St-Georges Eco-Mining Corp.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

MONTREAL, QUEBEC
November 29, 2019

St-Georges Eco-Mining Corp.
Condensed Consolidated Interim Statements of Financial Position (Unaudited)

As at	Note	September 30, 2019	December 31, 2018
Assets		**$**	$
Current assets			
Cash		**484,221**	567,816
Digital assets	**5**	**421,597**	705,390
Sales taxes Receivable		**199,713**	234,078
Prepaid expenses		**45,075**	1,913
Short-term investments	**8,9**	**110,000**	-
Total current assets		**1,260,606**	1,509,197
Non-current assets			
Loan receivable	**8,10**	**4,183,000**	-
Exploration and evaluation assets	**8**	**3,206,091**	3,105,245
Total assets		**8,649,697**	4,614,442
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	**11**	**1,888,558**	1,147,112
Obligation to issue shares	**11**	**64,973**	64,973
Total current liabilities		**1,953,531**	1,212,085
Long-Term Liabilities			
Derivative liability	**12**	**963,451**	938,971
Convertible debentures	**12**	**4,518,916**	4,484,549
Total liabilities		**7,435,898**	6,635,605
Shareholders' equity (deficiency)			
Common shares	**13**	**18,704,809**	17,571,150
Stock based compensation reserve	**14, 17**	**3,028,588**	2,993,158
Subscriptions receivable	**13**	**(501,004)**	(660,000)
Deficit		**(20,018,594)**	(21,925,471)
Total shareholders' equity (deficiency)		**1,213,799**	(2,021,163)
Total liabilities and shareholders' equity		**8,649,697**	4,614,442

Subsequent events (Note19)

signed ""Vilhjalmur Thor Vilhjalmsson"

Vilhjalmur Thor Vilhjalmsson
President and Chief Executive Officer

signed "Richard Barnett"

Richard Barnett
Chief Financial Officer

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

St-Georges Eco-Mining Corp.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited)

	Note	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2019	Three months ended September 30, 2018
		$	$	**$**	$
Operating expenses					
Accretion expenses	**12**	**310,838**	-	**82,967**	-
Compensation expenses	**17**	**101,947**	-	**34,356**	-
Consulting fees		**288,829**	325,200	**186,400**	231,300
Foreign exchange expenses		**111,094**	(9,174)	**65,632**	(6,808)
Interest charges	**12**	**379,448**	137,833	**126,122**	127,333
Management fees	**17**	**523,868**	464,500	**192,370**	90,500
Office expenses		**52,335**	33,410	**(5,719)**	32,036
Professional fees		**145,652**	343,986	**72,244**	239,561
Publicity and promotions		**144,370**	347,026	**59,413**	144,128
Research and development fees	**7, 17**	**337,914**	-	**146,613**	-
Stock based compensation		**10,452**	1,206,202	**-**	(65,793)
Subcontractors	**17**	**71,250**	101,250	**23,750**	23,750
Transfer agent and listing fees		**65,536**	49,966	**28,726**	18,926
Travel		**74,751**	129,028	**22,354**	56,854
		2,618,284	3,129,227	**1,035,228**	891,787
Other items					
Loss on sale of marketable digital assets	**5**	**(60,791)**	-	**(130,959)**	-
Gain(loss) on payment with marketable digital assets	**5**	**7,473**	-	**(37,484)**	-
Unrealized gain(loss) on marketable digital assets	**5**	**394,301**	(2,791,801)	**(228,762)**	(2,791,801)
Unrealized loss on short-term investments	**8, 9**	**(30,000)**	-	**(30,000)**	-
Gain on disposal on redemption debentures	**12**	**72,125**	-	**72,125**	-
Reversal of previous years impairment losses	**8**	**774,286**	-	**774,286**	-
Gain on disposal of properties	**8**	**3,227,767**	-	**3,227,767**	-
Gain on lithium recovery technology	**8**	**140,000**	-	**140,000**	-
Net income(loss) and comprehensive net income(loss) for the period		**1,906,877**	(5,921,028)	**2,751,745**	(3,683,588)
Net Income (loss) per share – basic and diluted		$ 0.02	$ (0.06)	**$ 0.03**	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted		**124,051,912**	104,448,885	**125,047,961**	108,125,056

St-Georges Eco-Mining Corp.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the nine months ended September 30, 2019 and 2018
(Unaudited)

	Number of Common Shares	Common Shares	Equity component of convertible debentures	Subscriptions Receivable	Stock Based Compensation Reserve	Deficit accumulated	Total Shareholders' Equity
		$	$	$	$	$	$
Balance as at January 1, 2018	**89,998,599**	**13,460,556**	**86,855**	**-**	**1,731,493**	**(14,047,730)**	**1,231,174**
Shares issued for cash (net)	4,286,819	547,856	(54,070)	-	-	-	493,786
Shares issued for warrants exercised	14,663,960	2,841,142	-	-	(747,326)	-	2,093,816
Shares issued for stock options exercised	450,000	33,750	-	-	(15,624)	-	18,126
Subscriptions receivable	-	590,000	-	-	-	-	590,000
Stock based compensation	-	-	-	-	1,206,202	-	1,206,202
Net loss for the period	-	-	-	-	-	(5,921,028)	(5,921,028)
Balance as at September 30, 2018	**109,399,378**	**17,473,304**	**32,785**	**-**	**2,174,745**	**(19,968,758)**	**(287,924)**
Balance as at December 31, 2018	**114,676,706**	**17,571,150**	**-**	**(660,000)**	**2,993,158**	**(21,925,471)**	**(2,021,163)**
Shares issued for cash (net)	6,300,000	589,710	-	135,000	35,430	-	760,140
Shares issued for convertible debentures	3,181,393	477,209	-	-	-	-	477,209
Shares issued for warrants exercised	889,862	66,740	-	23,996	-	-	90,736
Net loss for the period	-	-	-	-	-	1,906,877	1,906,877
Balance as at September 30, 2019	**125,047,961**	**18,704,809**	**-**	**(501,004)**	**3,028,588**	**(20,018,594)**	**1,213,799**

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

St-Georges Eco-Mining Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

For the nine months ended September 30	2019	2018
	$	$
Operating activities		
Net loss and comprehensive loss for the period	**1,906,877**	(5,921,028)
Non-cash items		
Accretion on convertible debenture	**310,838**	-
Accrued interest on convertible debenture	**379,448**	137,834
Obligation to issue shares for consulting	**-**	(28,250)
Stock-based compensation	**10,452**	1,206,202
Unrealised loss(gain) on marketable digital assets	**(394,301)**	2,791,801
Unrealised loss on short-term investments	**30,000**	-
Loss on sale and payment of marketable digital assets	**53,318**	-
Gain on redemption of debentures	**(72,125)**	-
Gain on disposal properties	**(4,002,053)**	-
Gain on Lithium recovery technology	**(140,000)**	-
	(1,917,546)	(1,813,441)
Net changes in working capital items		
Receivable	**34,365**	(157,267)
Prepaid expenses	**(43,162)**	(573,466)
Digital assets	**-**	(916,891)
Subscription receivable	**158,996**	(590,000)
Accounts payable and accrued liabilities	**732,337**	(52,959)
	882,536	(2,290,583)
Net cash used in operating activities	**(1,035,010)**	(4,104,024)
Investing activity		
Exploration and Evaluation costs	**(100,846)**	(653,556)
Sale of Kings of the North properties	**4,183,000**	-
Sale of digital assets	**624,611**	-
Net cash provided by (used in) investing activity	**4,706,765**	(653,556)
Financing activities		
Convertible debentures, net of costs	**(631,439)**	1,650,759
Long-term receivable	**(4,183,000)**	-
Shares issued for cash, net of issuance costs	**1,133,659**	3,195,727
Reserve	**35,430**	-
Short term investments	**(110,000)**	-
Net cash provided by (used in) financing activities	**(3,755,350)**	4,846,486
Change in cash	**(83,595)**	88,906
Cash, beginning of period	**567,816**	717,198
Cash, end of period	**484,221**	806,104

1. Corporate Information and Going Concern of Operations

St-Georges Eco-Mining Corp. (the "Company" or "St-Georges") was incorporated under the Canada Business Corporations Act on September 21, 2002. The Company is listed on the Canadian Securities Exchange ("CSE"), having the symbol SX, on the OTC PINK, having the symbol SXOOF, and on the Deutsche Börse in Frankfurt (FSE) under the symbol 85G1. The address of the Company's corporate office and principal place of business is 230 Rue Notre-Dame West, Montreal, H2Y 1T3, Canada. The principal activities of the Company are the exploration and evaluation of mineral properties in Canada and Iceland and block-chain technology development.

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At September 30, 2019, the Company has not yet achieved profitable operations, had an accumulated deficit of $20,018,594, had no operating income and had working capital deficiency of $692,925 with long term debt of $5,482,367. As such, the Company's ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying resource claims, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production or proceeds from the disposition thereof. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. Basis of Presentation

a) Statement of Compliance

These condensed consolidated interim financial statements of the Company for the period ended September 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The financial statements of the Company were authorized for issue by the Board of Directors on November 29, 2019.

b) Basis of Measurement

The consolidated financial statements have been prepared on an historical cost basis except for certain assets and liabilities measured at fair value as required under specific IFRS pronouncements.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Basis of Presentation (continued)

c) Basis of Consolidation

These consolidated financial statements comprise the accounts of the Company and the following controlled subsidiaries:

Name	Country of incorporation	Ownership Percentage
Iceland Resources EHF ("Iceland")	Iceland	100%
ZeU Crypto Networks Inc. ("ZeU")	Canada	100%
Borealis Commodities Exchange ehf ("Borealis")	Iceland	100%
Kings of the North Corp. (sold effective September 30, 2019)	Canada	0%

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

d) Comparative Figures

Certain comparative figures may have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

e) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars. The functional currency of Iceland, ZeU, Borealis and Kings of the North is the Canadian dollar. Items in the statement of loss are translated using the weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the closing spot exchange rate for monetary items and historic rate for non-monetary items. Exchange differences on the translation of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss in the statement of comprehensive loss.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Mining Properties and Deferred Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. Tax credits and mining duties are applied to reduce related E&E expenditures in the period recognized.

3. Summary of Significant Accounting Policies (continued)

a) Mining Properties and Deferred Exploration and Evaluation Expenditures (continued)

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. E&E assets are also tested for impairment before the assets are transferred to development properties. Mining exploration and evaluation expenditures are classified as intangible assets.

b) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss.

c) Classification of digital currencies as current assets

The Company's determination to classify its holding of digital currencies as current assets is based on management's assessment that its digital currencies held can be considered to be commodities, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is considering selling its digital currencies in the near future to generate a profit from price fluctuations.

The digital currencies are recorded on the consolidated statements of financial position at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of traditional currencies are included in profit and loss.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital currency. Management has examined various factors surrounding the substance of the Company's operations, including the stage of development of blockchain and the reliability of the measurement of the digital currency received.

3. Summary of Significant Accounting Policies (continued)

d) Financial 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 FVTOCI. 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 if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2019. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Derivative liability	FVTPL	FVTPL
Obligation to issue shares	Amortized cost	Amortized cost

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 the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3. Summary of Significant Accounting Policies (continued)

d) Financial Instruments (continued)

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Other financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. This category includes accounts payable, obligation to issue shares and convertible debentures.

e) Digital assets

The digital assets are traded in active markets and may be resold in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Company has determined that its holding of digital assets should be accounted for under IAS 2, Inventories. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss.

3. Summary of Significant Accounting Policies (continued)

f) Convertible debentures

Convertible debentures are recorded at amortized cost and accounted for as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the principal of the debt to arrive at the net principal to be accreted to face value over the life of the note. The derivative liability is measured at fair value each period subsequent to initial recognition.

g) Tax Credits and Mining Duties

The Government of Quebec provides a 16% non-taxable refundable credit for losses to help operators meet exploration, mineral deposit evaluation and mine development costs by refunding part of eligible expenditures incurred. This credit is based on the lesser of:

- The amount of the annual loss; and
- 50% of eligible exploration expenditures, mineral deposit evaluation and mine development expenses, reduced by tax credits related to resources.

The Government of Quebec also offers businesses having establishments and that carry on activities in Quebec a refundable tax credit of 28% on eligible exploration expenses. Tax credits and mining duties, which are earned as a result of qualifying mineral exploration expenses, are recognized when the exploration expenses are incurred and collection is reasonably assured. They are applied to reduce related mineral exploration expense in the period recognized.

h) Income Taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Summary of Significant Accounting Policies (continued)

i) Share Capital (continued)

Flow-through Shares

The Company may from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

j) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

3. Summary of Significant Accounting Policies (continued)

j) Share-based Payments (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

k) Net income (loss) per Share

The basic net income (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

The diluted loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

l) Rehabilitation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbance caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the explorations sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes: restoration, reclamation, and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. As of September 30, 2019, no rehabilitation provision has been recorded.

m) Net Smelters Return ("NSR") Royalties

The NSR royalties are generally not to be accounted for when acquiring the mining property since they are deemed to be a contingent liability. Royalties are only accounted for when probable and can be measured with sufficient reliability.

n) Application of New and Revised IFRS

IFRS 16 - This standard 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. 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 standard is effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have an impact on the financial statements.

4. Critical Accounting Judgments and Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Judgments

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) Going Concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the recourses to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1.

iii) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

4. Critical Accounting Judgments and Estimates (continued)

b) Estimates

i) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

ii) Digital assets – valuation

Many digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets may not be actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs. These valuations require the Company to make significant estimates and assumptions. Digital assets are generally considered to be commodities or similar to commodities and are treated as inventory for financial reporting purposes. Unrealized gains and losses on digital assets are recorded as net unrealized gain (loss) on digital assets.

iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 14.

iv) Provisions and Contingencies

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

v) Impairment of exploration and evaluation assets

Exploration and evaluation assets shall be assessed for an impairment test when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of exploration and evaluation assets require significant judgment. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals.

(Expressed in Canadian dollars – unaudited)

4. Critical Accounting Judgments and Estimates (continued)

b) Estimates (continued)

vi) Valuation of tax credits related to resources and mining tax credits

Tax credit related to resources and mining tax credit for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection.

The calculation of the Company's credits necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to tax credit related to resources and to mining tax credit, exploration and evaluation assets and income tax expense in future periods.

The amounts recognized in the consolidated financial statements are derived from the Company's best estimation and management's judgment as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore have an impact on the Company's financial position and its cash flows.

5. Digital assets

Digital assets are typically part of a decentralized system of recording transactions and issuance of new units and rely on cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets.

During the year ended December 31, 2018, the Company received $3,708,692 of digital assets in consideration for the issuance of convertible debentures (Note 12). The continuity of digital currencies is as follows:

	Number of Ether coins	**Ether Coins $**
Digital assets received on issuance of convertible debentures	3,936	3,708,692
Revaluation adjustment	-	(3,003,302)
Balance December 31, 2018	3,936	705,390
Sale of digital assets	(1,573)	(508,117)
Payments with digital assets	(608)	(169,977)
Revaluation adjustment	-	394,301
Balance September 30, 2019	1,755	421,597

During the period ended September 30, 2019, the Company sold 1,473 Ether coins for proceeds totalling $423,666 (cost of $470,147) and recorded a loss on sale of $46,481. The Company transferred 100 Ether coins at a value of $23,660 (cost of $37,970) to a debenture holder for buy-back of debentures and recorded a loss on the transfer of $14,310.

During the period ended September 30, 2019, the Company made payments of $163,868 for director fees, travel expenses and prepaid expenses with 572 Ether coins (cost of $156,496) and paid $13,582 with 36 Ether coin (cost of $13,481) for office expenses and research and development expenses. The Company recorded a gain on the payments of $7,473.

5. Digital assets (continued)

As at September 30, 2019, the Company held 1,755 (December 31, 2018 – 3,936) Ether coins. Due to general market changes in digital assets, as at September 30, 2019, the value of the digital assets was $421,597, and accordingly, the Company recorded an unrealized gain of $394,301.

6. Blockchain

On January 14, 2018, the Company assigned its blockchain and smart contract technology license agreement with Qingdao Tiande Technologies Limited ("Tiande") and cash of $496,433 to its wholly owned subsidiary ZeU in consideration of 20,000,000 ZeU common shares and the assumption of the royalty obligations.

Under the terms of the License, Tiande has granted ZeU an exclusive license to use Tiande's proprietary technologies, patents and know-how to develop and commercialize novel mineral commodity production chain control, tracking and trading exchanges. In consideration for the rights granted under the License, ZeU shall pay to Tiande a royalty of 8% of the gross revenues derived from the Licensee.

On January 14, 2018, ZeU entered into a non-binding letter of intent ("LOI") to acquire all of the Blockchain and Smart Contract Technologies assets of Tiande. Pursuant to the terms of the LOI, the proposed consideration for the Transaction is an aggregate amount of CND$150 million payable through the issuance of 150,000,000 common shares and 75,000,000 share purchase warrants in the capital of ZeU. Each warrant will entitle the holder to acquire one share at a price of CND$1.00 for a period of three years following the date ZeU completes a transaction pursuant to which its common shares will either be listed on a recognized stock exchange in North America, or will be exchanged for common shares of a reporting issuer listed on a recognized stock exchange in North America.

On February 8, 2018, the Tiande and ZeU amended the general terms of the LOI, which referred to Qingdao Tiande Technologies Limited instead of Qingdao.

On February 23, 2018, ZeU entered into a definitive asset purchase agreement with Qingdao Tiande Technologies Limited and Beijing Tiande Technologies Limited with the intervention of Guiyan Tiande Technologies Limited to purchase all intellectual property for consideration of up to 150,000,000 common shares through the issuance of 65,000,000 common shares and 75,000,000 common share purchase warrants on the closing date. An additional 10,000,000 common shares will be issued upon satisfaction of milestone conditions. Closing of the transaction was subject to ZeU completing a total financing of up to $30,000,000 in convertible debentures.

On August 13, 2018, ZeU received a termination notice, which was accompanied by a request to negotiate a new agreement. The revised financial demands by Tiande rendered the transaction commercially impossible for ZeU. ZeU has commenced the process of consulting with its legal advisors to seek full reimbursement and compensation of its expenses.

ZeU has been working on a series of patents with the focus on technologies that can be quickly commercially deployed.

On December 21, 2018, ZeU entered into an agreement with Prego International Group AS ("Prego") to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform ("Services").

Under the agreement, ZeU and Prego will share equally the costs of the Services as follows:

- Phase 1 –preface: Innovation lab: US$675,000, including the setup cost and license fees of the full platform;
- Phase 2 –pilot operational: US$750,000, including full system integration with "POC" testing and user testing with stress test of the platform in 60 days with a complete report; and
- Phase 3-project launched and running (upscale/internationalization), including a full platform, service ready to go, for implementation in multiple global markets.

6. Blockchain (continued)

On February 4, 2019, ZeU executed an asset purchase agreement with VN3T Technologies Inc. and its subsidiaries, collectively "VN3T", an arm's length party to acquire the key IP of VN3T's decentralized data market place platform and secured development services. VN3T is based in Montreal and Gibraltar, it develops, manages and markets a decentralized data marketplace.

Under the agreement, the Company paid $150,000 to VN3T for the IP by the issuance of a debenture of the Company maturing 2 years from its issuance and convertible into common shares of the Company at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of $1.85. The Company agreed to retain the services of the VN3T for a gross amount of $60,000 to assist with the development of certain aspects of the IP.

Under the agreement, VN3T also granted the Company an exclusive option to acquire the additional assets for purchase price of $25,000, which would be satisfied by the issuance of a $25,000 debenture under the same terms and conditions.

On March 8, 2019, the Company agreed to provide its patent pending Blockchain Random Number Generator and other related blockchain technologies to St. James House PLC (LSE: SJH)("St. James"), a UK licensed gaming operator, by the way of joint-venture for the establishment of a blockchain lottery. The agreement calls for the establishment of a new lottery joint-venture with its main license in Malta.

The Lottery Joint-Venture ("Lottery JV") will combine St. James' expertise in regulated lottery management and administration with the Company's innovative blockchain based technology. St. James' who will act as the lottery operator and hold a 45% equity interest in the Lottery JV, and the Company will hold 19%, St-Georges will hold 19.9% and the balance with independent investors.

All technology operating costs of the Lottery JV will be met by the Company, and in return the Company will charge a service fee that will not exceed 90% of the revenues from the Lottery JV. Profits generated by the Lottery JV will be distributed as a dividend to the shareholders.

In additional consideration, in excess of the 19.9% of the net profits that it will receive and of the revenues generated and of the fees that will be collected for the technology usage, the Company will receive from St. James ' new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares of a par value of 2 pence("Preferred Shares"). The Preferred Shares will be redeemable in 21 years, the redemption price of the Preferred Shares to be fixed within 3 months after the issue of the audited accounts of the Lottery JV for the second year of operations and will be based on an independent valuation report. At the discretion of the Company, the Preferred Shares may be exchanged on the basis of one Preferred Share for two ordinary shares of 1 pence each in St. James ("Ordinary Shares"), with notice to be given one day before the Preferred Shares are due to be redeemed in 21 years, i.e. a maximum of 200,000 Ordinary Shares may be issued.

On August 2, 2019, ZeU and St. James House have executed a long form agreement for the creation of a Maltese Joint-Venture corporation that will manage the operation of a blockchian-based lottery operated by St. James and developed and maintained by ZeU.

On March 29, 2019, ZeU was retained to develop the global blockchain infrastructure and data mining components of the KinectHub initiative of Kinect Corporation ("Kinect"). KinectHub is a large multi-million-dollar infrastructure project using state-of –the-art technology such as blockchain, distributed storage, anonymity solution and privacy insurances to bring healthcare to third world countries. The scope of work will be starting with a full use case analysis for 30 days. At the end of this period, a Statement of Work will be delivered and used as a development road-map. Kinect will issue 2,000,000 units with the same terms as their current placement offering. The Company will accrue without interest the invoices issued to Kinect up to $600,000 CAD and has the option to convert the amount into royalties.

6. Blockchain (continued)

On May 28, 2019 ZeU signed a binding term sheet with Star Epigone Capital Ltd. ("Star Epigone") of the British Virgin Islands to provide a license for ZeU's Random Number Generator to be used by Star Epigone in its online gaming product offering. Star Epigone has access to an already established clientele through its online gaming business and is planning to integrate lotteries and other gambling offerings using ZeU's technologies solutions.

ZeU also entered into a binding term sheet to acquire 2,100,000 first rank preferred shares of vSekur Network Ltd. ("vSekur"). The shares have a redemption value of $1.00 and bear a 6% annual interest. The preferred shares can be converted into common shares of vSekur at the current value of $1 each, or at the last equity raise price. ZeU will have the right to maintain its equity position with a right of first refusal in all future financing efforts of vSekur. If converted in common shares, this would represent more than 21% of the company outstanding common shares.

ZeU will issue to vSekur approximately 215,325 convertible debenture units with a minimum floor conversion of CAD $3.25 for one year. The transaction is planned to close within 5 days of ZeU listing on a Canadian securities exchange.

In order to further accelerate the development of its blockchain healthcare SaaS solution, ZeU entered into a term sheet with Pure Data Tech Corporation ("Pure") of Hong Kong. Pure has received investment and grants in excess of £1,000,000 up to today, and Pure operates a turnkey solution that includes software, hardware and management services (MIS) for the healthcare industry in South-East Asia with a focus on Singapore and Malaysia. The companies will partner in certain aspects of their development. While Pure will leverage ZeU's blockchain technology, ZeU will be able to integrate Pure's machine learning IP into its Healthcare SaaS solution.

The transaction is expected to close within 5 days of ZeU listing its common shares on a Canadian securities exchange.

ZeU will issue 461,540 subordinated debenture units convertible at a floor price of CAD $3.25 for a total of approximately CAD $1,500,000 and 400,000 three years special warrants in favor of Pure at an execution price of CAD $3.75.

Pure will issue approximately £1,000,000 worth of 1st Rank, Fixed Redeemable and Convertible Preferred Shares of Pure in favor of ZeU currently representing after conversion, 42% of Pure's common shares.

7. Research and development expenses

During the period ended September 30, 2019, ZeU incurred expenditures of $337,914 related to the development of the blockchain technology. Since the technological feasibility has not been yet achieved, all these expenditures were recognized in the statement of loss and comprehensive loss. Future expenditure on the development of the technology may meet the guidelines and could be capitalized at that time.

(Expressed in Canadian dollars – unaudited)

8. Exploration and Evaluation Assets

	Villebon Property	Julie and Isoukustouc Projects	Lithium Propertie s	Le Royal Property	Ungava Property	Iceland Property	Kings of the North	ZeU Crypto Networks	Total
	$	$	$	$	$	$	$	$	$
December 31, 2017	**1**	**501,776**	**32,537**	**239,416**	**2,708**	**783,683**	**-**	**-**	**1,560,121**
Acquisition costs	-	-	-	-	-	1,008,466	68,958	-	1,077,451
Exploration costs	-	133,653	1,668	44,855	-	212,448	111,962	-	504,585
Less: Impairment	-	-	(34,205)	-	(2,708)	-	-	-	(36,912)
December 31, 2018	**1**	**635,429**	**-**	**284,271**	**-**	**2,004,597**	**180,947**	**-**	**3,105,245**
Acquisition costs	-	-	-	-	-	-	-	220,000	220,000
Exploration costs	-	61,793	-	-	-	-	-	-	61,793
Disposal of property	-	-	-	-	-	-	(180,947)	-	(180,947)
September 30, 2019	**1**	**697,222**	**-**	**284,271**	**-**	**2,004,597**	**-**	**220,000**	**3,206,091**

The exploration and evaluation assets are described in more detail below.

Villebon Property

The Villebon Property is located within the Abitibi Greenstone Belt of northwestern Quebec.

In a prior year, the Company concluded there were indications that certain of the remaining claims comprising the asset and may be impaired and as a result, the Company recorded an impairment charge to write the property down to a nominal value.

Julie and Isoukustouc Projects

The Julie Project is located south of Lac La Blache, Quebec and the Isoukustouc Project is located within the Manicouagan River – Manic Complex, Quebec.

The Company continues to pursue exploration activities in the Julie area. Upon the Company exercising the option of its 100% interest in the property and upon commencement of full scale production, the optionor becomes eligible to receive 3% of the NSRs from the Company. The Company has the right to purchase 1.5% of the NSR from the Optionor at any time, but not later than 12 months from the commencement of industrial exploitation of the properties for a total cash sum of $3,000,000.

Lithium Properties

The Lithium Properties are comprised of a block of projects located in Quebec.

During the year ended December 31, 2018, the Company recorded an impairment loss of $34,205 on the Lithium Properties to bring its carrying value to $nil, but still retains the rights.

Le Royal Property

The Le Royal Property is located north of Val d'Or, Quebec.

On July 15, 2016, as last amended on October 7, 2016, the Company entered into an Option Agreement with Lepidico Ltd. (formerly Platypus Minerals Ltd.) ("Lepidico"), a company listed on the Australian Stock Exchange, to jointly acquire up to a 100% interest in the Le Royal Property. The distribution will be a 90% interest for the Company and a 10% interest for Lepico.

(Expressed in Canadian dollars – unaudited)

8. Exploration and Evaluation Assets (continued)

The Company is required to fulfill the following in order to acquire its interest in the Le Royal Property:

<u>Exploration work:</u>	
On or before October 7, 2019	Complete $450,000 in exploration work. Magnor Exploration Inc. will be guaranteed $100,000 of the contracts for work at fair market value.
<u>Milestone payments:</u>	
Payable in cash or issuance of common shares. If the Company elects to issue shares, the number of shares will be determined based on the volume weighted average price for 5 trading days post announcement of the NI43-101 resource.	Compliant NI43-101 5 million tonnes at 1.0%: $500,000 payable in cash or shares. Compliant NI43-101 10 million tonnes at 1.0%: $1,000,000 payable in cash or shares.

Lepidico paid an initial $10,000 and will provide access of its lepidolite-lithium extraction technology to the Company for the Le Royal Property. Lepidico has the option to increase its ownership interest in the Le Royal Property up to 1 year after the date of acquisition by paying the Company 150% of 40% of its total expenditures and after 1 year after the date of acquisition by paying the Company 200% of 40% of its total expenditures.

The optionor is entitled to a 1% NSR, based on zone requirements and can be reduced on the basis of additional claims acquired by the Company, such that the NSR does not exceed 2%. The Company has the right to purchase 0.5% of the NSR from the optionor at any time for a total cash sum of $1,000,000.

Ungava Property

The Ungava Property is located in the Ungava Bay region, Quebec.

During the year ended December 31, 2018, the Company recorded an impairment loss of $2,708 on the Ungava Property bringing its carrying value to $nil.

Iceland Resources EHF

The Iceland Properties are located in Iceland.

On November 16, 2016, the Company entered into a Binding Term Sheet with Iceland Resources, an exploration company incorporated under the laws of the Republic of Iceland, with a focus on the Scandinavian region. On February 28, 2017, the Company and Iceland Resources executed a Purchase of Business Agreement (the "Purchase Agreement"), whereby the Company will acquire all of the issued and outstanding shares of Iceland Resources for total consideration of $850,000 as follows:

- Payment of $500,000 by way of issuance of 6,000,000 common shares of the Company (issued 6,450,000 common shares with a fair value of $129,000 (Note 13) of which 450,000 common shares were finder shares);
- Issuance of a 40% interest in Iceland Resources back to the shareholders of Iceland Resources prior to the acquisition;
- Issuance of a convertible debenture of $350,000, bearing interest at a rate of 6% per annum and maturing December 31, 2026 (Note 12).

(Expressed in Canadian dollars – unaudited)

8. Exploration and Evaluation Assets (continued)

The purchase price was allocated as follows:

	$
Total consideration paid (Shares and debentures)	**479,000**
Allocation to identifiable assets acquired:	
Other assets	(949)
E&E Assets	(478,051)
Residual amount allocated to E&E assets acquired	**479,000**

On October 6, 2018, the Company entered into a share purchase agreement ("SPA") with the minority shareholders of Iceland Resources, to acquire the remaining 40% interest in Iceland Resources, such that Iceland Resources is now a wholly owned subsidiary of the Company.

Under the terms of the SPA, the Company:

- Paid $60,000;
- Issued 727,128 common shares of the Company on December 31, 2018 with a fair value of $36,356; (Note 13)
- Issued 6% capitalised interest debenture convertible into common shares at a price equal to a 5 days VWAP on the day of the conversion, subject to a minimum price of $0.15 per share, for an aggregate principal amount of $300,000; (Note 12) (Converted $255,103 debentures into 1,700,687 shares on January 14, 2019, and converted $22,106 debentures into 147,373 shares on April 11, 2019 (Note 13)) and
- Issued 300,000 share purchase warrants of the Company, exercisable at a price of $0.15 per share for a period of one year with a fair value of $12,110. (Note 13)

On October 11, 2018, Iceland Resources executed a share purchase and subscription agreement with Spá EHF and Íslensk Vatnsorka EHF, to allow Iceland Resources to acquire 15% interest in Íslensk Vatnsorka EHF, a private company with its main project being Hagavatnsvirkjun, a 10-20 MW hydro power plant located just south of Langjokull in Iceland.

The Company may earn a 15% interest in Íslensk Vatnsorka EHF, as follows:

- Acquiring 5% of the Íslensk Vatnsorka EHF securities from Spá EHF in consideration of the issuance of a convertible debenture in the aggregate principal amount of $200,000 bearing interest at a rate of 6% per annum capitalised annually, maturing on the date which is 10 years from its date of issuance, and convertible in shares at a 20% discount from the 7 days volume weighted average price of the share price subject to a minimum of $0.10 per share from its issuance until the Maturity Date; (Converted into 2,000,000 shares on December 31, 2018 (Note 13))
- Subscribing to 10% of the Íslensk Vatnsorka EHF securities in consideration of a convertible debenture in the aggregate principal amount of $200,000 bearing interest at a rate of 6% per annum capitalised annually, maturing on the maturity date, and convertible in shares at the Discount Price subject to a minimum of $0.15 per share; (Converted into 1,333,333 shares on January 14, 2019 (Note 13)); and
- a convertible debenture in the aggregate principal amount of $200,000 bearing interest at a rate of 6% per annum capitalized annually, and convertible in shares subject to a minimum of $0.20 per share (Note 12).

8. Exploration and Evaluation Assets (continued)

Kings of the North Corp. ("KOTN")

During the year ended December 31, 2017, the Company established a wholly-owned subsidiary, Kings of the North ("KOTN"), to facilitate mining transactions in Canada.

On November 14, 2017, the Company reported KOTN planned to "farm-in" the Hemlo North Gold Project.

KOTN entered into a Letter of Intent ("LOI") with Canadian Orebodies (TSX-V:CORE, "CORE") in order to option or "farm-in" CORE's Hemlo North Project. Hemlo North is located approximately 17 km northeast of the Hemlo gold mine in the Ontario's Marathon district.

In order to acquire an initial 50% interest in the Hemlo North Project, KOTN agrees to:

- Pay to CORE a $50,000 cash deposit on or before December 31, 2017;

- Upon execution of the definitive agreement, issue to CORE a $350,000 principal amount secured by a convertible debenture bearing interest at 15% per annum and convertible into common shares at 20 day volume weighted average price at the time of conversion; and

- Incur exploration expenditures of $2,000,000 before December 31, 2018.

In order to acquire an additional 25% interest in the Hemlo North Project (for a total of 75%), KOTN agrees to:

- Issue to CORE a $650,000 principal amount secured by a convertible debenture bearing interest at a rate of 15% per annum and convertible into common shares at a conversion price equal to the price or deemed price per KOTN common share in the most recent transaction in which KOTN issued common shares or securities convertible into common shares and if not previously converted, shall be automatically converted at the market price upon KOTN's common shares being listed; and

- Incur or cause to be incurred an additional $2,000,000 in exploration expenditures and provide a NI 43-101 technical report before December 31, 2019.

In order to acquire an additional 10% interest in the Hemlo North Project (for a total of 85%), KOTN agrees to deliver a positive pre-feasibility study (with going forward recommendations) on the Project before December 31, 2021.

<u>Canadian Orebodies Buyback Option</u>

CORE has the option to buy back up to a 25% interest in the Properties by making the following payments to the Purchaser:
- $1,000,000, and
- 300% x (the qualified expenditures incurred by the Purchaser, as well as any amounts incurred in relation to the production of a technical report and/or a pre-feasibility study) x (percent interest to be bought back by the Vendor)

8. Exploration and Evaluation Assets (continued)

Winter House Option

On November 20, 2017, the Company announced that KOTN entered into an option agreement to acquire an 87% interest in the Winter House project.

In consideration for the 87% interest in the property, KOTN will issue an aggregate of 5,600,000 shares, assume $125,000 in current and on-going exploration expenses and grant a 3% net smelter return royalty on the property.

In June 2018, KOTN issued 2,000,000 shares for the acquisition of Winter House project.

On exercise of the remaining Option, KOTN will have 17,600,000 Shares outstanding, of which St-Georges will hold 68%.

Sale of Kings of the North Corp.

On May 29, 2019, the Company and the minority shareholders of KTON entered into a share purchase agreement with BWA Group PLC ("BWA"), which listed on the London NEX Exchange in the United Kingdom and incorporated under the laws of England and Wales, pursuant to which BWA will acquire of all the issued and outstanding shares of KOTN for an aggregate consideration of $7,500,000 or approximately £4,400,000 unsecured, convertible interest-free loan notes ("Notes") with an initial repayment date three years after issued at a minimum price of £0.005 per share at the time of conversion. The Company owns 50.18%. The acquisition is conditional upon (i) BWA raising a minimum of $850,000 through the issuance of new BWA shares ("Financing"), (ii)BWA subscribing $300,000 in common shares in the capital of the Company at a price equal to the 10VWAP at the time of issue, subject to a minimum of $0.10 per share (" Subscription"), and (iii) the consent of the shareholders of BWA.

On September 30, 2019, BWA's shareholders voted to approve the acquisition of KOTN, and entered into an amendment to the share purchase agreement. The parties agreed to waive the acquisition conditions upon the Financing and Subscription. On September 30, 2019, the Company received £2,451,409 (CAD$4,183,000) of convertible loan notes for the completion of the sale of KOTN to BWA. The Company reversed previous years impairment losses of $774,286, and recognized a gain on the disposal of $3,227,767.

Lithium Extraction Technology

On December 7, 2017, the Company announced that it had entered into a final agreement to deploy its proprietary lithium extraction suite of technologies.

St-Georges and Iconic Minerals Ltd (TSX-V:ICM) ("Iconic") entered into a definitive exclusive technology licensing agreement for all sites to be operated by Iconic and/or its affiliates in the state of Nevada.

In return for a perpetual license for the technologies and its future improvements, Iconic will provide the following to St-Georges:

- Invest by way of private placement CAD $100,000 in St-Georges equity within 6 months or the next private placement offering (Iconic executed its options to invest $100,000 into the share capital of the Company on the private placement closed on January 14, 2019 (Note 13));
- Issue in total 5 million common shares ("Shares") of Iconic to be released in stages, based on benchmarks reached. The performance schedule outlining the stages of each development phase where Shares will be issued according to the schedule below:
    - 2,000,000 shares at Stage 1 Benchmark completion: which is defined by the delivery of an independent laboratory report by the Company (received on August 29, 2019);

8. Exploration and Evaluation Assets (continued)

- 1,500,000 shares at Stage 2 Benchmark completion: which is defined by independent report describing results of initial pilot mining operations and the processing of a minimum of one (1) metric ton in a simulated industrial environment; and

- 1,500,000 shares at Stage 3 Benchmark completion: which is defined by the reception of a Preliminary Economical Assessment Report (PEA) or at commercialization decision or the third (3rd) year anniversary mark of this agreement assuming other issuance have all been done.

  The Shares St-Georges earns in each stage will be escrowed for the duration of 36 months.

- A perpetual Net Revenue Interest Royalty (NRI) of 5% on all minerals produced on sites licensed with SX technologies.

On July 24, 2019, the Company completed the Independent Review of the Stage 1 report name" Bonnie Claire Metallurgical Evaluation and Process Development", and the report was delivered to Iconic. On August 29, 2019, Iconic issued 2,000,000 common shares with a fair value of $140,000 to the Company upon completion of the Stage 1 benchmark. The shares will remain in escrow for three years.

St-Georges Lithium recovery for Clays and Hard Rock Technology

SX technology process lithium bearing material in three (3) phases:

1. Concentrates the lithium bearing material.

2. Converts the lithium to a salt and purifies it through lithium selection. The process involves gasification to activate the lithium and selectively removing the lithium salt from the other elements with the usage of a proprietary technique, which will be kept confidential at this stage.

3. It involves purification and direct production of lithium carbonate or lithium hydroxide and can be linked to a lithium metal production.

On August 8, 2018, the Company announced that it has signed a binding term sheet with Hipo Resources Ltd. ("Hipo"), a public company based in Australia to provide research and development utilizing products, extraction methods and proprietary technology to develop Hipo's Democratic Republic of Congo lithium project in separation, recovery, and purification of lithium from its lithium-bearing material. Once a definitive agreement has been entered into, Hipo will issue to the Company up to 27,000,000 common shares of its capital stock over a 36-month period.

The performance benchmarks over the 36-month period according to the schedule below:

- 1,500,000 shares at signing (received).

- 8,500,000 shares at Stage 1 Benchmark completion: which is defined by the delivery of an independent laboratory report commissioned by the Company, indicating positive viable lithium recoveries.

- 8,500,000 shares at Stage 2 Benchmark completion: defined by independent report describing results of initial pilot mining operations and the processing of a minimum of one (1) metric ton in a simulated industrial environment.

- 8,500,000 shares at Stage 3 Benchmark completion: defined by the receipt of either: a Preliminary Economical Assessment Report (PEA); a commercialization decision; the third (3rd) year anniversary of this agreement assuming all other issuances have been made.

(Expressed in Canadian dollars – unaudited)

8. Exploration and Evaluation Assets (continued)

The Company has agreed that shares issued will be subject to a 36 month escrow period.

The Company will be entitled to a 5% Net Revenue Return Royalty from all metals and minerals extracted and sold using the extraction processing.

9. Marketable Securities

Marketable securities consist of shares of publicly listed companies which are carried at market value.

On August 29, 2019, Iconic issued 2,000,000 common shares with a fair value of $140,000 to the Company upon completion of the Stage 1 benchmark. The shares will remain in escrow for three years. During the period ended September 30, 2019, the Company recorded an unrealized loss of $30,000 (2018 - $nil).

10. Loan Receivable

On September 30, 2019, the Company received £2,451,409 (CAD$4,183,000) of convertible loan notes upon the completion of the sale of KOTN to BWA. The loan notes of BWA are unsecured, interest-free with an initial repayment date of 3 years from its issuance, and convertible into shares of BWA at a minimum price of £0.005 per share at the time of conversion.

11. Accounts payable and accrued liabilities

	September 30, 2019	December 31, 2018
	$	$
Accounts payable (Note 17)	**996,986**	753,703
Accrued liabilities (Note 17)	**891,572**	393,409
	1,888,558	1,147,112

To September 30, 2019, the Company has recorded an obligation of $64,973 (December 31, 2018 - $64,973) for consulting fees to be settled with the issuance of common shares.

12. Convertible Debentures

a) Convertible Debentures issued in 2013

On July 3, 2013, the Company issued Convertible Unsecured Debentures in the aggregate amount of $230,000.

Debentures with a total face value of $115,000 were converted in December 2017 and $115,000 was converted during the year ended December 31, 2018 (comprising of an opening balance of $65,663 as at January 1, 2018 plus accretion expense for 2018 of $49,337) at a conversion price of $0.14 resulting in 819,562 common shares being issued for each conversion.

b) Convertible Debentures issued in 2017

On February 28, 2017, in conjunction with the acquisition of Iceland Resources, the Company issued Convertible Unsecured Debentures (the "Debentures") in the aggregate amount of $350,000 (Note 8).

The Debentures bear interest at the annual rate of 6% calculated annually and payable on a pro-rata basis on conversion or at maturity. The Debentures mature on December 31, 2026. At any time before the maturity date the Debentures are convertible at the option of either the holder or the Company into common shares of the Company or its subsidiary Iceland Resources at a conversion price equal to the market price of the Company's common shares on the day preceding the conversion subject to a $0.10 minimum.

(Expressed in Canadian dollars – unaudited)

12. Convertible Debentures (continued)

b) Convertible Debentures issued in 2017 (continued)

As the conversion price is not fixed, the Company first calculated any derivative liability which was determined to be $nil and as such the full face value was recorded to the debt component.

The 2017 First Debentures	$
Debt component on inception	**350,000**
Accrued interest	17,605
December 31, 2017	**367,605**
Accrued interest	11,047
Converted	(378,652)
December 31, 2018	-

On June 19, 2017, the Company issued Convertible Unsecured Debentures (the "Second Debentures") in the aggregate amount of $351,500.

The Second Debentures bear interest at the annual rate of 10% calculated quarterly in arrears and payable on a pro-rata basis on conversion or at maturity. The Second Debentures mature on December 16, 2018. At any time before the maturity date the Second Debentures are convertible at the option of either the holder or the Company into Units of the Company at a conversion price of $0.05 per Unit. Each Unit is comprised of one common share and one half share purchase warrant; each whole warrant is exercisable into one common share at a price of $0.075 until May 22, 2019.

The Company paid a cash commission of $27,500, and issued non-transferrable finder's warrants valued at $12,735 using the Black Scholes Option Pricing Model to purchase 550,000 Units at $0.05 until December 16, 2018.

At the date of issuance, the Company calculated the debt component of the Second Debentures, representing the present value of interest and principal repayment until December 18, 2018. The difference between the face value and the debt component, net of issuance costs, amounted to $38,997 and represents the conversion option, which was recorded in the equity of the Company.

Second Debentures with a total face value of $301,500 and accrued interest of $14,270 were converted during the year ended December 31, 2017 into 6,312,554 common shares and 3,156,277 warrants. Total interest expense of $16,982 and accretion expense of $73,023 were recorded on the Second Debentures during the year ended December 31, 2017.

The balance of the Second Debentures was converted during the year ended December 31, 2018.

The 2017 Second Debentures	$
Debt component on inception	**272,268**
Accrued interest	16,982
Accretion	73,023
Converted	(315,770)
December 31, 2017	**46,503**
Accrued interest	575
Accretion	3,497
Converted	(50,575)
December 31, 2018	-

12. Convertible Debentures (continued)

c) Convertible Debentures issued in 2018

On October 6, 2018, the Company granted a 6% unsecured convertible debentures for an aggregate principal amount of $300,000. The convertible debenture issued had a maturity date of October 6, 2019 and can be convertible into common shares of the Company at the 5-day weighted average share price, subject to a minimum price of $0.15.

As of the period ended September 30, 2019, $277,209 debentures were converted into 1,848,060 shares. (Note 13)

On October 11, 2018, the Company granted three 6% unsecured convertible debentures for an aggregate principal amount of $600,000. The convertible debentures issued had a maturity date of October 11, 2028 and can be convertible into common shares of the Company at a 20% discount from the 7-day weighted average share price, subject to minimum prices ranging from $0.10 to $0.20.

As of the period ended September 30, 2019, $400,000 debentures were converted into 3,333,333 shares. (Note 13)

As the conversion prices are variable, the Company accounted for the convertible debentures as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the principal of the debt to arrive at the net principal which is recorded at amortised cost and will be accreted to face value over the life of the convertible note. The derivative liability is remeasured at fair value at each period subsequent to initial recognition. The fair value of the derivative liability as at December 31, 2018 was estimated to be $459,980. The Company recognized accretion expenses of $120,567 and interest expense of $12,230 during the period ended December 31, 2018. Debentures with a total face value of $200,000 were converted in December 2018.

On July 5, 2018, ZeU closed an initial tranche of its 10% unsecured convertible debentures offering for an aggregate principal amount of $4,783,692 of which $3,708,692 was subscribed in consideration of digital assets, and $550,000 was issued pursuant to signing bonus as management and consulting fees to be earned over a period of four years. Each convertible debenture issued had a maturity date of July 5, 2020 and can be convertible into common shares of ZeU at the greater of $1.00 or the price listed for each common share on an exchange. As the conversion price is variable, ZeU accounted for the convertible debentures as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the principal of the debt to arrive at the net principal which is recorded at amortised cost and will be accreted to face value over the life of the convertible note. The derivative liability is remeasured at fair value at each period subsequent to initial recognition. The fair value of the derivative liability as at December 31, 2018 was estimated to be $478,991. The Company recognized accretion expenses for $117,145 and interest expense of $235,908 during the period ended December 31, 2018.

The terms of the signing bonus states that the employees must remain employees for a period of four years. If the employee resigns prior to the end of that period, they will be required to reimburse a pro rata portion of the signing bonus back to ZeU. Accordingly, these convertible debentures were recognized to the extent that they vested and the compensation expenses for the period ended December 31, 2018 of $68,750 was recorded in the statement of loss.

On September 10, 2019, the Company bought $95,785 convertible debentures back from the debenture holder with 100 Ether coins, and recorded a gain on the redemption of $72,125.

d) Convertible Debentures issued in 2019

On February 4, 2019, under the agreement with VN3T, ZeU paid $150,000 to VN3T for the IP by the issuance of a debenture of ZeU maturing 2 years from its issuance and convertible into common shares of ZeU at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of $1.85.

12. Convertible Debentures (continued)

d) Convertible Debentures issued in 2019 (continued)

On February 25, 2019, ZeU retained the services of Cassiopeia Services Ltd. ("CSL"), a UK based communication and investors awareness firm specialized in blockchain out of London UK. ZeU issued $50,000 debentures to CSL and the convertible at $1.00 per share for 2 years.

During the period ended September 30, 2019, the Company recognized total accretion expenses of $310,838 (2018 - $nil) and total interest expenses of $379,448 (2018 - $137,833).

13. Share Capital

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value. The share capital of the Company consists only of fully paid common shares.

The holders of common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

2018

On December 31, 2018, the Company completed a non-brokered private placement of 2,550,000 flow-through units priced at $0.10 per unit, for total proceeds of $255,000 less share issuance costs of $3,136. Each unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share at an exercise price of $0.20 per share on or before September 30, 2019, and thereafter at an exercise price of $0.50 per share on or before June 30, 2020, subject to a price adjustment and accelerated vesting in the event the VWAP of the shares of the Company exceeds $0.25 for 10 days.

On December 31, 2018, the Company issued 2,000,000 common shares to Spá EHF on conversion of $200,000 of the debentures issued as partial consideration of an acquisition of 15% equity interest in Íslensk Vatnsorka EHF.

On December 31, 2018, the Company issued 727,128 common shares for $36,356 as partial consideration pursuant to the share purchase agreement with the minority shareholders of St-Georges Iceland Ltd. (Note 8).

On July 13, 2018, the Company issued 2,157,648 common shares on conversion of $378,652 of the Iceland debentures and accrued interest (Note 12).

On August 1, 2018, the Company issued 260,768 common shares with a fair value of $59,977 to settle debts, resulting in a loss on debt settlement of $20,713.

During the year ended December 31, 2018, the Company issued 1,868,603 common shares for $166,236 as payment for debentures.

During the year ended December 31, 2018, the Company issued 14,550,960 common shares for $2,814,438 for the exercise of warrants and issued 113,000 common shares for $33,900 as warrants exercise payment to settle the former chief Financial Officer claims.

During the year ended December 31, 2018, the Company issued 450,000 common shares for $33,750 for the exercise of stock options.

13. Share Capital (continued)

a) Common Shares (continued)

2019

On January 14, 2019, the Company completed a private placement by issuing a total of 6,300,000 units at a price of $0.10 per unit for a gross proceeds of $630,000, each unit being comprised of one common share and one share purchase warrant, entitling the holder to purchase an additional share at a price of $0.185 per share until January 14, 2021. At its discretion, the Company will be able to force the exercise of the warrants if the price of the common shares is at or above the VWAP of $0.85 for 10 consecutive days. A total of $13,200 cash and finder's warrants were paid allowing the purchase up to 165,000 shares of the Company at $0.10 per share on or before January 14, 2020.

On January 14, 2019, the Company issued 1,333,333 shares to Íslensk Vatnsorka EHF for its conversion of $200,000 debentures in shares of the Company at a price of $0.15 per share as partial consideration to acquire a 15% equity interest in Íslensk Vatnsorka EHF.

On January 14, 2019, the Company issued 1,700,687 shares to for the conversion of $255,103 debentures in shares of the Company at a price of $0.15 per share as partial consideration under the share purchase agreement dated October 11, 2018.

On April 11, 2019, the Company issued 147,373 shares to for the conversion of $22,106 debentures in shares of the Company at a price of $0.15 per share as partial consideration under the share purchase agreement dated October 11, 2018.

On May 22, 2019, the Company issued 889,862 common shares for $66,740 for the exercise of warrants.

At September 30, 2019, the Company had $501,004 in subscriptions receivable.

b) Preferred shares

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value. To September 30, 2019, the Company has not issued any preferred shares.

c) Share-based payment reserve

The share-based payment reserve account is used to record the accumulated fair value of stock options recognized as share-based payments. The reserve is increased by the fair value of these items on vesting and is reduced by the corresponding amounts when options are exercised (Note 14).

(Expressed in Canadian dollars – unaudited)

13. Share Capital (continued)

d) Warrants

The following is a summary of changes in warrants from January 1, 2018 to September 30, 2019:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance as at January 1, 2018	**21,453,639**	**0.18**
Issued	**1,875,000**	0.18
Exercised	**(14,663,960)**	0.19
Balance as at December 31, 2018	**8,664,862**	**0.15**
Issued	**6,465,000**	**0.18**
Exercised	**(889,862)**	**0.075**
Expired	**(1,275,000)**	**0.20**
Balance as at September 30, 2019	**12,965,000**	**0.17**

On September 30, 2019, 1,275,000 warrants expired unexercised.

At September 30, 2019, the warrants have a remaining average life of 0.73 years.

14. Share-based Payments

Stock Option Plan

On September 1, 2009, the Company established a stock-based compensation plan. Under the stock-based compensation plan, the board of directors of the Company may, from time to time, at its discretion, and in accordance with CSE requirements, grant to directors, officers and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five (5) years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding Common Shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to expiry date of such option.

The subscription price of the shares which may be issued under the plan must not be lower than the closing price of the last regular board lot sold on the CSE on the trading day immediately preceding the date of grant. The option price is payable in full at the time the options is exercised. The vesting periods in respect of the options are determined by the Board of Directors at the time of each grant of options.

During the year ended December 31, 2018, the Company issued 5,800,000 stock options, vesting immediately, with an exercise price of $0.80. The Company estimated a grant date fair value of these options of $1,304,594. The grant date fair values of these options were estimates based on the following assumptions: share price at grant date of $0.225; exercise price of $0.80; expected life of 5 years; expected volatility of 335%; risk free interest rate of 2.16%; expected dividend yield rate of 0%; and forfeiture rate of 0%. Stock based compensation of $1,304,594 was incurred during the year ended December 31, 2018 related to the vesting of options granted in the 2018 year.

During the period ended September 30, 2019, the Company granted 100,000 options to Cassiopeia Services Ltd., ("Cassiopeia"), a London-based public and investor relations firm and priced at the same price as management issued options.

(Expressed in Canadian dollars – unaudited)

14. Share-based Payments (continued)

Stock Option Plan (continued)

The following options were outstanding as at September 30, 2019:

Grant Date	Expiry Date	Exercise Price	Opening balance December 31, 2018	Issued	Cancelled/ Exercised/ Expired	Closing balance September 30, 2019	Vested
April 3, 2014	April 3, 2019	$ 0.20	650,000	-	(650,000)	-	-
July 19, 2016	July 19, 2019	$ 0.075	200,000	-	(200,000)	-	-
July 19, 2016	July 19, 2021	$ 0.075	2,400,000	-	-	2,400,000	2,400,000
July 28, 2016	July 28, 2019	$ 0.075	200,000	-	(200,000)	-	-
June 1, 2017	June 1, 2022	$ 0.075	625,000	-	-	625,000	625,000
April 19, 2018	April 19, 2023	$ 0.80	5,250,000	-	-	5,250,000	5,250,000
February 28, 2019	February 28, 2021	$ 0.80	-	100,000	-	100,000	100,000
			9,325,000	100,000	(1,050,000)	8,375,000	8,375,000

At September 30, 2019, the stock options have a weighted average exercise price of $0.54 (December 31, 2018- $0.49) and weighted average remaining life of 2.96 years (December 31, 2018 – 3.35 years).

15. Financial Risk Management and Financial Instruments

Financial Risk

The primary goals of the Company's financial risk management 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 balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk.

Market Risk

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private placements.

As at September 30, 2019, the Company has current liabilities of $1,953,531 due within 12 months and has cash of $484,221 to meet its current obligations. As a result, the Company does face some liquidity risk considering its long term debt.

15. Financial Risk Management and Financial Instruments (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-interest rates. The Company's convertible debentures have fixed interest rates and accordingly are not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk to be minimal.

Fair Value Measurement

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments are considered to be a reasonable approximation of fair value because of their short-term maturities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Derivative liability is measured using level 3 inputs. The fair value was estimated using Black-Scholes Option Pricing Model. Cash is measured using level 1 inputs.

16. Capital Management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2019, the Company's shareholders' equity was $1,213,799. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

(Expressed in Canadian dollars – unaudited)

16. Capital Management (continued)

The capital for expansion is mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of exploration and development work on its properties, and for working capital purposes. Additional funds will be required to finance the Company's corporate objectives. There was no change in the Company's capital management policy for the period ended September 30, 2019. The Company is not currently exposed to any externally imposed capital requirements.

17. Related Party Transactions

a) Related party transactions

During the period, the Company incurred transactions with related parties including companies or subsidiaries controlled by its Chief Executive Officer, President, CFO, Directors, Vice President of Exploration and corporate secretary. During the period ended September 30, 2019, the Company incurred management and administration fees, including bonuses, of $542,868 (2018 - $625,750), and consulting fees of $301,647 (2018 - $nil) which were expensed as research and development costs. 50% of the CEO's time was devoted to research and development.

During the year ended December 31, 2018, the CEO and CTO of ZeU received a signing bonus in the form of convertible debentures in the amount of $250,000 and $150,000 respectively which will be recognised over the vesting period of 4 years.

b) Due to Related Parties

At September 30, 2019, included in accounts payable and accrued liabilities is $499,997 (December 31, 2018 - $350,515) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

c) Stock Options Granted

During the year ended December 31, 2018, a total of 4,250,000 stock options were granted to the key management to purchase common shares of the Company at an exercise price of $0.80 per share on or before April 19, 2023. The Company also incurred stock based compensation of $955,952 with related parties during the year ended December 31, 2018.

18. Segmented Information

The Company currently operates two operating segments: the acquisition and exploration of mining properties and block-chain technology development. All of the Company's activities are conducted in Canada and Iceland.

Key decision makers review assets, liabilities and operating expenses as the primary indicators of segment information. The primary indicators are as follows:

September 30, 2019	Exploration of mining properties	Block-chain technology development	Total
	$	$	**$**
Assets	7,780,844	868,853	**8,649,697**
Liabilities	1,381,261	6,054,638	**7,435,899**
Operating expenses	(935,256)	(1,683,028)	**(2,618,284)**

(Expressed in Canadian dollars – unaudited)

18. Segmented Information (continued)

December 31, 2018	Exploration of mining properties	Block-chain technology development	Total
	$	$	**$**
Assets	3,367,257	1,247,185	**4,614,442**
Liabilities	1,472,555	5,163,050	**6,635,605**
Operating expenses	(3,246,864)	(1,408,758)	**(4,655,622)**

19. Subsequent Events

- On October 11, 2019, 300,000 warrants expired unexercised.

- On October 31, 2019, the Company converted £300,000 ($511,000) of convertible loan notes into 60,000,000 ordinary shares of BWA, representing 23.75% of BWA's enlarged issued share capital. The Company has been notified by BWA that the shares will be admitted to trading on the NEX Exchange Growth Market in London, effective November 6, 2019. After the conversion, the Company has £2,151,409 worth of loan notes outstanding at an approximate value of $3,671,427.

- On November 13, 2019, ZeU completed a 12% unsecured convertible debentures financing for aggregate principal amount of $7,824,000, subscribed in consideration of digital assets, consisting of 24,000,000 Kamari ("KAM"), at a deemed value of CAD$0.326 each. Each convertible debenture shall be convertible into common shares of ZeU at a price equal to the greater of (i)$1.5, and (ii) if the date of any conversion occurs after ZeU completed a transaction ("Liquidity Event") pursuant to which it will become a "reporting issuer" under applicable Canadian securities laws and the ZeU shares would be listed and posted for trading on a recognized exchange, the 10-day volume-weighted average trading price of the ZeU shares, immediately prior to the applicable conversion date. The debenture issued pursuant to the offering will have a maturity date of May 12, 2022.

  Upon the occurrence of a Liquidity Event, ZeU will be entitled to require the holders of the convertible debentures to convert up to 50% of the principal amount outstanding, together with any accrued and unpaid interest owing thereon, into ZeU shares at the conversion price.

  The KAM forming the consideration are subject to the following voluntary transfer restrictions: (i) in any one-month period, transfer, directly or indirectly, is limited to 1/30th of the total number of KAM forming the consideration; and (ii) in any given day, any sale on an exchange is limited to 5% of the total volume of KAM traded, without the prior written consent of Kamari.

  The securities issued in connection with the offering are subject to the applicable statutory hold period ending March 12, 2020. Closing of the offering is subject to receipt of applicable regulatory approvals including the approval of the CSE.

- On November 13, 2019, ZeU also executed a joint venture agreement with Kamari Limited ("Kamari") of Malta for the joint development and deployment of lotteries and gaming offering in Africa ("JV Co.").

  Under the terms of the JV Co., both parties agreed to invest up to Euro 50,000, ZeU agreed among other things, to grant JV a non-exclusive licence to its technologies in exchange for a 30% interest in JV Co., and Kamari agreed to provide JV Co. with support in accessing online lottery markets exchange for a 70% interest in JV Co.