaluation loss	(21,431)	2,725
Accretion	2,077	6,352
Accrued interest	7,978	39,032
Share-based payments	4,540,629	50,902
	361,951	(197,240)
Changes in non-cash working capital related to operations:		
Receivables	1,144,186	(45,756)
Prepaid expenses	(285,093)	(16,441)
Cryptocurrency	(305,270)	-
Accounts payable and accrued liabilities	53,758	163,957
Net cash provided by (used in) operating activities	969,532	(95,480)
Investing activities:		
Purchase of property and equipment	(13,295)	(4,167)
Acquisition of Mining Assets	(1,756,499)	-
Acquisition and development costs of software application	(69,053)	(90,030)
Net cash used in investing activities	(1,838,847)	(94,197)
Financing activities:		
Proceeds from issuance of shares	6,311,336	-
Proceeds from exercise of stock options	36,615	-
Proceeds from exercise of warrants	628,877	-
Financing received from related parties	(473,225)	266,223
Proceeds from loan payable	15,000	5,000
Lease payments	(11,265)	-
Net cash provided by financing activities	6,507,338	271,223
Increase in cash during the period	5,638,023	81,546
Effect of exchange rate changes on cash	(81,773)	3,594
Cash and cash equivalents – beginning of the period	1,415,013	83,219
Cash and cash equivalents – end of the period	6,971,263	161,171
Income taxes paid in cash	-	-
Interest paid in cash	-	-

Non-Cash Transactions (Note 15)

HELLO PAL INTERNATIONAL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars)

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 6), 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 OTCQB Venture Marketplace 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 May 31, 2021, the Company had an accumulated deficit of \$23,182,576 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 28, 2021. 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 28, 2021.

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These condensed interim consolidated financial statements were approved by the board of directors for issue on July 29, 2021.

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. The Company also owns 51% of Crypto Pal Technology Ltd. (“Crypto Pal”), acquired on May 25, 2021. 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 owns rights and interests over all intellectual property and assumes 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.

During the year ended February 28, 2021, 100% of the Company’s revenue were generated through CQHP. During the three months ended May 31, 2021, the Company started generating income from cryptocurrency mining through Crypto Pal. HZHP does not have material operations for the year ended February 28, 2021 and the three months ended May 31, 2021.

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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 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.

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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 13) 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.

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

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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. CRYPTOCURRENCY

The Company holds 0.13 Bitcoin with a fair value of \$5,740, 2.21 Ethers (ETH) with a fair value of \$7,081, 329,653 Tethers (USDT) with a fair value of \$398,218, and 66,275 Dogecoins (DOGE) with a fair value of \$27,083 as at May 31, 2021.

The cryptocurrency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices or lack of an active market for the cryptocurrencies would have a significant impact on the Company's other comprehensive income and financial position.

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4. PROPERTY AND EQUIPMENT

Cost	Furniture and equipment (\$)	Building (\$)	Leasehold Improvement (\$)	Total (\$)
Balance, February 29, 2020	36,454	18,271	6,088	60,813
Additions	105,013	85,121	-	190,134
Foreign exchange	(280)	-	-	(280)
Balance, February 28, 2021	141,187	103,392	6,088	250,667
Additions	13,295	-	-	13,295
Foreign exchange	(4,508)	-	-	(4,508)
Balance, May 31, 2021	149,974	103,392	6,088	259,454
Accumulated depreciation				
Balance, February 29, 2020	(14,340)	(16,866)	(3,727)	(34,933)
Additions	(11,096)	(35,801)	(708)	(47,605)
Foreign exchange	(61)	-	-	(61)
Balance, February 28, 2021	(25,497)	(52,667)	(4,435)	(82,599)
Additions	(8,972)	(10,640)	(124)	(19,736)
Foreign exchange	710	-	-	710
Balance, May 31, 2021	(33,759)	(63,307)	(4,559)	(101,625)
Net Book Value at February 28, 2021	115,690	50,725	1,653	168,068
Net Book Value at May 31, 2021	116,215	40,085	1,529	157,829

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5. MINING ASSETS

On May 25, 2021, the Company entered into a definitive purchase agreement (the "Agreement") with a company controlled by Shanghai Yitang Data Technology Co. Ltd. ("Yitang"), under which the Company acquired an initial 51% interest in Crypto Pal, with an option to increase such interest to 100% (the "Transaction"). Crypto Pal owns 12,500 mining rigs dedicated to mining Dogecoin (DOGE), Litecoin (LTC), Bitcoin and Ethereum (ETH) (the "Mining Assets"). The Company has also entered into a guaranteed services agreement (the "Guaranteed Services Agreement") with Yitang to ensure that its Mining Assets are hosted across multiple locations so as to ensure diversification of risk. Pursuant to the Guaranteed Services Agreement, Yitang will guarantee the hosting of the Mining Assets as well as power supply and will provide management and hosting services.

The consideration for the Transaction is \$1,500,000 payable in cash and 1,800,000 units of the Company valued at \$2,250,000. Each unit has a deemed value of \$1.25 and consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share at an exercise price of \$2.00 for a period of two years from the date of issue.

For a period of two years following the completion of the Transaction, the Company will have the option to acquire a further 49% interest in Crypto Pal (for a total interest of 100%) for an additional payment, as to half in cash and half in common shares, where the valuation of the Mining Assets is dependent on their net profit over a 12-month period immediately preceding the date on which this option is exercised, multiplied by a formulated multiplier.

The transaction did not meet the definition of a business combination and therefore, has been accounted for as an asset purchase of Mining Assets with the Company acquiring 51% of Crypto Pal on May 25, 2021. The consideration for the acquisition of Crypto Pal has been allocated at fair value of the assets acquired and liabilities assumed, based on management's best estimate and taking into account all available information at the time of acquisition. The following table summarizes the fair value of the total consideration paid and the aggregate fair value of identified assets acquired and liabilities assumed:

Purchase price	\$
Cash	1,500,000
1,800,000 units of the Company at \$1.25 per share	2,250,000
Transaction costs	256,499
	4,006,499
Net assets acquired	\$
Cryptocurrency	132,852
Non-controlling interest	3,849,381
Mining assets	7,723,028

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6. SOFTWARE APPLICATION

As at February 28, 2021 and May 31, 2021, software application comprises Hello Pal, Travel Pal, Language Pal apps and Live Streaming Service applications as follows:

	Software (\$)
Cost	
Balance, February 29, 2020	6,828,154
Additions – development costs	1,405,157
Foreign exchange	(22,325)
Balance, February 28, 2021	8,210,986
Additions – development costs	86,215
Foreign exchange	(53,016)
Balance, May 31, 2021	8,244,185
Amortization	
Balance, February 29, 2020	5,077,160
Amortization	542,610
Foreign exchange	(24,492)
Balance, February 28, 2021	5,595,278
Amortization	193,464
Foreign exchange	(39,437)
Balance, May 31, 2021	5,749,305
Carrying amount	
As at February 28, 2021	2,615,708
As at May 31, 2021	2,494,880

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7. DUE FROM / TO RELATED PARTIES

During the year ended February 29, 2020, the Company received a total of \$44,291 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. \$7,678 of the loan was repaid in cash and the remaining balance of \$36,613 was settled with the Company's common shares at a price of \$0.06 per share during the year ended February 28, 2021. During the year ended February 28, 2021, the Company received another \$20,605 from the Interim CEO of the Company, which was then settled with the Company's common shares at a price of \$0.06 per share for \$74,861, resulting in a receivable of \$54,256 due from the Interim CEO of the Company. During the year ended February 28, 2021, the Company received \$6,806 from the Interim CEO of the Company to pay down the receivable. During the three months ended May 31, 2021, the Company advanced \$63,827 to the Interim CEO of the Company and the balance outstanding as at May 31, 2021 is \$111,277 due from the Interim CEO of the Company included in the receivables balance (February 28, 2021 – \$47,450).

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 was settled in full with the Company's common shares at a price of \$0.06 per share during the year ended February 28, 2021 and the balance outstanding as at May 31, 2021 is \$nil (February 28, 2021 – \$nil).

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 was settled with the Company's common shares at a price of \$0.06 per share during the year ended February 28, 2021. During the three months ended May 31, 2021, the Company received another non-interest bearing loan of \$15,000 from the same director. The loan is due on demand, unsecured and has no maturity date. The loan balance outstanding as at May 31, 2021 is \$15,000 (February 28, 2021 – \$nil). As at May 31, 2021, a balance of \$60,000 (February 28, 2021 - \$45,000) was owing to this director who is also an officer of the Company representing the consulting fees accrued to him.

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 \$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 years ended February 28, 2021 and February 29, 2020, the Company received additional advances of \$166,708 and \$548,696 respectively from the same shareholder, which are non-interest bearing, unsecured and due on demand. \$343,640 of the loan was settled with shares at a price of \$0.06 per share during the year ended February 28, 2021 and \$476,215 of the loan was repaid in cash during the three months ended May 31, 2021. The balance outstanding of \$80,480 plus accrued interest of \$22,121 as at May 31, 2021 is \$102,601 (February 28, 2021 – \$578,816). 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. The principal

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and interest balance of \$111,756 was settled in full with the Company's common shares at a price of \$0.06 per share during the year ended February 28, 2021 (Note 8).

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 was settled with the Company's common shares at a price of \$0.06 per share during the year ended February 28, 2021 and the remaining balance of \$34,800 was repaid in full during the three months ended May 31, 2021. The balance outstanding as at May 31, 2021 is \$nil (February 28, 2021 – \$34,800).

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 May 31, 2021 is \$89,163 (February 28, 2021 – \$114,401), 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. \$57,630 of the loans was repaid in cash and \$15,648 of the loans were settled with shares at a price of \$0.06 per share during the year ended February 28, 2021. The balance outstanding as at May 31, 2021 is \$686 (February 28, 2021 – \$710).

8. 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.

The principal and interest balance of \$111,756 was settled in full with the Company's common shares at a price of \$0.06 per share during the year ended February 28, 2021 and the balance outstanding as at May 31, 2021 is \$nil (February 28, 2021 – \$nil) (also see Note 7). During the three months ended May 31, 2021, the Company recorded interest expense of \$nil (2020 – \$1,008).

9. LEASE OBLIGATIONS

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*, the Company recognized lease obligations with regard to the leases. The terms and the outstanding balances as at February 28, 2021 and May 31, 2021 are as follows:

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	May 31, 2021	February 28, 2021
	\$	\$
Future aggregate minimum lease payments	52,490	85,121
Lease payments in cash	(11,265)	(36,456)
Non-current accretion	921	3,825
	42,146	52,490
Current portion	(39,619)	(43,626)
Non-current portion	2,527	8,864

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

	May 31, 2021
	\$
2022	34,887
2023	8,969
Total minimum lease payments	43,856
Less: imputed interest	(1,710)
Total present value of minimum lease payments	42,146
Current portion	(39,619)
Non-current portion	2,527

10. LOAN PAYABLE

During the year ended February 29, 2020, the Company received a non-interest bearing loan of \$140,000. The loan was due on demand, unsecured and had no maturity date. The loan of \$140,000 was settled for the Company's common shares at a price of \$0.06 per share during the year ended February 28, 2021 and the balance outstanding as at May 31, 2021 is \$nil (February 28, 2021 – \$nil).

On February 9, 2021 and on May 12, 2021, the Company received additional non-interest bearing loans of \$10,000 and \$15,000 respectively. The loans are due on demand, unsecured and have no maturity date. The balance of the loan outstanding as at May 31, 2021 is \$25,000 (February 28, 2021 – \$10,000).

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11. 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 were settled with the Company's common 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 7). On June 25, 2020, \$270,068 of these convertible notes were settled with the Company's common shares at a price of \$0.06 per share. On February 26, 2021, \$75,000 of these convertible notes were converted into units at a price of \$0.14 per unit. On March 8, 2021, \$61,932 of these convertible notes were converted into units at a price of \$0.14 per unit.

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.

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	Liability Component \$	Equity Component (net of tax) \$
Balance, February 29, 2020	772,166	95,513
Accretion expense	90,984	-
Debt settlement	(720,068)	(78,601)
Balance, February 28, 2021	143,082	16,912
Accretion expense	2,077	-
Conversion	(57,719)	(6,760)
Balance, May 31, 2021	87,440	10,152

During the three months ended May 31, 2021, the Company recorded accretion expense of \$2,077 (2020 – \$6,352) and accrued interest of \$3,847 (2020 – \$33,082). 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 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, consisting of 3,326,433 shares issued for cash of \$199,586 and 31,973,566 shares issued for debt of \$1,918,410.

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.

On November 16, 2020, the Company issued 23,940,000 common shares pursuant to the Vortex agreement as a result of meeting the milestone targets (Note 13). The fair value of the common shares issued is determined to be \$3,591,000 based on a price of \$0.15 per share.

On December 1, 2020, the Company has completed a non-brokered private placement of 8,333,332 units at a price of \$0.12 per unit for gross proceeds of \$1,000,000 (\$300,000 of which remains outstanding as at May 31, 2021 and February 28, 2021 and is presented as a reduction of share capital as at May 31, 2021 and February 28, 2021). Each unit is comprised of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.25 per share for a period of 2 years from the date of issue. The Company allocated all of the proceeds to shares and \$nil to warrants.

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On February 23, 2021, the Company has completed a non-brokered private placement of 5,000,000 units at a price of \$0.40 per unit for gross proceeds of \$2,000,000 (\$1,200,000 of which was received on March 1, 2021 and was included in the receivable balance as at February 28, 2021). Each unit is comprised of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.60 per share for a period of 2 years from the date of issue. The Company allocated all of the proceeds to shares and \$nil to warrants.

On February 26, 2021, the Company issued 535,714 shares in connection with conversion of \$75,000 of convertible notes at a price of \$0.14 per unit (Note 11).

During the year ended February 28, 2021, the Company issued 693,500 common shares pursuant to exercise of stock options for total gross proceeds of \$92,195. A value of \$103,040 was transferred from contributed surplus to share capital as a result.

During the year ended February 28, 2021, the Company issued 334,782 common shares pursuant to exercise of warrants for total gross proceeds of \$38,500.

On March 8, 2021, the Company issued 442,364 units in connection with conversion of \$61,932 of convertible notes at a price of \$0.14 per unit (Note 11). Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share at an exercise price of \$0.14 for a period of five years from the date of issue.

On May 12, 2021, the Company closed a brokered private placement (the "Offering") of subscription receipts (the "Subscription Receipts") with Canaccord Genuity Corp. (the "Agent"). Pursuant to the Offering, the Company sold 5,800,000 Subscription Receipts, at a price of \$1.25 per Subscription Receipt (the "Offering Price"), for aggregate gross proceeds of \$7,250,000.

The Subscription Receipts were issued pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement") among the Company, the Agent and Computershare Trust Company of Canada. Pursuant to the Subscription Receipt Agreement, the gross proceeds from the Offering (less 50% of the Agent's cash commission and all of the Agent's estimated expenses) (the "Escrowed Funds") were placed in escrow pending satisfaction of certain escrow release conditions (the "Escrow Release Conditions"), which include all conditions precedent to the completion of the Transaction with Yitang. On May 25, 2021, upon satisfaction of the Escrow Release Conditions, the Escrowed Funds, together with the interest earned thereon, have been released to the Company and each Subscription Receipt was exercised into one unit of the Company. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will be exercisable to acquire one common share of the Company at a price of \$2.00 for a period of two years after the satisfaction of the Escrow Release Conditions. The Company allocated \$7,134,000 of the proceeds to shares and \$116,000 to warrants.

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As consideration for the services provided by the Agent in connection with the Offering, the Agent received (i) a cash commission of \$396,603, (ii) a fiscal advisory fee of \$110,897, and (iii) a cash fee equal to \$200,000, which was paid one-half in cash and one-half in common shares at the Offering Price (80,000 common shares). As additional consideration, the Agent has been issued 406,000 warrants (the "Broker Warrants"). Each Broker Warrant will be exercisable to acquire one common share at a price of \$1.25 for a period of two years after the satisfaction of the Escrow Release Conditions.

The fair value of the Broker Warrants was determined to be \$379,898 and estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions: dividend yield of \$nil, risk free interest rate of 0.30%, expected life of 2 years and expected volatility of 167%. The Company also incurred share issue costs of \$431,164 consisted of legal fees and filing fees.

On May 25, 2021, the Company issued 1,800,000 units of the Company pursuant to the acquisition of Crypto Pal (Note 5). The fair value of the 1,800,000 units was determined to be \$2,250,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share at an exercise price of \$2.00 for a period of two years from the date of issue. The Company allocated \$2,214,000 of the proceeds to shares and \$36,000 to warrants.

During the three months ended May 31, 2021, the Company issued 366,150 common shares pursuant to exercise of stock options for total gross proceeds of \$36,615. A value of \$31,534 was transferred from contributed surplus to share capital as a result.

During the three months ended May 31, 2021, the Company issued 2,712,958 common shares pursuant to exercise of warrants for total gross proceeds of \$628,877.

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.

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	Number of Options #	Weighted Average Exercise Price \$
Balance, February 29, 2020	7,240,000	0.16
Expired and cancelled	(6,720,500)	0.16
Granted	10,966,000	0.10
Exercised	(693,500)	0.13
Balance and exercisable, February 28, 2021	10,792,000	0.10
Expired	(138,000)	0.20
Granted	3,000,000	1.98
Exercised	(366,150)	0.10
Balance and exercisable, May 31, 2021	13,287,850	0.53

As at May 31, 2021, the Company had the following options outstanding:

Expiry Date	Exercise Price \$	Remaining Life (Years)	Options Outstanding #
June 6, 2023	0.22	2.02	34,500
October 16, 2025	0.10	4.38	6,591,500
November 9, 2025	0.10	4.45	3,661,850
March 11, 2026	1.98	4.78	3,000,000
		4.48	13,287,850

On October 16, 2020, the Company granted 7,304,150 stock options to certain directors, officers, employees and consultants. The stock options have an exercise price of \$0.10 per share and a life of 5 years and vested immediately.

On November 9, 2020, the Company granted 3,661,850 stock options to its key officers, employees and consultants of its Asian subsidiary. The stock options have an exercise price of \$0.10 per share and a life of 5 years and vested immediately.

On March 11, 2021, the Company granted 3,000,000 stock options to its key officers, employees and consultants. The stock options have an exercise price of \$1.98 per share and a life of 5 years and vested immediately.

The fair value of the options granted was estimated on the dates of grant using the Black-Scholes option valuation model with the following weighted average assumptions:

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	May 31, 2021	February 28, 2021
Dividend yield	Nil	Nil
Expected annualized volatility (%)	137	132
Risk-free interest rate (%)	0.6	0.35
Expected life of options (years)	5	5
Grant date fair value (\$)	1.51	0.08
Forfeiture rate (%)	Nil	Nil

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Expected price volatility was calculated based on the Company's historical share prices. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

During the three months ended May 31, 2021, the Company recorded share-based payments expense of \$4,540,629 (2020 - \$nil).

d) Warrants

	Number of Warrants #	Weighted average exercise price \$	Weighted Average Life (Years)
Outstanding, February 29, 2020	434,782	0.12	2.63
Issued	7,202,380	0.36	-
Exercised	(334,782)	0.115	-
Outstanding, February 28, 2021	7,302,380	0.36	2.08
Issued	4,648,363	1.82	-
Exercised	(2,712,958)	0.23	-
Outstanding, May 31, 2021	9,237,785	1.13	2.01

As at May 31, 2021, the Company had the following warrants outstanding:

Number of warrants	Exercise price	Expiry date
1,879,733	\$0.250	December 1, 2022
2,500,000	\$0.600	February 23, 2023
4,205,999	\$2.000	May 25, 2023
652,053	\$0.140	February 26, 2026
9,237,785		

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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 has provided a seasoned management team to join the Company to develop and operate the Live Streaming Service. As at May 31, 2021, Vortex has also funded part of the development of Live Streaming Service by paying the Company \$826,030 (RMB 4,300,000) (February 28, 2021 - \$826,030 (RMB 4,300,000)).

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 \$200,000) by May 31, 2019 – This milestone has been achieved and the Company issued 16,182,000 shares pursuant to this milestone on November 16, 2020.
2. 9,000,000 shares upon the Company achieving monthly revenue of RMB 5,000,000 (approximately \$1,000,000) and accumulated revenue of RMB 23,000,000 (approximately \$5,000,000) by December 31, 2019 – This milestone has been achieved and the Company issued 7,758,000 shares pursuant to this milestone on November 16, 2020.
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 \$200,000) by December 31, 2020 – This milestone has been achieved and the fair value of 13,500,000 shares estimated to be \$2,025,000 pursuant to this milestone is recorded as shares to be issued as at February 28, 2021.
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 shares contingently issuable to Vortex management team upon achievement of the above milestones have been treated as share-based compensation for the services. During the year ended February 29, 2021, the Company reassessed the likelihood of meeting milestones #3 and #4 to be 100% and 30% 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 year ended February 28, 2021,

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the Company has recognized \$1,206,945 as additions to the software application (Note 6) and \$1,485,000 as share-based compensation in profit and loss, with the corresponding entry to extinguish contingent shares consideration of \$57,630, increasing share capital of \$462,000, shares to be issued of \$2,025,000, and contributed surplus of \$262,575.

14. 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 months ended May 31, 2021 and 2020 as follows:

	2021	2020
	\$	\$
Management fees	41,909	47,774
Salaries and benefits	31,280	-
Share-based payment	1,362,189	-
	<u>1,435,378</u>	<u>47,774</u>

Accounts payable and accrued liabilities at May 31, 2021 includes \$1,474 due to a director who is also the CFO of the Company (February 28, 2021 – \$1,474 due to a director who is also the CFO of the Company).

Key management of the Company includes the President, Interim CEO, the current CFO and the Directors. During the three months ended May 31, 2021, compensation paid to key management consisted of management fees of \$26,909 (2020 – \$17,774) paid to the Interim CEO, management fees of \$15,000 (2020 – \$30,000) paid to a director and CFO, salaries and benefits of \$31,280 (2020 – \$nil) paid to two directors of the Company, and the share based compensation of \$1,362,189 (2020 - \$nil) to the key management.

Other amounts due from/to related parties are disclosed in Notes 7, 8 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 three months ended May 31, 2021, the following transactions were excluded from the consolidated statement of cash flows:

- Issuance of common shares for acquisition of Crypto Pal, valued at \$2,250,000;
- Conversion of convertible notes to units of the Company, valued at \$57,719; and
- \$28,833 of application development costs included in accounts payable and accrued liabilities.

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During the three months ended May 31, 2020, the following transactions were excluded from the consolidated statement of cash flows:

- \$147,006 of application development costs included in contributed surplus at May 31, 2020 (Note 13).

16. 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:

	May 31, 2021	February 28, 2021
	\$	\$
Canada	7,835,987	5,182,392
Asia	11,271,474	1,497,829
Total assets	19,107,461	6,680,221

Geographic segmentation of the Company's revenue during the three months ended May 31, 2021 and 2020 is as follows:

	2021	2020
	\$	\$
Canada	-	-
Asia	6,972,100	1,231,533
Revenue	6,972,100	1,231,533

Geographic segmentation of the Company's net income (loss) during the three months ended May 31, 2021 and 2020 is as follows:

	2021	2020
	\$	\$
Canada	(4,924,343)	(248,021)
Asia	543,841	(162,979)
Net loss	(4,380,502)	(411,000)