

Consolidated Financial Statements  
(Expressed in Canadian dollars)

**FINEQIA INTERNATIONAL INC.**

Years ended September 30, 2020 and 2019

## **Independent Auditor's Report**

To the Shareholders of Fineqia International Inc.

### **Opinion**

We have audited the consolidated financial statements of Fineqia International Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in (deficit) equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

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

### **Material uncertainty related to going concern**

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended September 30, 2020 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

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

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

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

The engagement partner of the audit resulting in this independent auditor's report is Koko Yamamoto.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
January 28, 2021

# Fineqia International Inc.

## Consolidated statements of financial position

(Expressed in Canadian Dollars)

For the years ended

	Notes	September 30, 2020	September 30, 2019
		\$	\$
<b>Assets</b>			
Current assets			
Cash		6,467	9,773
Receivables	5	239,503	28,772
Prepaid expenses and deposits		64,844	29,864
<b>Total current assets</b>		<b>310,814</b>	<b>68,408</b>
Receivables	6	938,933	1,346,000
Investments	8	1,590,732	1,359,188
<b>Total assets</b>		<b>2,840,479</b>	<b>2,773,597</b>
<b>Liabilities and Shareholders' Equity (Deficit)</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	464,609	351,723
Due to related parties	5	3,046,903	2,815,070
<b>Total current liabilities</b>		<b>3,511,512</b>	<b>3,166,793</b>
Long term liabilities			
Accounts payable	7	403,421	403,421
Loans	7	74,276	-
<b>Total Liabilities</b>		<b>3,989,209</b>	<b>3,570,214</b>
Shareholders' deficit			
Share capital		11,156,320	11,156,320
Contributed surplus	10	2,602,073	3,450,046
Deficit		(14,907,123)	(15,402,983)
<b>Total shareholders' deficit</b>		<b>(1,148,730)</b>	<b>(796,617)</b>
<b>Total liabilities and shareholders' deficit</b>		<b>2,840,479</b>	<b>2,773,597</b>

Nature of operations (Note 1), going concern (Note 2), contingencies and commitments (Note 12)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Bundeep Singh Rangar"

"Stephen John McCann"

# Fineqia International Inc.

## Consolidated statements of loss and comprehensive loss

(Expressed in Canadian dollars)

For the years ended

		Twelve months ended	
		September 30 2020	September 30 2019
		\$	\$
<b>Revenue</b>	5	<b>397,676</b>	238,547
<b>Total Revenue</b>		<b>397,676</b>	238,547
<b>Expenses</b>			
Salaries and wages	5	<b>624,800</b>	680,000
Professional fees, consulting and advisory	5	<b>166,934</b>	359,564
Promotion		<b>107,235</b>	169,506
Travel and lodging		<b>37,019</b>	55,090
Office costs		<b>3,334</b>	4,159
Insurance		<b>6,996</b>	28,471
Transfer agent and filing fees		<b>8,725</b>	7,850
Bank service charges		<b>1,968</b>	2,241
Foreign exchange (gain) loss		<b>(87,885)</b>	20,177
Unrealized fair value (gain) on investment	8	<b>(101,083)</b>	(175,758)
<b>Total Expenses</b>		<b>768,043</b>	1,151,301
<b>Loss before finance income</b>		<b>(370,367)</b>	(912,753)
<b>Finance income</b>			
Interest income		<b>18,254</b>	18,123
<b>Loss before tax</b>		<b>(352,113)</b>	(894,630)
<b>Tax recovery</b>	12	-	-
<b>Net loss and comprehensive loss for the year</b>		<b>(352,113)</b>	(894,630)
Basic and diluted loss per share	3	<b>(0.0005)</b>	(0.0012)
Weighted average number of common shares outstanding - basic and diluted		<b>760,013,064</b>	760,013,064

See accompanying notes to the consolidated financial statements.

# Fineqia International Inc.

## Consolidated statements of changes in (deficit) equity

(Expressed in Canadian dollars)

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	<u>Share capital</u>				
	<u>Number of shares</u>	<u>Amount (\$)</u>	<u>Contributed Surplus (\$)</u>	<u>Deficit (\$)</u>	<u>Total (\$)</u>
<b>Balance at September 30, 2018</b>	<b>760,013,064</b>	<b>11,156,320</b>	<b>3,473,296</b>	<b>(14,531,603)</b>	<b>98,013</b>
Expired options and warrants	-	-	(23,250)	23,250	-
Net loss and comprehensive loss for the year	-	-	-	(894,630)	(894,630)
<b>Balance at September 30, 2019</b>	<b>760,013,064</b>	<b>11,156,320</b>	<b>3,450,046</b>	<b>(15,402,983)</b>	<b>(796,617)</b>
Expired options and warrants	-	-	(847,973)	847,973	-
Net loss and comprehensive loss for the year	-	-	-	(352,113)	(352,113)
<b>Balance at September 30, 2020</b>	<b>760,013,064</b>	<b>11,156,320</b>	<b>2,602,073</b>	<b>(14,907,123)</b>	<b>(1,148,730)</b>

See accompanying notes to the consolidated financial statements.

# Fineqia International Inc.

## Consolidated statements of cash flows

(Expressed in Canadian dollars)

For the years ended

	Notes	September 30 2020	September 30 2019
		\$	\$
<b>Cash flows from operating activities</b>			
Net loss		(352,113)	(894,630)
Adjustments for non-cash items:			
Investments		(231,544)	(175,758)
Accretion on loan		(11,740)	
Changes in non-cash working capital items:			
Receivables		(210,731)	(57,365)
Prepaid expenses and deposits		(34,980)	6,852
Accounts payables and accrued liabilities		112,886	821,699
Cash flows from operating activities		(728,222)	(299,202)
<b>Cash flows from financing activities</b>			
Bounce Back Loans		86,016	-
Advances from related parties		231,833	-
Cash flows used in financing activities		317,849	-
<b>Cash flows from investing activities</b>			
Repayment of advances from related parties		407,067	971,048
Advances to related parties		-	(1,287,453)
Investments		-	(79,297)
Cash flow used in investing activities		407,067	(395,702)
Net decrease in cash		(3,306)	(694,904)
Cash, beginning of year		9,773	704,677
Cash, end of year		6,467	9,773

### Supplemental Cash Flow Information

	\$	\$
Share issued on cashless exercise of Phunware warrants (Note 8)	-	32,521
Investments acquired through payable to related party (Note 8)	-	363,857

See accompanying notes to the consolidated financial statements



# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 1. Nature of operations

Fineqia International Inc. ("Fineqia" or the "Company"), was incorporated in British Columbia under the Business Corporations Act on June 20, 2006. On August 2, 2016, the Company changed its business to become a platform for the emerging area of alternative finance known as crowdfunding. The Company's corporate head office and principal place of business is Suite 804, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, Canada. The Company's shares are listed on the Canadian Securities Exchange ("CSE") exchange under the symbol FNQ.

The Company's strategic focus has been to provide a platform and associated services to support security issuances and manage administration of debt securities. The platform is designed to bring an issuing company's minibonds to market, by distributing and marketing minibonds to the crowd, as well as transparently highlighting the risks and objectively outlining opportunities involved.

The platform went live on November 1, 2017. The essence of Fineqia's platform is to match those companies that are originating asset-backed loans, with financial institutions, family offices, hedge funds, and more. The Company's focus is therefore as much on investors seeking high yield as those seeking to raise capital.

### 2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The ability of the Company to continue as a going concern is dependent upon its ability to obtain financing on reasonable terms and to attain profitable operations and further fund operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate additional financing in the future, in which case the Company may be unable to meet its obligations. In the event that the Company is not able to secure additional financing and continue as a going concern, material adjustments may be required to the carrying value of assets and liabilities and the statement of financial position classifications used.

The Company had a loss of \$352,113, for the year ended September 30, 2020 (2019-\$894,360), a deficit as at September 30, 2020 of \$14,907,123 (2019 - \$15,402,983) and a net working capital deficiency of \$3,200,698 as at September 30, 2020 (2019 - \$3,098,385). These conditions indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not contain the adjustments that would be necessary if the Company was unable to continue as a going concern. Such adjustments would include presenting assets at their recoverable amounts, which would be likely to result in further provisions to the current carrying amounts in these consolidated financial statements and to providing for further liabilities that might arise on a break up basis of presentation.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies

#### *Statement of Compliance*

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting principles applied in the preparation of these consolidated financial statements included herein have been applied consistently for each of the periods presented.

These financial statements have been authorized for issuance by the Company’s Board of Directors on January 28, 2021.

#### *Basis of Consolidation*

Fineqia Limited, incorporated in the UK, is the operating company and 100% owned legal subsidiary of the Company. The Company incorporated Fineqia Investments Limited, a Malta incorporated entity, during the year ended September 30, 2018. In addition, the Company has a wholly owned interest in Blue Gold Tailing Technologies, incorporated in Ontario, which is inactive.

Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

#### *Basis of Preparation*

The financial statements of the Company have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. The financial statements have also been presented on an accrual basis, except for cash flow information.

#### **(a) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash held on deposit with banks, other highly liquid short-term interest bearing investments with maturities of 90 days or less than the original date of acquisition and bank overdrafts. The Company did not have any cash equivalents during the years ended September 30, 2020 and 2019.

#### **(b) Government assistance**

Government grants are recognized when the Company qualifies for such grants and where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. During the year ended September 30, 2020, the Company received a government grant of £10,000 which was included in operations. See also Note 7.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### (c) *Share-based payments*

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of share-based payments is determined using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When options are exercised, their grant date fair value is reclassified from contributed surplus to share capital.

In situations where the Company issues units, the value of warrants is included in the contributed surplus. The grant date fair value of warrants included in units is determined using the Black-Scholes option pricing model. When options or warrants expire unexercised, their grant date fair value is reclassified from contributed surplus to deficit.

#### (d) *Investments*

Purchases and sales of investments are recognized on a trade date basis. Public and private investments at fair value through profit or loss are initially recognized at fair value, with changes in fair value reported in profit (loss).

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

Transaction costs are expensed as incurred in profit (loss). The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such changes in valuations in the statements of comprehensive loss. The Company is also required to present its investments into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (see Note 11, "Financial instruments and risk management"). The three levels are defined as follows:

Level 1 – investment with quoted market price;

Level 2 – investment which valuation technique is based on observable market inputs; and

Level 3 – investment which valuation technique is based on non-observable market inputs.

Publicly-traded investments:

1. Securities, including shares, options, and warrants that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 as disclosed in Note 11.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

2. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. Shares that are received as part of a private placement that are subject to a standard four-month hold period are not discounted. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee corporation, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. These are included in Level 2.

3. Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model if sufficient and reliable observable market inputs are available. If no such market inputs are available or reliable, the warrants and options are valued at intrinsic value. These are included in Level 2.

The amounts at which the Company's publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

Privately-held investments:

1. Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 as disclosed in Note 11. Options and warrants of private companies are carried at their intrinsic value.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

2. An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that, for example, reduce the corporate tax burden, or reduce or eliminate the need for regulatory approvals;
- receipt by the investee company of regulatory approvals, which allow the investee company to proceed with its project(s);
- release by the investee company of positive operational results, and;
- important positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

3. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that increases the tax burden on companies, that increases the need for regulatory approvals, etc.;
- denial of the investee company's application for regulatory approvals that prohibit the investee company from proceeding with its projects;
- the investee company releases negative operational results;
- changes to the management of the investee company take place that the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
- the investee company is placed into receivership or bankruptcy; and
- based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### *(e) Financial instruments*

##### **Financial assets**

##### **Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. The Company had classified a promissory note with an equity conversion option as financial assets measured at FVPL. Other receivables held for collection of contractual cash flows and cash are measured at amortized cost.

##### **Subsequent measurement – financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss.

##### **Subsequent measurement – financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company’s investments are classified as financial assets at FVPL.

##### **Subsequent measurement – financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### **Derecognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### **Impairment of financial assets**

The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### **Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, loans payable and due to related parties, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

##### **Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of loss.

#### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

##### **(f) Revenue recognition**

The Company earns finder's fees and consulting fees. This revenue is recognised at the fair value of the consideration received or receivable when the services have been provided and collectability is reasonably assured.

##### **(g) Income taxes**

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in net loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the related tax is recognized directly in equity or in other comprehensive loss.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

Current income taxes are recognized for the estimated income taxes payable or recoverable for the current year based on substantively enacted tax rates at the reporting date. Deferred income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carry forwards that are probable, and for which taxable profit will be available against which the asset can be realized. Deferred income tax assets and liabilities are measured using substantively enacted tax rates that are anticipated to be in effect when the differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs.

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in net loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the related tax is recognized directly in equity or in other comprehensive loss.

Deferred income taxes are reviewed at each reporting date and to the extent that the Company does not consider it probable that a deferred income tax asset will be recovered, a deferred tax asset is not recognized

#### (h) Leases

Accounting under IFRS 16 effective October 1, 2019

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.



# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. The Company did not have any leases during the year ended September 30, 2020.

Accounting for leases for periods prior to October 1, 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. Related expense such as maintenance and insurance expense are charged to income as incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful life or their lease terms. The corresponding rental obligations are included in other long-term liabilities as finance lease liabilities. Interest incurred on finance leases is charged to the consolidated statement of operations on an accrual basis. The Company does not have any finance leases.

#### *(j) Share capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects. Equity to be issued is recognized when an agreement to acquire shares has been entered into, consideration has been received and there is an obligation to issue shares. Equity to be issued is transferred to common shares once the shares have formally been issued.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### (k) *Basic and diluted loss per share*

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the “if converted” method.

Since the Company had losses during the years ended September 30, 2020 and 2019, all outstanding warrants and share options were not included in this calculation as they would be anti-dilutive

#### (l) *Foreign exchange*

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each reporting date to reflect exchange rates prevailing at that date. Foreign exchange gains and losses are included in the consolidated statement of loss.

### CHANGES IN ACCOUNTING POLICIES

During the year ended September 30, 2020, the Company also adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16, IAS 23, IFRIC 23. The Company adopted IFRS 16 retrospectively from October 1, 2019 with no restatement of comparatives for the year ended September 30, 2019. These new standards and changes did not have any material impact on the Company's financial statements.

### Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after October 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 - Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the asset sold or contributed constitutes a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 4. Significant management judgements and estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Valuation of receivables* – The valuation of receivables is based on management's best estimate of the fair value of the financial instrument and is based on management's analysis of the ability of the debtor to repay the amount. This analysis included consideration of the assets of the debtor and consideration of the current and future expected profitability and cash flows of the debtor. Short-term receivables are due on demand and have therefore been classified as current assets based on management's expectation that it will realize the receivables prior to September 30, 2021. Changes in the financial condition of the counterparties may result in changes to the collectability of the receivables, resulting in credit losses. Such losses can result in a material change to the Company's assets.

The Company recognizes a loss allowance for expected credit losses on receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognizes lifetime ECLs for amounts receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. Financial assets in this category include receivables

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 4. Significant management judgements and estimates (continued)

*Share-based payments and warrants* - The estimation of share-based payment costs and warrant valuations requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's share price, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

*Income, value added, withholding and other taxes* –The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

*Impairment* – In assessing impairment, management must determine the level at which independent cash flows exist, the asset or an asset grouping. Estimates of the recoverable amount of each asset or cash generating unit is determined. Estimation uncertainty relates to assumptions about the value in use of such assets.

*Fair value of investments in securities not quoted in an active market or private company investments* - Where the fair values of investments recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Notes 8 and 11 for further details

*Investment in associate* - Investments in associates are accounted for using the equity method, whereby the investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the investment. The Company's share of the results of operations of an associate is reflected in the profit and loss. An associate is an entity in which the Company has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. Management reviews and makes considerations for the relevant factors in determining whether significant influence exists in investments. During the years ended September 30, 2020 and 2019, the Company determined it did not have any associates.

*Functional currency determination* - The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar. Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates, and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 5. Related party transactions

The following is the detail of remuneration paid or accrued to key management personnel during the year ended September 30, 2020:

Name of Officer/ Director	Position	Nature of Payment	Fees Accrued/Paid (\$)
Bundeep S. Rangar	CEO, Director	Consulting/Board Fees	254,000
Steve McCann	CFO, Director	Consulting/Board Fees	182,000
Martin Graham	Chairman, Chair of Audit Committee	Board Fees	64,000
Brij Chadda	Director	Board Fees	20,000
IndusView UK Ltd.	A company controlled by a director and officer	Consulting Fees	30,000
Rooftop Ventures Inc.	A company controlled by a director and officer	Consulting Fees	68,800
			618,800

The following is the detail of remuneration paid or accrued to key management personnel during the year ended September 30, 2019:

Name of Officer/ Director	Position	Nature of Payment	Fees Accrued/Paid (\$)
Bundeep S. Rangar	CEO, Director	Consulting/Board Fees	256,000
Steve McCann	CFO, Director	Consulting/Board Fees	184,000
Martin Graham	Chairman/Chair of Audit Committee	Board Fees	60,000
Brij Chadda	Director	Board Fees	24,000
Marty Bernholtz	Director	Board Fees	22,000
IndusView UK Ltd.	A company controlled by a director and officer	Consulting Fees	30,000
Rooftop Ventures Inc.	A company controlled by a director and officer	Consulting Fees	113,000
			689,000

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 5. Related party transactions (continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the years ended September 30, 2020 and 2019.

Key management personnel were granted stock options with a grant date value of \$Nil expensed during the year ended September 30, 2020 (2019 - \$Nil).

Due to related parties as at September 30, 2020 of \$3,046,903 (2019 - \$2,815,070) is comprised of amounts owing to certain directors, officers and companies controlled by officers of the Company or companies that directors and officers have significant influence over. These amounts are unsecured, non-interest bearing and due on demand.

Officers and companies controlled by officers also have common shareholdings in the investments as detailed in Note 8.

During the year ended September 30, 2020, the Company charged \$200,000 (2019 - \$150,000) for consulting fees and \$149,200 (2019 - \$88,547) for finder's fees to PremFina Limited, a corporation controlled by officers and directors of the Company. Included in current receivables as at September 30, 2020, is \$90,968 (2019 - \$58,547) due from PremFina Limited. This balance was received subsequent to year-end

See also Note 6.

### 6. Receivables

Included in the receivables amount of \$938,933 as at September 30, 2020 (2019 - \$1,346,000) is \$938,933 (2019 - \$912,723) receivable from IXL Holdings Limited, a Company located in Malta with UK operating subsidiaries IXL PremFina Limited and PremFina Limited. A director and officer of the Company is the controlling shareholder of IXL Holdings Limited.

Interest accrued on the receivables amount at a rate of 2% per annum from the date of the loan until the receivables are settled. Interest income for the year ended September 30, 2020 is \$18,254 (2019 - \$18,123). IXL Holdings Limited has the option to repay the receivables through the issuance of IXL PremFina Limited ordinary shares, valued at market value of the shares at the time of issuance.

The receivable is due on demand; however, any portion of the receivable that is expected to be realized after 12 months have been included as long-term receivables.

### 7. Long term liabilities

During the year ended September 30, 2018, the Company transferred \$403,421 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the Limitations Act (Ontario). The Statute-barred Claims related to expenses incurred by the Company related to prior business activities, which are no longer active. The Statute-barred Claims are classified as long-term liabilities since the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims.

During the year ended September 30, 2020, the Company received a £50,000 (C\$86,017) bank loan under the Bounce Back Loans Scheme (BBLs) through its UK subsidiary, Fineqia Limited. The loan is to give support as a result of the Coronavirus Pandemic and guaranteed by the UK Government. The loan is for a maximum of six years, no repayments are payable in the first year. The interest rate is 2.5% p.a. with the first year's interest being paid by the UK Government. The interest rate of 2.5% p.a. is less than a commercial rate. Fineqia Limited has been quoted a commercial rate of 5.1% p.a. by its bank, Bank of Scotland. The Company intends to repay the Loan over years 2-6 with equal, £10,000 annual repayments. The fair value of the loan is calculated as £43,175 (C\$74,276).

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 8. Investments

During the year ended September 30, 2019, the Company had the following investment transactions:

On December 26, 2018, Phunware completed a reverse merger with a U.S. registrant and became a U.S. listed company. The Company's holdings of preferred stock were converted into common shares of the resulting listed entity on the basis of 0.459 resulting issuer share for every one share held in the private entity. Warrants held by the Company were converted into warrants exercisable into common shares and PhunCoins of the resulting issuer, on the same 0.459:1 conversion ratio. After the reverse merger transaction, the Company held 16,275 common shares of Phunware, Inc. and 16,275 common share purchase warrants at an exercise price of US \$9.22 until January 25, 2023.

During the year ended September 30, 2019, the Company exercised 16,275 common share warrants of Phunware on a net settlement basis and received 15,084 common shares of Phunware. The Company did not receive any PhunCoins on exercise of the warrants as PhunCoins do not currently exist. The exercise price of the warrants was US \$9.22. As at September 30, 2020 and 2019, the Company held a total of 31,359 common shares of Phunware Inc.

On April 30, 2019, the Company announced it had acquired an additional 2,593 shares of Nivaura at a price of £18.78 (\$32.85) per share. Nivaura's capital markets platform, which is licensed to clients on a white label basis, enables fully automated securities issuance and execution using either existing capital markets infrastructure or blockchain infrastructure. The Company's investment in Nivaura as at September 30, 2020 and 2019, representing a 0.91% equity interest, is held via its subsidiary Fineqia Investments Ltd.

During the year ended September 30, 2019, the Company acquired 5,288 common shares in Black Syndicate Holdings Limited ("Black"), a privately held entity based in Estonia, at a price of €22.50 (\$32.52). This investment represents a 10.09% equity stake in Black. Black Syndicate Holdings Limited, through its related party, Black Foundation OU, holds IP for digitisation in the insurance industry. A director and officer of the Company is a co-founder and shareholder of Black.

During the year ended September 30, 2019, the Company acquired a US\$150,000 convertible promissory note in Wave Financial Group LLC ("Wave", formerly Gen Holdings, LLC). The note bears interest at 4% per annum, increasing to 10% per annum following an event of default, and matured March 31, 2020. The Company received interest of US\$9,666 during the year ended September 30, 2020.

During the year ended September 30, 2020, Wave converted the promissory note to preferred seed units. Fineqia received 18,932 preferred seed units at a price of US\$8,433. Each preferred seed unit is convertible into a Class A common share of Wave for no additional consideration.

The following is a listing of the investments held by the Company at September 30, 2020:

Investee	Cost per share	Cost per share CAD (\$)	Cost CAD (\$)	Number held	Fair value (\$)
IXL PremFina Limited – common shares	£824	1,384.02	346,005	250	354,390
Nivaura Limited – common shares	£9.07	15.38	294,434	19,149	618,666
PhunWare – common shares	US \$9.57	12.84	402,599	31,359	38,603
Black Syndicate Holdings Limited – common shares (2)	€22.50	33.95	179,505	5,288	0
Wave Financial Group LLC preferred seed units (1)	N/A	N/A	197,850	18,932	579,074
					1,590,733

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 8. Investments (continued)

(1) The Company held a Convertible Promissory Note for US\$150,000. With interest of US\$9,666 this converted to 18,932 series seed preferred units.

(2) During the year ended September 30, 2019, the Company acquired 5,288 common shares in Black Syndicate Holdings Limited (“Black”), a privately held entity based in Estonia, at a price of €22.50 (\$32.52). This investment represents a 10.09% equity stake in Black. Black, has a loan receivable from Black Foundation OU, a private entity based in Estonia in the insurance industry. A director and officer of the Company is a co-founder and shareholder of Black. The investment has been written down to nil in 2020, being its estimated recoverable amount. In 2019 this investment had been valued in accordance with a March 2019 share issue of €22.50.

The following is a listing of the investments held by the Company at September 30, 2019:

Investee	Cost per share	Cost per share CAD (\$)	Cost CAD (\$)	Number held	Fair value (\$)
IXL PremFina Limited – common shares	£824	1,384.02	346,005	250	335,450
Nivaura Limited – common shares	£9.07	14.77	294,434	19,149	585,518
PhunWare – common shares	US \$9.22	12.58	204,598	31,359	67,611
Black Syndicate Holdings Limited – common shares	€22.50	32.52	179,505	5,288	171,986
Wave Financial Group LLC- convertible promissory note	N/A	N/A	197,850	N/A	198,623
					1,359,188

### 9. Share capital

The Company is authorized to issue an unlimited number of common shares without par value. As at September 30, 2020, the Company had 760,013,064 (2019 – 760,013,064) common shares issued and outstanding.

### 10. Contributed surplus

	Number of options	Weighted average exercise price	Grant date fair value of options	Number of warrants	Weighted average exercise price	Grant date fair value of warrants	Total value
		(\$)	(\$)		(\$)	(\$)	(\$)
September 30, 2018	68,850,000	0.05	640,305	608,151,852	0.05	2,832,991	3,473,296
Expired	-2,500,000	0.05	-23,250	-	-	-	-23,250
September 30, 2019	66,350,000	0.05	617,055	608,151,852	0.05	2,832,991	3,450,046
Cancelled	-5,500,000	0.05	-58,474	-164,738,854	-	-789,499	-847,973
September 30, 2020	60,850,000	0.05	558,581	443,412,998	0.05	2,043,492	2,602,073



# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 10. Contributed surplus (continued)

#### Options

The Company's stock option plan allows for 20% of the issued share capital at any point in time. The Board of Directors of the Company may terminate the plan at any time provided that the termination does not alter the terms or conditions of any options granted or impair the right of any shareholder. Amendments to any provisions of the plan are subject to any necessary regulatory approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this plan to service providers.

The following are the stock options issued and outstanding as at September 30, 2020:

Expiry date	Total options issued	Total options exercisable	Exercise Price
22 March 2022	60,850,000	60,850,000	\$0.05

As at September 30, 2020, the weighted average remaining life of options was 1.50 years.

#### Warrants

The warrants, if not exercised, will expire as follows:

Expiry date	Total warrants issued	Exercise price
28-Oct-21	359,219,950	\$0.05
28-Oct-21	22,599,066	\$0.05
21-Mar-22	58,746,401	\$0.05
21-Mar-22	2,847,581	\$0.05
<b>Total</b>	<b>443,412,998</b>	<b>\$0.05</b>

As at September 30, 2020, the weighted average remaining life of warrants was 1.13 years.

### 11. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity price risk). The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### *Credit Risk and Economic Dependence*

Credit risk is the risk that a customer or a related party receivable will be unable to pay the Company in full when an amount becomes due. The Company holds significant receivables from certain related companies (see Note 6). The Company actively monitors the financial status of these related companies to minimize the credit risk associated with these receivables. A decline in the operations of these companies could result in uncertain collectability of these receivables. Revenue from one customer, a related party, represented 100% of the Company's total revenue for the year ended September 30, 2020 (2019 – 100%).

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 11. Financial instruments and risk management (continued)

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure it has sufficient funds available to meet current and foreseeable financial requirements. As at September 30, 2020, the Company had net working capital deficiency of \$3,200,698 (2019 – \$3,098,384). The short-term accounts payables and accrued liabilities are due within 90 days. See also Notes 2 and 6.

#### *Foreign currency risk*

Foreign exchange risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company has transactions in US dollars, Euros and British pounds. The Company had the following foreign currency balances at September 30, 2020 and 2019:

	2020			2019		
	GBP	EUR	USD	GBP	EUR	USD
Cash	164	-	83	1,268	-	51
Receivables	79,318	-	-	9,701	-	-
Investments	565,618	-	461,628	565,618	118,980	195,157
Accounts payable and accrued liabilities	151,714	7,915	-	11,807	-	-
Loan payable	43,175	-	-	-	-	-
Due to related parties	53,568	-	-	-	-	-

A 10% appreciation (depreciation) of the British Pound against the Canadian dollar, with all other variables held constant, would result in approximately a \$71,732 decrease (increase) in the Company's net loss for the year. A 10% appreciation (depreciation) of the Euro against the Canadian dollar, with all other variables held constant, would result in approximately a \$1,240 increase (decrease) in the Company's net loss for the year. A 10% appreciation (depreciation) of the US dollar against the Canadian dollar, with all other variables held constant, would result in approximately a \$61,779 decrease (increase) in the Company's net loss for the year.

#### *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 interest rates. The Company's exposure to interest rate risk is nominal as it does not have any interest bearing assets or liabilities.

#### *Price risk*

The Company is exposed to price risks arising from investments in non-public companies recognised at their estimated fair value. As the valuation of investments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates. A 10% change in the price of the shares of the investees would result in a \$159,000 increase or decrease in the Company's net loss for the year.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

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### 11. Financial instruments and risk management (continued)

#### *Capital management*

The capital structure of the Company consists of equity, comprising share capital, shares to be issued, contributed surplus, net of accumulated deficit. The Company's shareholders' deficit was \$1,148,730 as at September 30, 2020 (2019 – deficit of \$796,617).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets. Management reviews the capital structure on a regular basis to ensure that the Company's capital management objectives are achieved.

The Company's objectives when managing capital are:

- a) To maintain and safeguard accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds for its operational needs.
- b) To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.
- c) To obtain the necessary financing, if and when it is required.

There were no changes in the Company's approach to capital management during the years ended September 30, 2020 and 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body. As of September 30, 2020, the Company had net working capital deficiency of \$3,200,698 (2019 – \$3,098,385).

Notwithstanding the risks described in Note 2 of the consolidated financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

#### *Fair value*

The fair value of the Company's financial assets and liabilities approximates the carrying amount, given their short term nature. 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

The Company has determined the carrying values of its financial instruments as follows:

- i. The carrying values of cash, receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these instruments.
- ii. Investments in private entities are carried at management's best estimates of their fair value as disclosed below.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 11. Financial instruments and risk management (continued)

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at September 30, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Aggregate Fair Value
	\$	\$	\$	\$
Public investments	38,602	-	-	38,602
Non-public investments	-	-	1,552,130	1,552,130
	38,602	-	1,552,130	1,590,732

As at September 30, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Aggregate Fair Value
	\$	\$	\$	\$
Public investments	67,611	-	-	67,611
Non-public investments	-	-	1,291,577	1,291,577
	67,611	-	1,291,577	1,359,188

#### Level 3 hierarchy:

The following table presents the changes in fair value measurements of financial instruments classified as Level 3. These financial instruments are measured at fair value utilizing non-observable market inputs. The net change in unrealized gains (loss) is recognized in the operations.

Investment at fair value	Opening balance \$	Purchases \$	Transfers in/out \$	Net unrealized gain (loss) \$	Ending balance \$
September 30, 2020	1,291,577	-	-	260,553	1,552,130
September 30, 2019	740,276	443,154	(186,780)	294,927	1,291,577

Within Level 3, the Company includes non-public company investments. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions, the marketability of the shares and the share performance of comparable publicly-traded companies.

The following tables present the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

#### September 30, 2020

Investment Name	Valuation technique	Fair value \$	Unobservable inputs
IXL PremFina Limited	Expected proceeds	354,390	Marketability of shares
Nivaura Limited	Recent financing	618,666	Marketability of shares
Black Syndicate Holdings Limited	Estimated recoverable amount	-	Marketability of shares
Wave Financial Group LLC	Recent financing	579,074	Marketability of shares
		1,552,130	

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 11. Financial instruments and risk management (continued)

September 30, 2019

<u>Investment Name</u>	<u>Valuation technique</u>	<u>Fair value \$</u>	<u>Unobservable inputs</u>
IXL PremFina Limited	Recent financing	335,450	Marketability of shares
Nivaura Limited	Recent financing	585,518	Marketability of shares
Black Syndicate Holdings Limited	Recent financing	171,986	Marketability of shares
Wave Financial Group LLC	Recent financing	198,623	Marketability of shares
		1,291,577	

As the valuation of investments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments.

For those investments valued based on a recent financing, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2020 and September 30, 2019. A 10% decrease (increase) on the fair value of these investments will result in a corresponding decrease (increase) of approximately \$155,000 (2019- \$129,000) in the total fair value of the investments. The Company has applied a marketability discount of 0% to its non-public investments valued based on recent financing. Had the Company applied a marketability discount of 5% it would have resulted in a corresponding decrease (increase) of approximately \$78,000 (2019 - \$65,000) in the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set

percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

### 12. Contingencies and Commitments

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans and self-imposed quarantine periods, have caused material disruption to businesses globally resulting in an economic slowdown. The Company cannot accurately predict the continued impact COVID-19 will have on its operations, its investees, and the ability of others to meet their obligations with the Company.

The Company is party to an agreement whereby it has committed to a capital commitment of up to US\$60,000. As at September 30, 2020, no cash calls have been made. As the triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

# Fineqia International Inc.

## Notes to the consolidated financial statements

For the years ended September 30, 2020 and 2019 (Expressed in Canadian dollars)

### 13. Income taxes

#### a) Provision for Income Taxes

Major items causing the Company's effective income tax rate for the year ended September 30, 2020 to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2019 - 26.5%) were as follows:

	2020	2019
	\$	\$
(Loss) before income taxes	(352,113)	(894,630)
Expected income tax recovery based on statutory rate	(93,000)	(237,000)
Adjustment to expected income tax benefit:		
Change in benefit of tax assets not recognized	93,000	237,000
Deferred income tax (recovery)	-	-

#### b) Deferred Income Tax

Recognized deferred tax assets and liabilities:

	2020	2019
	\$	\$
Investments	29,000	23,000
Non-capital losses carry-forwards - Canada	(29,000)	(23,000)
	-	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2020	2019
	\$	\$
Non-capital loss carry-forwards - Canada	15,296,000	14,726,000
Non-capital loss carry-forwards - UK	-	-
Share issue costs	54,000	107,000
Mineral property costs	195,000	195,000
Other	1,397,000	1,397,000
Total	16,942,000	16,425,000

The Canadian non-capital tax losses expire from 2029 to 2040. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.