

**AXCAP VENTURES INC.**

**(FORMERLY NETCOINS HOLDINGS INC.)**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Axcap Ventures Inc. (formerly Netcoins Holdings Inc.)

**Opinion**

We have audited the financial statements of Axcap Ventures Inc. (the "Company") which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income (loss) and comprehensive income (loss), changes in cash flows and equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

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

**Emphasis of Matter - Material Uncertainty Related to Going Concern**

We draw attention to Note 2 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
April 29, 2022

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars)*

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 829,312	\$ 164,729
Prepaid expenses	4,500	-
	833,812	164,729
Long-term loan receivable (Note 6)	512,681	-
Equity investments (Note 7)	825,329	2,927,000
Equipment	-	233
<b>Total Assets</b>	<b>\$ 2,171,822</b>	<b>\$ 3,091,962</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 8, 17)	\$ 451,578	\$ 620,769
<b>EQUITY</b>		
Share capital (Note 9)	22,353,190	22,353,190
Contributed surplus	760,511	760,511
Reserves (Notes 10 and 11)	4,991,141	4,991,141
Deficit	(26,384,598)	(25,633,649)
	1,720,244	2,471,193
<b>Total Liabilities and Equity</b>	<b>\$ 2,171,822</b>	<b>\$ 3,091,962</b>

Going Concern (Note 2)  
Subsequent Events (Note 18)

**Approved on behalf of the Board of Directors**

/s/ Kevin Ma  
Kevin Ma,  
Director

/s/ Desmond Balakrishnan  
Desmond Balakrishnan,  
Director

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars)*

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>OPERATING EXPENSES</b>		
Bad debt expense	\$ -	\$ 306,854
Consulting fees (Note 17)	243,269	98,250
Depreciation	233	559
Legal and professional fees (Note 17)	122,248	310,613
Marketing and advertising	95	39,221
Office and administrative (Note 17)	486,437	458,114
Rent	13,500	-
Transfer agent and regulatory fees	24,196	29,961
Travel	4,241	48,329
<b>Operating Expenses</b>	<b>894,219</b>	<b>1,291,901</b>
<b>OTHER INCOME (EXPENSES)</b>		
Interest income (Note 6)	54,860	15,000
Foreign exchange gain (loss)	(140)	250
Gain on de-recognition of accounts payable	302,769	-
Gain on excess GST write-off	815	-
Gain on sale of equity investments	1,041,637	235,975
Gain (loss) on change in fair value of equity investments (Note 7)	(1,256,671)	1,777,000
Write-off of deposit	-	(86,320)
<b>Other Income</b>	<b>143,270</b>	<b>1,941,905</b>
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (750,949)</b>	<b>\$ 650,004</b>
<b>Basic and diluted earnings (loss) per share</b> (Note 16)	<b>\$ (0.15)</b>	<b>\$ 0.13</b>
<b>Weighted average number of common shares outstanding (basic)</b> (Note 16)	<b>4,856,589</b>	<b>4,856,589</b>
<b>Weighted average number of common shares outstanding (diluted)</b> (Note 16)	<b>4,856,589</b>	<b>4,910,960</b>

The accompanying notes are integral to these financial statements

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars)*

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Cash Flows from (used in) Operating Activities</b>		
Net income (loss)	\$ (750,949)	\$ 650,004
Adjustments for items not affecting cash		
Bad debt expense	-	306,854
Depreciation	233	559
Gain on sale of equity investments (Note 7)	(1,041,637)	(235,975)
Loss (gain) on change in fair value of equity investments (Note 7)	1,256,671	(1,777,000)
Interest income (Note 6)	(12,681)	(15,000)
Write-off of deposit	-	86,320
	<b>(548,363)</b>	<b>(984,238)</b>
Changes in non-cash working capital:		
Trade and other receivables	-	(40,039)
Prepaid expenses	(4,500)	(20,965)
Trade and other payables	(169,191)	174,606
	<b>(722,054)</b>	<b>(870,636)</b>
<b>Cash Flows from (used in) Investing Activities</b>		
Purchase of equity investments (Note 7)	(552,912)	(1,350,000)
Sale of equity investments (Note 7)	2,439,549	550,975
Loans advanced (Note 6)	(500,000)	(100,000)
	<b>1,386,637</b>	<b>(899,025)</b>
<b>Changes in cash during the year</b>	<b>664,583</b>	<b>(1,769,661)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<b>164,729</b>	<b>1,934,390</b>
<b>Cash and cash equivalents – End of year</b>	<b>\$ 829,312</b>	<b>\$ 164,729</b>

**Supplemental Cash Flow Information (Note 15)**

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars, except number of shares)*

	Common Shares		Contributed Surplus	Reserves	Deficit	Total
	Number of Shares	Amount				
<b>Balance – December 31, 2019</b>	4,856,589	\$ 22,353,190	\$ 760,511	\$ 4,991,141	\$ (26,283,653)	1,821,189
Net and comprehensive income for the year	-	-	-	-	650,004	650,004
<b>Balance – December 31, 2020</b>	4,856,589	22,353,190	760,511	4,991,141	(25,633,649)	2,471,193
Net and comprehensive loss for the year	-	-	-	-	(750,949)	(750,949)
<b>Balance – December 31, 2021</b>	4,856,589	\$ 22,353,190	\$ 760,511	\$ 4,991,141	\$ (26,384,598)	1,720,244

The accompanying notes are integral to these financial statements

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars, except per share amounts)*

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**1. General Information**

Axcap Ventures Inc. (formerly Netcoins Holdings Inc.) (“AVI” or “Axcap” or the “Company”) was incorporated on February 20, 1987 under the Business Corporation Act (Ontario). These 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 rather than through a process of forced liquidation.

Axcap is a public company which is listed on the Canadian Securities Exchange (“CSE”) under the symbol “AXCP” (see Note 18). The Company’s head office is 800 West Pender Street, Suite 1430, Vancouver, BC, V6C 2V6, and registered and records office is located 1055 W. Georgia Street, Suite 1500, PO Box 11117, Vancouver, BC, V6E 4N7.

**Covid-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has already affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Other than the pandemic delaying the Company’s plans for investments, the Company’s business and results were not materially affected by the pandemic.

**2. Going Concern**

These financial statements have been prepared by management on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

For the year ended December 31, 2021, the Company had an accumulated deficit of \$26,384,598 (2020 - \$25,633,649), and negative cash flow from operations of \$722,054 (2020 - \$870,636). The Company’s ability to continue as a going concern is dependent upon its ability to achieve and maintain profitable operations and to generate funds therefrom or obtain additional financing. There is a risk that additional financing may not be available on a timely basis or on terms acceptable to the Company. These factors cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

**3. Basis of Preparation**

*a. Statement of Compliance*

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements were approved and authorized for issuance by the Board of Directors on April 29, 2022.

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.



**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars, except per share amounts)*

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**3. Basis of Preparation (continued)**

*b. Functional and Presentation Currency*

These financial statements are presented in Canadian dollars. The functional currency of the Company is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entity is in Canadian dollars.

**4. Significant Accounting Policies**

*(i) Financial Instruments*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCL. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

*Financial assets and liabilities at amortized cost*

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

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gain and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of income (loss) and comprehensive income (loss) in the period in which they arise.

*Impairment of financial assets at amortized cost*

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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*(Expressed in Canadian Dollars, except per share amounts)*

**4. Significant Accounting Policies (continued)**

*(i) Financial Instruments (continued)*

Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss) and comprehensive income (loss).

*(ii) Impairment of Non-Financial Assets*

The Company performs impairment tests on its long-lived assets, including property, plant and equipment when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of the depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is evaluated using fair value less costs of disposal calculations. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value when active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

*(iii) Cash and Cash Equivalents*

Cash and cash equivalents consist of amounts held in current bank accounts.

*(iv) Property, Plant and Equipment*

Equipment is measured at cost, less accumulated depreciation and accumulated impairment losses. Cost included expenditures that are directly attributable to bring an asset to productive use at its intended location. Additions are depreciated commencing in the month that they are available for use. The cost of repairs and maintenance is expensed as incurred.

Depreciation is provided on a straight-line method over the estimated useful lives of assets. Upon sale or disposition of a depreciable asset, cost and accumulated depreciation are removed from equipment and any gain or loss is reflected as a gain or loss from operations. Equipment is depreciated over 3 years.

Leasehold improvements are depreciated on a straight-line method over the term of the lease, which is 3 years.

An asset's depreciation method, useful life and residual value are reviewed at the end of each reporting period and adjusted prospectively if appropriate.

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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*(Expressed in Canadian Dollars, except per share amounts)*

**4. Significant Accounting Policies (continued)**

*(v) Share-Based Payments*

Share-based payments to officers, directors and consultants are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed in profit or loss. The corresponding amount is recorded to reserves. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

When the terms of a share-based payment are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

*(vi) Income Taxes*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars, except per share amounts)*

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**4. Significant Accounting Policies (continued)**

*(vii) Foreign Currency Translation*

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates.

Transactions and Balances

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

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains or losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve is equity. These differences are recognized in profit or loss in the period in which the operation is disposed.

*(viii) Fair Value Measurement*

Where fair value is used to measure assets and liabilities in preparing these financial statements, it is estimated at the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair values are determined from inputs that are classified within the fair value hierarchy defined under IFRS as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs for the asset or liability that are unobservable

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants acts in their economic best interest.

The Company holds equity investments consisting of common shares and warrants held in public and non-public companies. At the end of each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and records such valuations in the financial statements. Warrants of non-public companies are valued using option pricing models when there are sufficient and reliable observable market inputs.

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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*(Expressed in Canadian Dollars, except per share amounts)*

**4. Significant Accounting Policies (continued)**

*(ix) Fair Value Measurement (continued)*

Equity investments are initially recorded at cost at the time of acquisition. At each reporting period thereafter, the fair value of an investment may, depending on circumstances, be adjusted by taking into account the following circumstances:

- There has been a significant subsequent equity financing provided by outside investors at a valuation above or below the current fair value of the investee, in which case the fair value of the investment is adjusted to reflect the value at which the financing took place;
- Based on financial information received from the investee it is apparent to the Company that the investee is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward;
- The investee is placed into receivership or bankruptcy;
- There has been significant corporate, political, operating or economic events affecting the investee that, in the Company's opinion, have a positive or negative impact on the investee's prospects and, therefore, its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be ultimately realized or realizable. Such events include, without limitation:
  - receipt or denial of necessary approvals that allow or prevent the investee to proceed with its project(s);
  - release by the investee of positive or negative technical results, which either proves or disproves its technical prospects; and
  - management personnel changes at the investee level that the Company's management believes will have a very positive or negative impact on the investee's ability to achieve its objectives and build value for shareholders.

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized. The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to, and determinations reached by, the Company. Any fair value estimated by the application of these techniques may not ultimately be realized. Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the statement of comprehensive income and loss.

*(x) Earnings (Loss) per Share*

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

The number of additional shares is calculated by assuming that outstanding stock options and share purchase warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**AXCAP VENTURES INC. (FORMERLY NETCOINS HOLDINGS INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Expressed in Canadian Dollars, except per share amounts)*

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**4. Significant Accounting Policies (continued)**

*(xi) Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

*(xii) Segment Reporting*

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment.

*(xiii) Right-of-Use Assets and Lease Liability*

The Company has applied IFRS 16, Leases, as at January 1, 2019. The Company assesses whether a contract is or contains a lease at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term unless another systematic basis is more representative of the usage of the economic benefits from the leased asset.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrow rate. The lease liability is subsequently measured by increasing the carrying amount to reflect on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, payments made on or before the lease commencement and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and useful of the underlying asset.

**5. Critical Accounting Estimates and Judgements**

The preparation of the financial statements in conformity with IFRS requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets and liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of its financial statements.

*Areas of judgement*

*(i) Going Concern*

Determining if the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations. Certain judgments are made when determining if the Company will be able to continue as a going concern. Further disclosure is included in Note 2.

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**5. Critical Accounting Estimates and Judgements (continued)**

*Areas of judgement (continued)*

*(ii) Deferred Tax Asset*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probably that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Management applies judgment in determining the likelihood of future taxable profits.

*Assumptions and critical estimates*

*(i) Determination of Fair Values*

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. For equity investments not quoted in an active market, where Level 1 inputs are not available the Company estimates the fair value based on the criteria described under Note 4(ix).

*(ii) Tax Assets and Liabilities*

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rate as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

*(iii) Share-Based Payments*

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based compensation calculation value, however, the most significant estimate is the volatility.

**6. Loans Receivable**

**a. Current Loans Receivable**

On February 24, 2021, the Company entered into a loan agreement with an unrelated company (the "Borrower") for principal of \$388,000 with interest bearing at 10% per annum and the loan is due upon the completion of the Borrower's next financing.

In October 2021, the Company received \$411,705 from the Borrower as repayment for the principal and the interest accrued of \$23,705. As at December 31, 2021, the loan and interest were fully repaid.

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**6. Loans Receivable (continued)**

**a. Current Loans Receivable (continued)**

On February 24, 2020, the Company entered into a loan agreement with an unrelated company (the "Borrower") for principal of \$100,000 with interest bearing at 15% per annum and the loan is due on demand when the Borrower completes its next financing. The accrued interest is payable in common shares of the Borrower at \$0.20 per share. The Borrower also agreed to issue warrants at a rate of 15% of the loan principal to the Company. These warrants are exercisable at \$0.20 per share.

On December 7, 2020, The Company and the Borrower agreed to convert the loan principal of \$100,000 and its accrued interest of \$15,000 into common shares of the Borrower at a price of \$0.20 per share. Subsequent to the conversion, the Company considered the loan to be fully repaid.

**b. Long-Term Loans Receivable**

In March 2021, the Company participated in an unsecured debenture financing of an unrelated third party (the "Borrower") in the amount of \$500,000 and due on April 30, 2024. Instead of interest payments, the Company is entitled to receive a participation right payments equal to five percent of the Borrower's realized net monthly revenues within 30 days of each month-end. Such participation right payments shall be calculated from the Borrower's realized net revenues reported in the monthly financial report, which is submitted to the Borrower's regulators adjusted for non-realized inventory gains or losses. In addition, the Company shall receive annually, a net profit interest participation right payment within 90 days of each fiscal years of from 2021, 2022, and 2023, equal to five percent of the Corporation's net realized profits. See Note 18(a).

During the year ended December 31, 2021, the Company received a total of \$7,064 in participation right payments from the Borrower and accrued a further \$12,681 which were recorded as interest income.

**7. Equity Investments**

The Company's equity investments are comprised of investments in common shares of Canadian publicly traded and non-public companies. The Company measures its equity investments at fair value through profit or loss ("FVTPL"). The cost and fair values of the equity investments at December 31, 2021 and December 31, 2020 are as follows:

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
Opening Balance	\$	2,927,000	\$	-
Additions		552,912		1,465,000
Disposals		(1,397,912)		(315,000)
Change in fair value gain (loss)		(1,256,671)		1,777,000
Ending Balance	\$	825,329	\$	2,927,000

**8. Trade and Other Payables**

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
Taxes payable	\$	48,262	\$	48,263
Trade payables		403,315		572,506
	\$	451,578	\$	620,769

Trade and other payables are comprised primarily of trade payables incurred in the normal course of business. Included in trade payables are amounts total \$152,031 (December 31, 2020 - \$57,236) due to related parties (see Note 17).



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**9. Share Capital**

**a. Authorized Share Capital**

The Company is authorized to issue unlimited number of common shares without par value.

**b. Issued Share Capital**

At December 31, 2021, the Company had 4,856,589 (December 31, 2020 – 4,856,589) common shares outstanding.

**c. Restricted Share Units**

Pursuant to the Company's fixed number restricted share unit ("RSU") plan, the Company awarded a total of 80,000 RSU to certain directors, officers and employees in October 2018. 50% of the awarded RSU vested immediately and the remaining 50% vested on April 17, 2019. The shares awarded pursuant to the RSU are equity settled and based on the fair value at date of grant.

**10. Warrants**

As at December 31, 2021, the Company does not have any warrants issued and outstanding.

**11. Stock Options**

The Company adopted a stock option plan (the "Plan") whereby it can grant stock options to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time.

The changes in stock options outstanding are summarized as follows:

		<b>Weighted Average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>
Balance – December 31, 2021, 2020 and 2019	\$	8.75	54,371

The Company recorded a total of \$nil (2020 - \$nil) in share-based expenses for the year ended December 31, 2021.

Stock options outstanding and exercisable as at December 31, 2021 are summarized as follows:

	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
Exercise Price	54,371	2.20	\$8.75	54,371	\$8.75

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**12. Income Taxes**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of loss and comprehensive loss:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Income (loss) before income tax	\$ (750,949)	\$ 650,004
Statutory income tax rate	27%	27%
Expected income tax expense (recovery)	(202,756)	175,501
Non-deductible expenses	208	309
Non-taxable portion of capital gain	29,029	(271,752)
Other differences	-	(354,451)
Change in deferred tax assets not recognized	173,519	450,393
Total income tax expense	\$ -	\$ -

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current tax expense	\$ -	\$ -
Deferred tax expense	-	-
Total tax expense	\$ -	\$ -

The significant components of deferred income tax assets and liabilities as at December 31, 2021 and December 31, 2020 are comprised of the following:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Non-capital loss carry forward	\$ 2,032,621	\$ 1,845,217
Capital loss carry forward	3,873,056	4,013,677
Financing cost	-	42,978
Exploration and evaluation assets	174,069	174,069
Equipment	640	577
Equity investments	(70,244)	(239,895)
Unrecognized deferred income tax assets	(6,010,142)	(5,836,623)
Net deferred income tax assets	\$ -	\$ -

The Company has not recognized a deferred tax asset in respect of non-capital loss carry forward of approximately \$7,528,227 (2020 - \$6,834,138) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	<b>\$</b>
Non-capital losses expire as follows:	
2036	93,879
2037	99,314
2038	3,521,958
2039	1,598,540
2040	1,520,447
2041	694,089
	<b>7,528,227</b>

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**13. Capital Management**

The Company manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Company for its future operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out its planned operations and pay for future general and administrative expenses, the Company expects to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the years ended December 31, 2021 and 2020.

**14. Financial Instruments**

The Company's financial assets and liabilities by category and information about financial assets and liabilities measured at fair value on a recurring basis in the statement of financial position are classified and measured as follows:

	Category		December 31, 2021		December 31, 2020
<b>Financial Assets</b>					
Cash and cash equivalents	FVTPL	\$	829,312	\$	164,729
Equity investments	FVTPL	\$	825,329	\$	2,927,000
Long-term loans receivable	Amortized cost	\$	512,681	\$	-
<b>Financial Liabilities</b>					
Trade and other payables	Amortized cost	\$	451,578	\$	620,770

Due to the short-term nature of trade and other payables, the Company determined that the carrying amounts of these financial instruments approximate their fair value.

The following table presents the Company's financial instruments, measured at fair value, and categorized into levels of the fair value hierarchy:

	Balance at December 31, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 829,312	\$ 829,312	\$ -	\$ -
Equity investments	\$ 825,329	\$ 274,000	\$ 551,329	\$ -

There were no transfers between the Levels of the fair value hierarchy during the years ended December 31, 2021 and 2020.

The Company's risk management policies are established to identify, analyze and manage the risks faced by the Company and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Company's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Company's use of financial instruments include credit risk, liquidity risk, market risk and currency risk. These risks, and the actions taken to manage them, include:

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**14. Financial Instruments (continued)**

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks, cash on deposit with fiat to cryptocurrency exchanges and from outstanding trade receivables. The Company minimizes credit risk associated with its cash balance substantially by dealing with financial institutions deemed to be reliable due to their history of operations. The Company assessed its credit risk to be low.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as low.

**(c) Currency risk**

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies, other than the functional currency of the Company, will fluctuate due to changes in foreign currency exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company previously was exposed to foreign currency risk through cash in banks and cash on deposit with fiat to cryptocurrency exchanges which are denominated in United States dollars (USD). As at December 31, 2021 the Company was not exposed to currency risk.

**(d) Price risk**

The Company's net income or loss, and financial condition were subject to price risk due to fluctuations of the following:

Equity Price Risk

The Company is exposed to equity price risk through its equity investments and unfavourable market conditions could result in dispositions of equity investments at less than favourable prices, especially during periods of overall market instability. The Company manages its equity price risk by having a portfolio of equity investments not singularly exposed to any one issuer.

**15. Supplemental Cash Flow Information**

The Company paid \$nil (2020 - \$nil) in income taxes and did not pay any cash for interest expense during the years ended December 31, 2021 and 2020.

On December 7, 2020, the Company and the Borrower agreed to convert the loan's principal of \$100,000 and accrued interest of \$15,000 into the shares of the Borrower at a price of \$0.20 per share (see Note 6).

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**16. Earnings (Loss) Per Share**

The following table sets forth the computation of basic and diluted earnings (loss) per share for the years ended December 31, 2021 and 2020:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Numerator</b>		
Net income (loss) for the year	\$ (750,949)	\$ 650,004
<b>Denominator</b>		
Basic – weighted average number of shares outstanding	4,856,589	4,856,589
Effect of dilutive securities	-	54,371
Diluted – adjusted weighted average number of shares outstanding	4,856,589	4,910,960
Earnings (loss) per share – basic and diluted	\$ (0.15)	\$ 0.13

The basic earnings (loss) per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period.

The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding during the year ended December 31, 2021 as the warrants and stock options were anti-dilutive.

**17. Related Party Transactions**

During the years ended December 31, 2021 and 2020, the Company paid and/or accrued salaries, commissions, consulting and professional fees to management personnel and directors:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Management (current and former)	\$ 416,400	\$ 310,500
Directors (current and former)	228,082	28,590
	\$ 644,482	\$ 339,090

During the year ended December 31, 2021, the Company had \$nil (2020 - \$nil) share-based payments made to management and directors.

**Due to Related Parties**

As at December 31, 2021 and December 31, 2020, the Company has the following amounts due to related parties:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts payable and accrued liabilities	\$ 152,031	\$ 57,236

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**18. Subsequent Events**

**a. Amendment to Long-Term Loans Receivable**

In January 2022, the Company and the Borrower signed an amending agreement to the original debenture agreement whereby effective January 1, 2022, the participation right payment shall equal to 0.05% of the Borrower's realized net operating income, instead of five percent in the original agreement. Furthermore, the Company shall receive annually a net profit participation right payment equal to 0.05% of the Borrower's net realizable profit instead of five percent in the original agreement.

**b. Financing**

In February 2022, the Company closed the first tranche of its non-brokered private placement comprising of 15,654,825 Units of the Company at \$0.11 per Unit for gross proceeds of \$1,722,031. Each Unit consisted of one common share and one transferable common share purchase warrant. Each warrant is exercisable into one additional share at an exercise price of \$0.115 per warrant on or before February 7, 2027.

In connection with the first tranche of the financing, the Company paid aggregate cash finder's fees totalling \$172,203 and issued 1,565,582 finder's warrants to certain qualified arm's length finders. Each finder's warrant is exercisable into one share at an exercise price of \$0.115 per finder's warrant on or before February 7, 2027.

In March 2022, the Company closed the second tranche of its non-brokered private placement comprising of 1,181,661 Units of the Company at \$0.11 per Unit for gross proceeds of \$129,983. Each Unit consisted of one common share and one transferable common share purchase warrant. Each warrant is exercisable into one additional share at an exercise price of \$0.115 per warrant on or before March 31, 2027.

In connection with the second tranche of the financing, the Company issued 118,166 finders' units and 118,166 finder's warrants to certain qualified arm's length finders. Each finder's unit consists of one share and one finder's unit warrant. Each finder's warrant and finder's unit warrant is exercisable into one finder's warrant share at an exercise price of \$0.115 per finder's warrant share on or before March 31, 2027.

**c. Name Change**

On April 20, 2022, the Company changed its name from Netcoins Holdings Inc. to Axcap Ventures Inc. The trading of the Company's common shares has been halted but the common shares are expected to resume trade under the new symbol of "AXCP" once trading commences following completion of the Company's change of business to an investment issuer.