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# **HELLO PAL INTERNATIONAL INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2022 AND 2021  
(Unaudited – Expressed in Canadian Dollars)

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### **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, 2022 \$	February 28, 2022 \$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		970,415	2,194,137
Cryptocurrency	3	1,690,962	402,090
Receivables	4	897,033	705,245
Prepaid expenses		133,301	514,402
Due from related parties	10	305,278	274,644
		3,996,989	4,090,518
Property and equipment	5	63,636	114,007
Investment in associate	8	283,378	273,101
Mining assets	6	10,131,911	11,063,814
Software application	7	1,861,207	2,155,667
<b>Total assets</b>		<b>16,337,121</b>	<b>17,697,107</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	9, 15	4,596,955	4,925,195
Due to related parties	10	176,473	221,508
Lease obligations – short-term	11	13,527	8,864
		4,786,955	5,155,567
Deferred tax liability		310,175	310,175
Lease obligations	11	8,384	-
Convertible notes – liability component	12	90,875	89,485
		5,196,389	5,555,227
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	28,174,252	28,174,252
Shares to be issued	14	2,025,000	2,025,000
Contributed surplus	13	4,980,752	4,980,752
Convertible notes – equity component	12	10,152	10,152
Accumulated other comprehensive loss		(52,614)	(32,516)
Deficit		(28,851,170)	(27,581,599)
<b>Total equity attributable to shareholders of the Company</b>		<b>6,286,372</b>	<b>7,576,041</b>
Attributable to non-controlling interest		4,854,360	4,565,839
		11,140,732	12,141,880
<b>Total liabilities and shareholders' equity</b>		<b>16,337,121</b>	<b>17,697,107</b>

Nature of operations and going concern (Note 1)  
Subsequent events (Notes 12 and 13)

**Approved and authorized on behalf of the Board of Directors on August 9, 2023**

“Gunther Roehlig” 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, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars)

	Note	For the three months ended August 31,		For the six months ended August 31,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>LIVE STREAMING REVENUE</b>		5,447,473	6,234,175	13,081,389	13,206,275
<b>COST OF REVENUE, EXCLUDING DEPRECIATION AND AMORTIZATION</b>	<b>18</b>	4,992,582	5,988,891	11,847,184	12,167,176
		454,891	245,284	1,234,205	1,039,099
<b>CRYPTOCURRENCY MINING REVENUE</b>	<b>15</b>	861,402	1,694,469	1,368,337	2,166,714
<b>COST OF REVENUE, EXCLUDING DEPRECIATION AND AMORTIZATION</b>	<b>18</b>	260,902	587,211	385,393	717,359
		600,500	1,107,258	982,944	1,449,355
<b>ADMINISTRATIVE EXPENSES</b>					
Accounting and audit		37,626	21,294	51,149	44,129
Accretion	<b>12</b>	698	676	1,390	2,753
Bitcoin liability revaluation unrealized (gain) loss	<b>10</b>	(27,886)	21,431	(52,467)	-
Depreciation and amortization	<b>5, 6, 7</b>	884,328	646,280	1,656,073	859,480
Foreign exchange (gain) loss		(68,579)	41,299	(52,038)	5,854
Interest expense	<b>10, 12</b>	4,097	6,031	7,855	12,552
Management and consulting fees	<b>15</b>	26,389	30,156	54,113	90,487
Marketing		260,769	738,605	599,100	1,004,945
Legal		19,969	26,658	36,537	51,016
Office and miscellaneous		78,608	139,639	170,114	258,416
Transfer agent and filing fees		13,807	24,603	24,208	45,475
Salaries and benefits		184,785	268,506	409,645	493,515
Share-based payments	<b>13, 15</b>	-	1,595,751	-	1,595,751
Shareholder communications		105,821	34,064	188,550	103,552
Software application costs		1,658	1,042	3,182	3,895
Total Expenses		(1,522,090)	(3,596,035)	(3,097,411)	(4,571,820)
<b>LOSS BEFORE OTHER INCOME (EXPENSE)</b>		(466,699)	(2,243,493)	(880,262)	(2,083,366)
<b>OTHER INCOME (EXPENSE)</b>					
Gain (loss) on disposal of mining assets		84	-	(6,694)	-
Share of gain in equity accounted investee	<b>8</b>	7,313	-	10,277	-
<b>LOSS FOR THE PERIOD</b>		(459,302)	(2,243,493)	(876,679)	(2,083,366)
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>					
Digital currency revaluation		(194,962)	(472,812)	(317,374)	(472,812)
Exchange differences on translation of foreign operations		76,850	85,252	192,905	193
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		(577,414)	(2,631,053)	(1,001,148)	(2,555,985)
<b>(LOSS) INCOME ATTRIBUTABLE TO:</b>					
Shareholders of the Company		(668,168)	(2,848,482)	(1,269,571)	(2,831,655)
Non-controlling interest		208,866	604,989	392,892	748,289
		(459,302)	(2,243,493)	(876,679)	(2,083,366)
<b>COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:</b>					
Shareholders of the Company		(722,165)	(3,006,910)	(1,289,669)	(3,075,142)
Non-controlling interest		144,751	375,857	288,521	519,157
		(577,414)	(2,631,053)	(1,001,148)	(2,555,985)
<b>NET LOSS PER SHARE – BASIC AND DILUTED</b>		(0.00)	(0.01)	(0.01)	(0.01)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		166,653,623	165,099,044	166,653,623	161,110,890

**HELLO PAL INTERNATIONAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(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 \$
<b>Balance, February 28, 2021</b>	<b>153,789,084</b>	<b>18,583,542</b>	<b>2,025,000</b>	<b>2,566,359</b>	<b>16,912</b>	<b>47,900</b>	<b>(19,969,063)</b>	<b>-</b>	<b>3,270,650</b>
Issuance of common shares pursuant to Offering (Note 13)	5,800,000	7,134,000	-	116,000	-	-	-	-	7,250,000
Shares issued to Agent	80,000	100,000	-	-	-	-	-	-	100,000
Share issue costs	-	(1,418,562)	-	379,898	-	-	-	-	(1,038,664)
Issuance of common shares pursuant to conversion of convertible notes (Note 12)	442,364	64,479	-	-	(6,760)	-	-	-	57,719
Issuance of common shares pursuant to acquisition of Crypto Pal (Note 6)	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	2,926,025	682,144	-	-	-	-	-	-	682,144
Share-based payments (Notes 13, 14)	-	-	-	1,595,751	-	-	-	-	1,595,751
Net loss	-	-	-	-	-	-	(2,831,655)	519,157	(2,312,498)
Other comprehensive loss	-	-	-	-	-	(243,487)	-	-	(243,487)
<b>Balance, August 31, 2021</b>	<b>165,203,623</b>	<b>27,427,752</b>	<b>2,025,000</b>	<b>4,662,474</b>	<b>10,152</b>	<b>(195,587)</b>	<b>(22,800,718)</b>	<b>4,368,538</b>	<b>15,497,611</b>
Subscription receivable	-	300,000	-	(300,000)	-	-	-	-	-
Issuance of common shares pursuant to acquisition of Crypto Pal (Note 6)	-	-	-	-	-	-	-	(246,440)	(246,440)
Issuance of shares for services	200,000	134,000	-	-	-	-	-	-	134,000
Issuance of common shares for exercise of warrants	1,250,000	312,500	-	-	-	-	-	-	312,500
Share-based payments (Notes 13)	-	-	-	618,278	-	-	-	-	618,278
Net loss	-	-	-	-	-	-	(4,780,881)	454,070	(4,326,811)
Other comprehensive loss	-	-	-	-	-	163,071	-	(10,329)	152,742
<b>Balance, February 28, 2022</b>	<b>166,653,623</b>	<b>28,174,252</b>	<b>2,025,000</b>	<b>4,980,752</b>	<b>10,152</b>	<b>(32,516)</b>	<b>(27,581,599)</b>	<b>4,565,839</b>	<b>12,141,880</b>
Net loss	-	-	-	-	-	-	(1,269,571)	392,892	(876,679)
Other comprehensive loss	-	-	-	-	-	(20,098)	-	(104,371)	(124,469)
<b>Balance, August 31, 2022</b>	<b>166,653,623</b>	<b>28,174,252</b>	<b>2,025,000</b>	<b>4,980,752</b>	<b>10,152</b>	<b>(52,614)</b>	<b>(28,851,170)</b>	<b>4,854,360</b>	<b>11,140,732</b>

**HELLO PAL INTERNATIONAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the six months ended August 31, 2022 and 2021  
(Unaudited – Expressed in Canadian Dollars)

	2022	2021
	\$	\$
Operating activities:		
Net loss for the period	(876,679)	(2,083,366)
Items not involving cash:		
Depreciation and amortization	1,656,073	859,480
Bitcoin revaluation (gain) loss	(52,467)	5,196
Accretion	1,390	2,753
Accrued interest	6,051	8,505
Digital assets mined	(1,368,337)	-
Services paid by digital assets	369,343	-
Share of loss in equity accounted investee	(10,277)	-
Loss on disposal of mining assets	6,694	-
Share-based payments	-	1,595,751
	(268,209)	388,319
Changes in non-cash working capital related to operations:		
Receivables	(191,788)	1,293,390
Prepaid expenses	381,101	(1,227,789)
Cryptocurrency	-	(1,207,732)
Accounts payable and accrued liabilities	(317,638)	(13,803)
Net cash used in operating activities	(396,534)	(767,615)
Investing activities:		
Purchase of property and equipment	(12,066)	(19,836)
Acquisition of Mining Assets	(544,070)	(1,756,499)
Acquisition and development costs of software application	(296,240)	(180,436)
Advance for investment in related party	-	(432,120)
Net cash used in investing activities	(852,376)	(2,388,891)
Financing activities:		
Repayments to related parties	(24,967)	(404,812)
Lease payments	(15,110)	(23,351)
Proceeds from issuance of shares	-	6,311,336
Proceeds from exercise of stock options	-	36,615
Proceeds from exercise of warrants	-	682,144
Proceeds from loan payable	-	(10,000)
Net cash (used in) provided by financing activities	(40,077)	6,591,932
(Decrease) increase in cash during the period	(1,288,987)	3,435,426
Effect of exchange rate changes on cash	65,265	(758,886)
Cash and cash equivalents – beginning of the period	2,194,137	1,415,013
Cash and cash equivalents – end of the period	970,415	4,091,553
Income taxes paid in cash	-	-
Interest paid in cash	-	-

Non-Cash Transactions (Note 16)

**HELLO PAL INTERNATIONAL INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended August 31, 2022 and 2021  
(Unaudited – Expressed in Canadian Dollars)

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**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 is a provider of rapidly growing international live-streaming, language learning and social-crypto platform (the “HPI Platform”) (Note 7). 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 August 31, 2022, the Company had an accumulated deficit of \$28,851,170 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 Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the pandemic and the war in the Ukraine to the business to be limited, the indirect impacts on the economy could negatively affect the business and may make it more difficult to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future. 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, 2022. 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

**HELLO PAL INTERNATIONAL INC.**  
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Interpretations Committee ("IFRIC") and therefore should be read together with the audited annual financial statements for the year ended February 28, 2022.

These condensed interim consolidated financial statements were approved by the board of directors for issue on August 9, 2023.

**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, 2022 and the six months ended August 31, 2022, the Company is generating income from cryptocurrency mining through Crypto Pal. HZHP does not have material operations for the year ended February 28, 2022 and the six months ended August 31, 2022.



**HELLO PAL INTERNATIONAL INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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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.

*Functional currency*

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

*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.

**HELLO PAL INTERNATIONAL INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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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.

*Revenues from digital asset mining*

The Company has entered into contracts with mining pools and has undertaken the performance obligation of providing computing power to the mining pool in exchange for non-cash consideration in the form of digital asset. Revenue is recognized upon receipt of cryptocurrencies in exchange for its mining activities at the fair market value of the cryptocurrencies received. The fair value is determined using the closing cryptocurrency prices per Coinmarketcap.

Management considers the prices quoted on Coinmarketcap to be a level 2 input under IFRS 13 Fair Value Measurement. Any difference between the fair value of digital assets recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of digital assets.

(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 14) 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

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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 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's holdings of digital currencies consist of the following:

	<b>August 31, 2022</b>	<b>February 28, 2022</b>
Bitcoin	5,369	14,992
Ethereum	11,220	20,379
Dogecoin	632,415	158,831
Litecoin	247,259	-
Tether	779,081	145,492
USD Coin	15,618	62,396
	<b>1,690,962</b>	<b>402,090</b>

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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.

The continuity of digital currencies was as follows:

	Number of Bitcoin	Amount	Number of Ethereum	Amount	Number of Dogecoin	Amount	Number of LTC	Amount	Number of ZEC	Amount	Number of USDT	Amount	Number of USDC	Amount	Total Amount
Balance, February 28, 2020	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -
Cryptocurrency mined	0.21	11,800	3.72	6,678	-	-	-	-	-	-	-	-	-	-	18,478
Balance, February 28, 2021	0.21	11,800	3.72	6,678	-	-	-	-	-	-	-	-	-	-	18,478
Cryptocurrency mined	0.92	55,090	101.78	471,135	939,378	110,674	11,346.28	2,220,243	702.75	126,551	-	-	-	-	2,983,693
Cryptocurrency converted to USDT/USDC	(0.47)	(29,018)	(96.90)	(415,396)	-	-	(11,346.28)	(2,341,037)	(702.75)	(124,198)	2,275,433	2,851,744	10.82	57,905	0.42
Received from sale of property, plant and equipment											6,369,258	7,991,202			7,991,202
Acquisition of property, plant and equipment											(7,713,680)	(9,691,398)			(9,691,398)
(Gain)Loss on sale of digital currencies		(4,129)		(32,280)				120,794		(2,354)		(29,830)		(18,918)	33,284
Acquisition of USDC using cash													414,385	453,674	453,674
Exchanged for services	(0.39)	(23,296)	(3.11)	(15,937)							(816,472)	(1,020,338)			(1,059,572)
Exchanged to live streaming Commission													(365,145)	(449,184)	(449,184)
Revaluation adjustment		457		622		4,846						4,439		1,904	12,269
FX impact		4,088		5,557		43,310						39,673		17,014	109,643
<b>Balance, February 28, 2022</b>	<b>0.27</b>	<b>\$ 14,992</b>	<b>5.49</b>	<b>\$ 20,379</b>	<b>939,378</b>	<b>\$ 158,831</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>114,539</b>	<b>\$ 145,492</b>	<b>49,251</b>	<b>\$ 62,396</b>	<b>\$ 402,090</b>
Cryptocurrency mined	0.02	844			6,925,524	621,405	3,501.69	260,140			381,194	485,948			1,368,337
Received from sale of property, plant and equipment											47,627	59,405			59,405
Refund of deposit from acquisition of property, plant and equipment											555,494	709,811			709,811
Acquisition of property, plant and equipment											(257,950)	(327,359)			(327,359)
Acquisition of USDC using cash													203,266	261,120	261,120
Acquisition of ETH using cash			0.04	163											163
Exchanged for services	(0.09)	(4,211)	(0.03)	(88)							(246,683)	(319,558)	(64.00)	(21)	(323,878)
Exchanged to live streaming Commission													(240,549)	(306,749)	(306,749)
Revaluation adjustment		(6,479)		(8,378)		(182,149)		(12,708)				(107,693)		32	(317,375)
FX impact		223		(856)		34,328		(173)				133,035		(1,160)	165,397
<b>Balance, August 31, 2022</b>	<b>0.20</b>	<b>\$ 5,369</b>	<b>5.50</b>	<b>\$ 11,220</b>	<b>7,864,902</b>	<b>\$ 632,415</b>	<b>3,502</b>	<b>\$ 247,259</b>	<b>-</b>	<b>\$ -</b>	<b>594,219</b>	<b>\$ 779,081</b>	<b>11,904</b>	<b>\$ 15,618</b>	<b>\$ 1,690,962</b>

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**4. RECEIVABLES**

	August 31, 2022 \$	February 28, 2022 \$
GST receivable	19,003	1,045
Revenue receivable	878,030	702,464
Other receivables	-	1,736
	<b>897,033</b>	<b>705,245</b>

All of the Company's accounts receivable are current (30 days or less) and have been collected subsequent to period end. The Company reviews all amounts periodically for indication of impairment.

**5. PROPERTY AND EQUIPMENT**

Cost	Furniture and equipment (\$)	Building (\$)	Leasehold Improvement (\$)	Total (\$)
Balance, February 28, 2021	141,187	103,392	6,088	250,667
Additions	25,739	481	-	26,220
Foreign exchange	4,535	-	-	4,535
Balance, February 28, 2022	171,461	103,873	6,088	281,422
Additions	12,066	27,449	-	39,515
Disposals	(98,650)	-	-	(98,650)
Foreign exchange	(4,890)	-	-	(4,890)
<b>Balance, August 31, 2022</b>	<b>79,987</b>	<b>131,322</b>	<b>6,088</b>	<b>217,397</b>

Accumulated depreciation	Furniture and equipment (\$)	Building (\$)	Leasehold Improvement (\$)	Total (\$)
Balance, February 28, 2021	(25,497)	(52,667)	(4,435)	(82,599)
Additions	(47,483)	(35,133)	(496)	(83,112)
Foreign exchange	(1,704)	-	-	(1,704)
Balance, February 28, 2022	(74,684)	(87,800)	(4,931)	(167,415)
Additions	(6,412)	(13,883)	(173)	(20,468)
Disposals	31,786	-	-	31,786
Foreign exchange	2,336	-	-	2,336
<b>Balance, August 31, 2022</b>	<b>(46,974)</b>	<b>(101,683)</b>	<b>(5,104)</b>	<b>(153,761)</b>

Net Book Value at February 28, 2022	96,777	16,073	1,157	114,007
<b>Net Book Value at August 31, 2022</b>	<b>33,013</b>	<b>29,639</b>	<b>984</b>	<b>63,636</b>

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**6. 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"). Yitang is a related party of the Company by virtue of a common shareholder. At the time of acquisition, Crypto Pal owned a total of 12,550 mining rigs (12,500 Bitmain Antminer L3+ and 50 Bitmain Antminer Z15) 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 entitles 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 has allocated \$2,214,000 to the shares and \$36,000 to the warrants.

For a period of two years following the completion of the Transaction, the Company will have the option to acquire the remaining 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:

<b>Purchase price</b>	<b>\$</b>
Cash	1,500,000
1,800,000 units of the Company at \$1.25 per unit	2,250,000
Transaction costs	256,499
Fair value of non-controlling interest	3,602,941
	<b>7,609,440</b>
<b>Net assets acquired</b>	<b>\$</b>
Cryptocurrency	177,096
Mining assets	7,432,344
	<b>7,609,440</b>

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As at February 28, 2022, Crypto Pal has sold all of the L3+ mining rigs acquired from the Transaction, proceeds of which were used to purchase new mining rigs and resulting in a gain on disposal of \$750,460.

The following is a summary of the changes in the Mining Assets during the year ended February 28, 2022 and the six months ended August 31, 2022:

	\$
Balance, February 28, 2021	-
Mining Assets acquired	7,432,344
Mining Assets disposed	(7,240,742)
New mining assets acquired	11,592,946
Depreciation	(723,966)
Foreign exchange	3,232
Balance, February 28, 2022	11,063,814
Mining Assets acquired	161,620
Depreciation	(1,093,523)
<b>Balance, August 31, 2022</b>	<b>10,131,911</b>

**7. SOFTWARE APPLICATION**

As at August 31, 2022 and February 28, 2022, software application comprises Hello Pal, Travel Pal, Language Pal apps and Live Streaming Service applications as follows:

	Software (\$)
<b>Cost</b>	
<b>Balance, February 28, 2021</b>	<b>8,210,986</b>
Additions – development costs	393,796
Foreign exchange	56,632
<b>Balance, February 28, 2022</b>	<b>8,661,414</b>
Additions – development costs	282,122
Foreign exchange	(49,843)
<b>Balance, August 31, 2022</b>	<b>8,893,693</b>
<b>Amortization</b>	
<b>Balance, February 28, 2021</b>	<b>5,595,278</b>
Amortization	899,785
Foreign exchange	10,684
<b>Balance, February 28, 2022</b>	<b>6,505,747</b>
Amortization	542,082
Foreign exchange	(15,343)
<b>Balance, August 31, 2022</b>	<b>(7,032,486)</b>
<b>Carrying amount</b>	
As at February 28, 2022	2,155,667
<b>As at August 31, 2022</b>	<b>1,861,207</b>

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**8. INVESTMENT IN ASSOCIATE**

On September 15, 2021, the Company signed a Cooperation Agreement with Little Pal Asia Limited ("LPA") where the Company is licensed, on a non-exclusive worldwide basis, to freely use LPA's "innovative Infinity Language" language learning system throughout the Company's product and service offerings, and in particular, in its Language Pal app. LPA is a related party of the Company, as it is owned and controlled by the CEO of the Company.

Pursuant to the agreement, the Company has also acquired a 15% equity interest in LPA for \$300,000. Judgment is required as to the extent of influence that the Company has over LPA. The Company considered the extent of voting power over the entity, the power to participate in financial and operating policy decisions of the entity, representation on the board of directors, material transactions between the entities, interchange of management personnel, and provision of essential technical information. The Company has determined that the Company is considered to have significant influence over LPA, as the Company has the power to participate in financial and operating policy decisions, and the majority of the common shares in LPA are held by the CEO of the Company.

The Company's investment in associate as at August 31, 2022 and the changes for the period then ended are as follows:

	\$
Initial recognition	300,000
Share of loss in equity accounted investee	(26,899)
Balance, February 28, 2022	273,101
Share of gain in equity accounted investee	10,277
<b>Balance, August 31, 2022</b>	<b>283,378</b>

The following is a summary of Little Pal Asia's financial information on a 100% basis as at August 31, 2022 and February 28, 2022.

	August 31, 2022	February 28, 2022
	\$	\$
Cash and cash equivalents	97,529	122,430
Total current assets	-	13,822
Total non-current assets	11,869	96,547
Total current liabilities	(7,310)	(6,149)
Total non-current liabilities	(376,661)	(482,067)
<b>Net assets</b>	<b>(274,573)</b>	<b>(255,417)</b>



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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The components of accounts payable and accrued liabilities are as follows:

	<b>August 31, 2022 \$</b>	<b>February 28, 2022 \$</b>
Accounts payable	329,444	178,461
Accrued liabilities	171,018	454,865
Income tax payable	3,095,211	3,233,302
Payroll taxes payable	221,677	234,307
VAT payable	779,605	824,260
	<b>4,596,955</b>	<b>4,925,195</b>

**10. DUE FROM / TO RELATED PARTIES**

As at August 31, 2022, the balance due from the Interim CEO of the Company is \$64,091 (February 28, 2022 – \$53,510). The details of the amount due from the Interim CEO are as follows:

	<b>\$</b>
<b>Balance - February 28, 2021</b>	<b>47,450</b>
Loan from the Company	6,060
<b>Balance - February 28, 2022</b>	<b>53,510</b>
Loan from the Company	10,581
<b>Balance – August 31, 2022</b>	<b>64,091</b>

During the year ended February 28, 2022, the Company advanced \$221,134 to LPA. During the six months ended August 31, 2022, the Company advanced \$23,575 to LPA. As at August 31, 2022, the balance due from LPA is \$241,187 (February 28, 2022 - \$221,134).

During the year ended February 28, 2019, the Company received advances totalling \$228,572 from a shareholder of the Company. On June 1, 2019, the Company entered into a loan agreement with respect to these advances. The loan matured on June 1, 2020, was past due and had 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 \$468,036 of the loan was repaid in cash during the year ended February 28, 2022. During the six months ended August 31, 2022, an additional \$12,549 was loaned to the Company. The balance outstanding of \$94,607 plus accrued interest of \$28,722 as at August 31, 2022 is \$123,329 (February 28, 2022 – \$110,780).

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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 year ended February 28, 2022.

During the year ended February 28, 2019, the Company 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, 2022 is \$52,455 (February 28, 2022 – \$110,000), 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 August 31, 2022 is \$689 (February 28, 2022 – \$728).

**11. LEASE OBLIGATIONS**

The Company entered into an office lease in Hong Kong in April 2022 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 August 31, 2022 and February 28, 2022 are as follows:

	<b>August 31, 2022</b>	<b>February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
Future aggregate minimum lease payments	36,313	52,490
Lease payments in cash	(15,110)	(46,152)
Non-current accretion	708	2,526
	21,911	8,864
Current portion	(13,527)	(8,864)
Non-current portion	8,384	-

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

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	August 31, 2022
	\$
2023	11,060
2024	14,747
2025	1,229
Total minimum lease payments	27,036
Less: imputed interest	(5,125)
Total present value of minimum lease payments	21,911
Current portion	(13,527)
Non-current portion	8,384

**12. CONVERTIBLE NOTES**

On June 6, 2018, the Company closed a 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 common share of the Company at a price of \$0.14 per share for a period of five years from the date of issue. 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 the principal of these convertible notes were converted into units at a price of \$0.14 per unit, resulting in \$57,719 being de-recognized from convertible notes – liability component and \$6,760 de-recognized from convertible notes – equity component. Subsequent to August 31, 2022, the remaining convertible notes with a principal balance of \$93,000 became due and the Company is currently in default of payment.

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 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 28, 2021	143,082	16,912
Accretion expense	4,122	-
Conversion	(57,719)	(6,760)
Balance, February 28, 2022	89,485	10,152
Accretion expense	1,390	-
Balance, August 31, 2022	90,875	10,152

During the three and six months ended August 31, 2022, the Company recorded accretion expense of \$698 and \$1,390 (2021 – \$676 and \$2,753) and accrued interest of \$3,516 and \$7,032 (2021 – \$3,516 and \$7,363). The accrued interest is recorded in the accounts payable and accrued liabilities.

**13. SHARE CAPITAL**

a) **Authorized** – Unlimited common shares without par value.

b) **Share issuances:**

On March 8, 2021, the Company issued 442,364 units in connection with conversion of \$61,932 of the principal of convertible notes at a price of \$0.14 per unit (Note 12), resulting in \$57,719 being de-recognized from convertible notes – liability component and \$6,760 de-recognized from convertible notes – equity component. 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 included 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 consisting 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 6). 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.

On September 13, 2021, the Company issued 200,000 shares pursuant to the terms of the letter agreement to retain a firm that provides general advisory and investment banking services. The fair value of shares issued was determined to be \$134,000.

During the year ended February 28, 2022, 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 year ended February 28, 2022, the Company issued 4,176,025 common shares pursuant to exercise of warrants for total gross proceeds of \$994,644.

During the six months ended August 31, 2022, no shares were issued.

**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 and exercisable, February 28, 2021	10,792,000	0.10
Expired	(138,000)	0.15
Granted	5,800,000	0.51
Exercised	(366,150)	0.10
Balance and exercisable, February 28, 2022	16,087,850	0.25
Cancelled	(3,000,000)	0.75
Balance and exercisable, August 31, 2022	13,087,850	0.13

As at August 31, 2022, the Company had the following options outstanding:

Expiry Date	Exercise Price \$	Remaining Life (Years)	Options Outstanding #
June 6, 2023 <sup>(1)</sup>	0.22	0.76	34,500
October 16, 2025	0.10	3.13	6,591,500
November 9, 2025	0.10	3.19	3,661,850
February 4, 2026	0.25	4.43	2,800,000
		3.42	13,087,850

<sup>(1)</sup> Expired unexercised subsequent to August 31, 2022.

On August 20, 2021, the Company granted 3,000,000 stock options to its key officers, employees and consultants. The stock options have an exercise price of \$0.75 per share and a life of 5 years and vested immediately.

On February 4, 2022, the Company granted 2,800,000 stock options to certain directors and consultants. The stock options have an exercise price of \$0.25 per share and a life of 5 years and vested immediately.

The fair value of the options granted in 2022 was estimated on the dates of grant using the Black-Scholes option valuation model with the following weighted average assumptions:

	February 28, 2022
Dividend yield	Nil
Expected annualized volatility (%)	136
Risk-free interest rate (%)	1.18
Expected life of options (years)	5
Grant date fair value (\$)	0.38
Forfeiture rate (%)	Nil

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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 and six months ended August 31, 2022, the Company recorded share-based payments expense of \$nil and \$nil (2021 - \$1,595,751 and \$1,595,751).

**d) Warrants**

	Number of Warrants #	Weighted average exercise price \$	Weighted Average Life (Years)
Outstanding, February 28, 2021	7,302,380	0.36	2.08
Issued	4,648,363	1.82	-
Exercised	(4,176,025)	0.24	-
Outstanding, February 28, 2022 and August 31, 2022	7,774,718	1.30	0.86

As at August 31, 2022, the Company had the following warrants outstanding:

Number of warrants	Exercise price	Expiry date
416,666 <sup>(1)</sup>	\$0.250	December 1, 2022
2,500,000 <sup>(1)</sup>	\$0.600	February 23, 2023
4,205,999 <sup>(1)</sup>	\$2.000	May 25, 2023
652,053	\$0.140	February 26, 2026
7,774,718		

<sup>(1)</sup> Expired unexercised subsequent to August 31, 2022.

**14. 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 August 31, 2022, Vortex has also funded part of the development of Live Streaming Service by paying the Company \$826,030 (RMB 4,300,000) (February 28, 2022 - \$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:

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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. The 13,500,000 shares have not been issued as at August 31, 2022.
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. This milestone has not been achieved as at August 31, 2022.

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

**15. 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, 2022 and 2021 as follows:

	Three months ended		Six months ended	
	August 31		August 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management fees	23,051	27,257	47,424	69,166
Salaries and benefits	24,049	36,063	50,017	67,343
Share-based payment	-	478,725	-	478,725
	47,100	542,045	97,441	615,234



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Key management of the Company includes the President, Interim CEO, the current CFO and the Directors. During the three and six months ended August 31, 2022, compensation paid to key management consisted of management fees of \$23,051 and \$47,424 (2021 – \$27,257 and \$54,166) paid to the Interim CEO, management fees of \$nil and \$nil (2021 – \$nil and \$15,000) paid to a director and CFO, salaries and benefits of \$24,049 and \$50,017 (2021 – \$36,063 and \$67,343) paid to two directors of the Company, and the share based compensation of \$nil and \$nil (2021 - \$478,725 and \$478,725) to the key management.

On May 25, 2021, the Company entered into a definitive purchase 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"). 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.

The mining assets, which generate cryptocurrency mining revenue, are managed by Yitang, which is a related party of the Company by virtue of a common shareholder. The net assets acquired from the Transaction was \$7,432,344 as at the acquisition date. The Company subsequently sold 12,500 of the L3+ mining rigs acquired from the Transaction for a consideration of \$7,991,202, which was used to purchase new L7 mining rigs from Yimao Technology (HK) Limited. ("Yimao"), which is a related party of the Company by virtue of a common shareholder. The total cost of the new L7 mining rigs was \$11,592,946 (Note 6), of which \$9,691,398 settled was by USDT. During the six months ended August 31, 2022, the Company paid USDT \$327,359 (Note 16) to acquire additional L7 mining rigs.

The Company has also entered into the Guaranteed Services Agreement with Yitang to ensure that its Mining Assets are hosted across multiple locations so as to ensure diversification of risk. During the year ended February 28, 2022 and the six months ended August 31, 2022, all cryptocurrency mining revenue earned and costs of revenue incurred were through the management service provided by Yitang under the Guaranteed Service Agreement.

On September 15, 2021, the Company has signed a Cooperation Agreement with LPA where the Company will be licensed, on a non-exclusive worldwide basis, to freely use LPA's innovative "Infinity Language" language learning system throughout the Company's product and service offerings, and in particular, in its Language Pal app. LPA is a related party of the Company, as it is owned and controlled by the CEO of the Company. Pursuant to the agreement, the Company has also acquired a 15% equity interest in LPA for \$300,000. During the year ended February 28, 2022, the Company advanced \$221,134 to LPA. During the six months ended August 31, 2022, the Company advanced \$23,575 to LPA. As at August 31, 2022, the balance due from LPA is \$241,187 (February 28, 2022 - \$221,134).

Other amounts due from/to related parties are disclosed in Notes 6, 8 and 10.

## **16. 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, 2022, the following transactions were excluded from the consolidated statement of cash flows:

- \$37,656 of application development costs included in accounts payable and accrued liabilities.

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- \$769,216 digital assets received from the sale of Hello Pal’s M31 mining assets; and
- \$327,359 digital assets used for the purchase Crypto Pal and Hello Pal’s L7 mining assets.

During the six months ended August 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
- \$24,488 of application development costs included in accounts payable and accrued liabilities.

**17. SEGMENT INFORMATION**

For management purposes, the Company is organised into business units based on its products and services and has two reportable segments, as follows:

- international live-streaming segment, which provides online live-streaming services.
- Cryptocurrency mining segment, which provides cryptocurrency computing services to blockchain platforms.

No operating segments have been aggregated to form the above reportable operating segments.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

	Three months ended August 31, 2022			Six months ended August 31, 2022		
	Live-streaming \$	Crypto-currency mining \$	Total \$	Live-streaming \$	Crypto-currency mining \$	Total \$
Revenue	5,447,473	861,402	6,308,875	13,081,389	1,368,337	14,449,726
Costs of revenue	(4,992,582)	(260,902)	(5,253,484)	(11,847,184)	(385,393)	(12,232,577)
Amortization and depreciation	(279,840)	(597,470)	(877,310)	(542,082)	(1,093,523)	(1,635,605)
Salaries and benefits	(184,785)	-	(184,785)	(409,645)	-	(409,645)
Net profit (loss)	(9,734)	3,030	(6,704)	282,478	(110,579)	171,899
Administrative expenses managed on group basis			(459,995)			(1,052,161)
Other income			7,397			3,583
Loss before taxes			(459,302)			(876,679)

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	Three months ended August 31, 2021			Six months ended August 31, 2021		
	Live-streaming \$	Crypto-currency mining \$	Total \$	Live-streaming \$	Crypto-currency mining \$	Total \$
Revenue	6,234,175	1,694,469	7,928,644	13,206,275	2,166,714	15,372,989
Costs of revenue	(5,988,891)	(587,211)	(6,576,102)	(12,167,176)	(717,359)	(12,884,535)
Amortization and depreciation	(224,254)	(401,296)	(625,550)	(417,718)	(401,296)	(819,014)
Salaries and benefits	(268,506)	-	(268,506)	(493,515)	-	(493,515)
Net profit (loss)	(247,476)	705,962	458,486	127,866	1,048,059	1,175,925
Administrative expenses managed on group basis			(2,701,979)			(3,259,291)
Loss before taxes			(2,243,493)			(2,083,366)

Geographic segment information of the Company's total assets is as follows:

	August 31, 2022 \$	February 28, 2022 \$
Canada	1,799,006	3,068,733
Asia	14,538,115	14,628,374
Total assets	16,337,121	17,697,107

Geographic segmentation of the Company's revenue during the three and six months ended August 31, 2022 and 2021 is as follows:

	Three months ended August 31		Six months ended August 31	
	2022 \$	2021 \$	2022 \$	2021 \$
Canada	624,568	-	1,124,360	-
Asia	5,684,307	6,234,175	13,325,366	13,206,275
Revenue	6,308,875	6,234,175	14,449,726	13,206,275

Revenues from external customers attributed to an individual foreign country, where those revenues are material, is not disclosed as the necessary information is not readily available and the cost to develop it would be excessive.

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Geographic segmentation of the Company's net income (loss) during the three and six months ended August 31, 2022 and 2021 is as follows:

	Three months ended		Six months ended	
	August 31		August 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Canada	(439,179)	(1,885,775)	(927,140)	(2,126,189)
Asia	(20,123)	(357,718)	50,461	42,823
Net loss	(459,302)	(2,243,493)	(876,679)	(2,083,366)

**18. COSTS OF REVENUE**

The details of costs of revenue by type for livestreaming revenue during the three and six months ended August 31, 2022 and 2021 are as follows:

	Three months ended		Six months ended	
	August 31,		August 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Live Streamers fee	4,868,181	5,716,565	11,558,179	11,561,347
Merchant and transaction fees	89,963	211,145	214,438	504,407
Other fees	34,438	61,181	74,567	101,422
	4,992,582	5,988,891	11,847,184	12,167,176

Costs of revenue for cryptocurrency mining primarily consists of hosting fee paid to Yitang for management of the Company's mining rigs.