BUCEPHALUS CAPITAL CORP.

Consolidated Financial Statements

March 31, 2021

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These unaudited interim condensed consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the unaudited interim condensed consolidated financial statements prior to submitting the unaudited interim condensed consolidated financial statements to the Board for approval.

Signed: ***"John McMahon"***
Chief Executive Officer

Toronto, Ontario
May 20, 2021

NOTICE TO READER

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2021 have not been reviewed by the Company's auditors.

Bucephalus Capital Corp.
Consolidated Statements of Financial Position
(Unaudited)
(In Canadian Dollars)

		March 31, 2021		December 31, 2020
Assets				
Current assets				
Cash	**$**	**1,123,081**	$	18,424
Accrued interest receivable (note 5)		**26,077**		17,653
Prepaid expenses		**750**		750
Accounts receivable		**31,427**		24,811
Bridge loans, current portion (note 5)		**35,642**		36,020
Portfolio investments (note 6)		**206,403**		258,866
		1,423,380		356,523
Bridge loans (note 5)		**78,870**		-
	$	**1,502,250**	$	356,524
Liabilities				
Accounts payable and accrued liabilities (note 10)	**$**	**50,137**	$	530,364
Shareholders' Equity				
Share capital (note 7 (b))		**3,501,074**		3,235,409
Contributed surplus (note 7(c) and 7(d))		**1,270,208**		35,343
Deficit		**(3,319,169)**		(3,444,592)
Total shareholders' equity		**1,452,113**		(173,840)
	$	**1,502,250**	$	356,524

On Behalf of the Board:

" John McMahom " Director

" Jason Ewart" Director

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

Bucephalus Capital Corp.
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Unaudited)
(In Canadian Dollars)

	Share Capital	Contributed Surplus	Retained earnings	Total
	$	**$**	**$**	**$**
Balance, January 1, 2020	3,235,409	35,343	(3,069,259)	201,493
Net loss for the period	-	-	(73,528)	(73,528)
Balance March 31, 2020	3,235,409	35,343	(3,142,787)	127,965
Balance, January 1, 2021	3,235,409	35,343	(3,444,593)	(173,841)
Issuance of shares, net of costs	131,212	1,015,538	-	1,146,750
Exercise of stock options	134,453	(29,453)	-	105,000
Issuance of stock options	-	248,780	-	248,780
Net income for the period	-	-	125,424	125,424
Balance March 31, 2021	3,501,074	1,270,208	(3,319,169)	1,452,113

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

Bucephalus Capital Corp.
Consolidated Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2021 and 2020
(Unaudited)
(In Canadian Dollars)

	2021	2020
Investment income and management fees		
Change in value of portfolio investments	**$ 693,508**	$ (8,977)
Discount on note	**(71,074)**	
Interest income	**2,684**	4,311
Dividend income	**-**	439
Foreign exchange (loss)	**(618)**	9,213
	624,500	4,986
Expenses		
Audit and legal fees	**14,455**	4,000
Promotional	**20,000**	-
Consulting fees (note 10)	**180,000**	69,000
Salaries	**28,071**	-
Filing and listing fees	**7,607**	5,147
Stock based compensation	**248,780**	-
Office expense	**163**	367
	499,076	78,514
Net income (loss) before income tax	**125,424**	(73,528)
Income tax	**-**	-
Net income (loss) and comprehensive income (loss) for the period	**$ 125,424**	$ (73,528)
Net income (loss) per share – basic and diluted (note 8)	**$ 0.00**	$ (0.00)
Weighted average number of shares outstanding – basic and diluted	**33,047,574**	29,514,241

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

Bucephalus Capital Corp.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and 2020
(In Canadian Dollars)

	2021	2020
Operating activities		
Net income (loss) for the period	**$ 125,424**	$ (73,528)
Change in value of portfolio investments	**(693,508)**	8,977
Stock based compensation	**248,780**	-
Discount on loan	**71,074**	-
Interest income	**(2,684)**	(4,311)
Foreign exchange gain	**-**	-
Net changes in non-cash working capital balances		
Accrued interest receivable	**1,417**	(6,126)
Accounts receivable	**(13,774)**	(3,659)
Accounts payable and accrued liabilities	**(480,226)**	62,706
	(743,497)	(15,941)
Investing activities		
Advances of bridge loans	**(149,567)**	-
Proceeds from sale of portfolio investments	**745,971**	-
	596,404	-
Financing activities		
Proceeds from financing activities	**1,146,750**	-
Exercise of stock options	**105,000**	-
	1,251,750	-
Increase (decrease) in cash	**1,104,657**	(15,941)
Cash, beginning of period	**18,424**	54,583
Cash, end of period	**$ 1,123,081**	$ 38,642

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

1. Nature of Business and Going Concern

Bucephalus Capital Corp. ("BCC" or the "Company") invests in companies across many industries such as oil and gas, mining, manufacturing, retail, financial services, technology, and biotechnology. The Company is a public company incorporated and domiciled in Ontario, Canada. The Company's registered office is located at 273 Tweed Street, Cobourg, Ontario K9A 2Z4. The Company's subordinate voting shares commenced trading on the Canadian Securities Exchange ("CSE") on March 14, 2016.

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which had a significant impact on businesses through restrictions put in place by the Canadian federal, provincial, and municipal governments regarding travel, business operations, and isolations/quarantine orders. While the Company has not yet experienced any material impact on its ability to conduct operations, it is unknown the extent of the future impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Basis of Presentation

Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all of the information required for full annual consolidated financial statements.

The reporting currency used for the unaudited interim condensed consolidated financial statements is Canadian dollars. The functional currency used by the Company is Canadian dollars.

These unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 20, 2021.

3. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant for the Company.

A. Use of Estimates

The preparation of these unaudited interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment include:

3. Summary of Significant Accounting Policies - continued

A. Use of Estimates - continued

- Credit losses – Management exercises judgement to determine the expected credit losses on loans (note 3 (B)).
- Valuation of portfolio investments – Where investments are not traded in an active market, management exercises judgement to determine the fair value of these assets. These assumptions include observation of recent private sales on the underlying securities (if available) and estimating the inputs to the Black-Scholes option pricing model (note 3 (B)).
- The Black-Scholes option pricing model is used to determine the fair value of the share-based payments and utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate (note 3 (H)).

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

B. Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification
The Company classifies its financial assets and financial liabilities in the following measurement categories:

(1) those to be measured subsequently at fair value through profit or loss (“FVTPL”);
(2) those to be measured subsequently at fair value through other comprehensive income (“FVTOCI”); and
(3) those to be measured subsequently at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in the statements of operations and comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company’s classification and measurements of financial assets and liabilities are summarized below:

	IFRS 9	
	Classification	**Measurement**
Cash	Amortized cost	Amortized cost
Accrued interest receivable	Amortized cost	Amortized cost
Accounts receivables	Amortized cost	Amortized cost
Bridge loans	Amortized cost	Amortized cost
Portfolio investments	FVTPL	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

Financial assets at amortized cost
This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payment of principal and interest (“SPPI”) criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

3. Summary of Significant Accounting Policies - continued

B. Financial instruments - continued

Financial assets at fair value through profit or loss
This category includes derivative instruments as well as equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the consolidated statements of operations and comprehensive loss.

Measurement
All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the consolidated statements of operations and comprehensive loss.

Fair value hierarchy

Financial assets measured at fair value or where their fair value is disclosed in the notes must be classified into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Valuation models which utilize predominately observable market inputs; and
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's fair value financial instruments are classified as follows:

Financial instrument	***Classification***
Portfolio investments	Levels 1, 2, and 3

At the end of each reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the restated financial statements.

i. Securities including shares, options, and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 of the fair value hierarchy.

3. Summary of Significant Accounting Policies - continued

B. Financial instruments - continued

ii. For options, warrants, and conversion features which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used. Valuation models such as the Black-Scholes valuation model ("Black-Scholes") are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at the date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. These are included in Level 2 of the fair value hierarchy.

Fair value hierarchy - continued

iii. Convertible debts and loans issued by investee companies are generally valued at the price in which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The fair value of convertible debentures is measured using valuation techniques such as Black-Scholes model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by management is required in establishing fair values. Judgments include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events, and share price of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financials instruments. These are included in Level 3 of the fair value hierarchy.

iv. Private company investments
All privately-held investments (including options, warrants, and conversion features) are initially recorded at the transaction price, being the fair value at the time of acquisition. At the end of each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below.

The determination of fair value of the Company's privately-held investments at other than initial cost, is subject to certain limitations. Financial information for private companies in which the Company has investments, may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on management's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The fair value of a privately-held investment may be adjusted if:

i. There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
ii. There have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company'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 realized or realizable;
iii. The investee company is placed into receivership or bankruptcy;
iv. Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
v. Release by the investee company of positive/negative operational results; and
vi. Important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

3. Summary of Significant Accounting Policies - continued

B. Financial instruments - continued

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately-held investments could be currently disposed of may differ from the carrying value assigned.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECLs") for all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection, and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition.

C. Provisions

The Company recognizes provisions when a legal or constructive obligation exists as a result of past events, when it is probable that there will be an outflow of economic benefits from the entity, and a reliable estimate of the amount of the obligation can be made. When a provision is expected to settle beyond the immediate term, the provision is measured at the present value of future cash flows, discounted at prevailing market interest rates. With the passage of time, additional expenses are recorded as the provision accretes.

D. Revenue Recognition

Realized gains (losses) on disposals of investments and unrealized gains (losses) on securities classified as FVTPL are reflected in the consolidated statements of operations and comprehensive loss on the transaction date and are calculated on an average cost basis. For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income or expenses are recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

E. Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the end of the reporting period. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in profit or loss.

3. Summary of Significant Accounting Policies - continued

F. Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income is also recognized directly in equity or other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expensed to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

G. Cash

Cash consists of cash balances and highly liquid investments with original maturities of three months or less.

H. Share-based payments

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. In situations where equity instruments are issued to non-employees and some of all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transaction at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do no ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled aware 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 a measure at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings or loss per share.

3. Summary of Significant Accounting Policies - continued

I. Loss per share

Basic loss per share is calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period.

Diluted loss per share is calculated by dividing net loss available to shareholders for the period by the diluted weighted average number of multiple and subordinate shares outstanding during the period. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive. This assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

4. New and Revised Standards and Interpretations

IFRS 16 – Leases

IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The adoption of this standard effective January 1, 2019 did not materially impact the financial statements.

5. Bridge loans

		Due Date	Stated Interest Rate		March 31 2021		December 31 2020
Individual	(a)	October 31, 2021	12%	$	10,000	$	10,000
Corporation	(b)	June 30, 2020	12%		25,642		26,020
Corporation	(c)	March 2, 2026	prime		78,870		-
Total				$	114,512	$	36,020

The fair values of the notes receivable are estimated to be approximately equivalent to their carrying values as the market rate of interest approximates the effective interest rate.

a) As at March 31, 2021, $6,227 (December 31, 2020 - $5,931) in interest has been accrued. The loan is secured by a promissory note, a corporate guarantee, and equipment. A payment of $6,000 is due in May 2021 with the remaining principle and interest due on October 31, 2021

b) The loan is based in US dollars and the principal amount of the loan is US$129,029 or C$162,254 (December 31, 2020 - C$164,280). US$105,000 or C$132,038 (December 31, 2020 - C$133,686) was syndicated to other lenders and therefore the net amount of the loan to the Company is US$24,029 or C$30,216 (December 31, 2020 - C$30,594). As at March 31, 2021 a net amount of C$11,920 (December 31, 2020 - C$8,768) in interest has been accrued. Expected credit losses were estimated at C$4,575 at March 31, 2021 (December 31, 2020 - C$4,575).

c) The principal of the loan is $148,765. As at March 31, 2021, $310 (December 31, 2020 - $Nil) of interest has been accrued. The Company determined that the interest rate was preferential and has discounted the future cash flows at an effective rate of 12%.

(In Canadian Dollars)

6. Portfolio Investments

	March 31 2021	December 31 2020
Common shares in Marathon Mortgage Corp. (a)	$ -	$ -
Other marketable securities	206,403	253,226
Total	$ 206,403	$ 253,266

(a) As at March 31, 2021, the Company held nil (December 31, 2020 – 3,358,636) common shares of Marathon Mortgage Corp. ("MMC"). On March 2, 2021, the Company sold its 3,358,636 common shares of MMC at a value of $670,000.

7. Share Capital

a) *Authorized:*

Unlimited multiple voting shares ("MVS")
Unlimited subordinate voting shares ("SVS")

The rights of MVS and SVS shares are identical other than voting rights. MVS shares are entitled to four votes per share whereas SVS shares are entitled to one vote per share.

b) *Shares issued and outstanding:*

For the three months ended March 31	SVS		MVS	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance December 31, 2020	**23,809,395**	**2,567,040**	**5,704,846**	**668,369**
Converted from MVS to SVS (i)	946,491	110,889	(946,491)	(110,889)
Private placement, net of costs (ii)	25,000,000	131,212	-	-
Stock option exercise	1,500,000	134,453	-	-
Balance March 31, 2021	**51,255,886**	**2,943,594**	**4,758,355**	**557,480**

(i) During the period 946,491 MVS were converted on a one for one basis to 946,491 SVS.

(ii) On March 19, 2021, the Company closed a non-brokered private placement issuing 25,000,000 units at a price of $0.05 per Unit for gross proceeds of $1,250,000. Each Unit consisted of one subordinated voting common share of the Company and one subordinate voting share purchase warrant. Each full warrant entitles the holder to acquire one additional subordinate voting share expiring on March 19, 2024 at an exercise price of $0.25. The Company incurred share issue costs of $541,450 including finder's fees/commissions of $80,250, $23,000 in legal fees and 1,750,000 finders warrants entitling certain eligible persons to acquire a Unit exercisable at a price of $0.05 for a period of thirty-six months from closing were issued in relation to the Private Placement.

(In Canadian Dollars)

7. Share Capital - continued

c) *Warrants*

On March 19, 2021, the Company issued 25,000,000 warrants as part of the private placement financing described in note 7(b(ii)). Each warrant entitles the holder to acquire one additional subordinate voting share expiring on March 19, 2024 at an exercise price of $0.25. The value of a warrant was determined using 150% volatility, 3-year term, 0.55% discount rate, 0% expected dividend. The resulting value represented approximately 81.5% of the value of the Unit with the remaining 18.5% attributed to the value of the subordinate voting share within the Unit. The warrants were allocated $1,018,519 of the net proceeds of the financing.

The Company issued 1,750,000 finders warrants as part of the private placement financing described in note 7(b(ii)). Each warrant entitles the holder to acquire one additional Unit expiring on March 19, 2024 at an exercise price of $0.05. The value of a warrant was determined using 150% volatility, 3-year term, 0.55% discount rate, 0% expected dividend. The warrants had a value of $438,200.

d) *Stock Options*

The Company has a stock option plan (the "Plan") under which the Company may grant options to directors, officers, employees and consultants. The maximum number of common shares reserve for issue under the Plan at any point in time may not exceed 10% of the number of shares issued and outstanding. As at March 31, 2021, the Company had 3,325,589 (December 31, 2020 – 480,940) options available for issuance under the Plan.

c) Stock Options – continued

The continuity of outstanding stock options for the three months ended March 31, 2021 is as follows:

	Number of stock options	Weighted average exercise price per share $
Balance, December 31, 2020	**1,900,000**	**0.07**
Exercised	(1,500,000)	0.07
Granted	1,400,000	0.22
Balance, March 31, 2021	**1,800,000**	**0.19**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options issued during the year ended March 31, 2021:

Grant Date	**March 19, 2021**
Number of options	1,400,000
Exercise Price	$0.22
Expected life in years	3
Volatility	150%
Risk-free interest rate	0.55%
Dividend yield	0.00%
Vesting	Immediately
Fair value of options granted	$248,780

During the three months ended March 31, 2021, the Company recognized $248,780 of stock based compensation related to stock options granted during the quarter (March 31, 2020 - $Nil).

8. Income (loss) per Share

Income (loss) per share has been calculated using the weighted average number of SVS and MVS outstanding during the period. As there are no potentially dilutive financial instruments outstanding, diluted loss per share is the same as basic loss per share.

9. Risk Management

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

9. Risk Management - continued

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends. There has been no change in the capital management approach from the prior period.

Risk Management

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. The Company is exposed to credit risk on its cash, accrued interest receivable, accounts receivable, and bridge loans. The Company's maximum exposure to credit risk is $1,295,097 (December 31, 2020 - $187,597).

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's portfolio investment over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Company's financial position.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. As at March 31, 2021, the Company has cash of $ 1,123,081 (December 31, 2020 - $18,424) to meet current financial liabilities of $50,137 (December 31, 2020 - $530,364).

9. Risk Management - continued

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. At March 31, 2021, one (December 31, 2020 – one) of the Company's bridge loans receivable is denominated in US dollars. A 10% fluctuation in the US dollar foreign exchange closing rate would have resulted in a fluctuation of approximately $1,300 (December 31, 2020 - $1,300) in net loss. The Company does not hedge against this foreign currency risk.

10. Transactions with related parties

a) The bridge loan described in note 5(b) was made to a company that has a common director with the Company.

b) Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the three months ended March 31, 2021 and 2020 as follows:

		202		2020
Consulting fees	$	161,500	$	24,000
Stock based compensation		71,080		-
	$	232,580	$	24,000

c) As at March 31, 2021, included in accounts payable is $Nil (December 31, 2020 - $202,382) due to officers of the Company.

11. Subsequent Events

On April 23, 2021, the Company closed a non-brokered private placement issuing 9,999,999 units at a price of $0.15 per Unit for gross proceeds of $1,500,000. Each Unit consisted of one subordinated voting common share of the Company and one Common Share purchase warrant. Each full warrant entitles the holder to acquire one additional Common Share for a period of thirty-six months expiring on April 23, 2024 at an exercise price of $0.25. Finder's fees of $61,220 were paid and 491,466 finders warrants entitling certain eligible persons to acquire a Unit exercisable at a price of $0.25 for a period of thirty-six months from closing were issued in relation to the Private Placement. All securities issued under the Private Placement are subject to a four month hold period in accordance with applicable securities laws.

On April 27, 2021, the Company entered into a service agreement with Ninepoint Partners GP Inc. who will receive a $25,000 per month advisory fee and were issued 5,000,000 performance warrants exercisable at a price of $0.35 to purchase common shares of the Company for a period expiring on the earlier of 3 years or a date that is 90 days after the advisory ceases to provide services to the Company.

On April 27, 2021, the Company entered into of a non-binding letter of intent to acquire a 100% interest in Layer2 Blockchain Inc., a company which manages capital, technology, and infrastructure in the decentralized finance (DeFi) cryptocurrency sector, with a focus on scalable layer two DeFi protocols.

On April 28, 2021, the Company granted an aggregate of 2,150,000 options to purchase common shares of the Company exercisable at a price of $0.42 per share for a period of 3 years to directors, officers and consultants of the Company.