LITELINK TECHNOLOGIES INC.

Consolidated Financial Statements

For the Twelve Months Ended February 29, 2020 and Fifteen Months Ended February 28, 2019

(Expressed in U.S. Dollars)

Page

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of LiteLink Technologies Inc.

Opinion

We have audited the consolidated financial statements of LiteLink Technologies Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of net and comprehensive loss, cash flows and changes in equity for the twelve months ended February 29, 2020 and fifteen months ended February 28, 2019, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the twelve months ended February 29, 2020 and fifteen months ended February 28, 2019 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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 to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Paul Joseph Leedham.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 16, 2020

LITELINK TECHNOLOGIES INC.
Consolidated Statements of Financial Position
As at February 29, 2020 and February 28, 2019
(Expressed in U.S. Dollars)

	Note		February 29, 2020		February 28, 2019
ASSETS					
Current assets					
Cash		**$**	**693,705**	$	4,752,712
Accounts receivable	7		**121,411**		178,716
Digital currencies	8,17		**66,588**		32,752
Prepaid expenses and deposits	14		**97,734**		408,213
			979,438		5,372,393
Investments	9		**-**		318,348
Intangible assets	10		**-**		3,297,974
Right-of-use assets	3, 11		**202,361**		-
Property and equipment	12		**37,417**		59,170
Total assets		**$**	**1,219,216**	$	9,047,885
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	14	**$**	**264,644**	$	231,005
Current portion of lease liabilities	3, 13		**172,569**		-
			437,213		231,005
Long-term portion of lease liabilities	3, 13		**66,068**		-
Total liabilities			**503,281**		231,005
Equity					
Share capital	15		**17,203,519**		17,053,524
Reserves	15		**2,998,869**		2,550,301
Accumulated other comprehensive loss			**(138,162)**		(9,349)
Deficit			**(20,248,291)**		(10,777,596)
Non-controlling interest	19		**900,000**		-
Total equity			**715,935**		**8,816,880**
Total liabilities and equity		**$**	**1,219,216**	$	9,047,885

Nature of operations and going concern (Note 1)
Commitments (Note 21)
Subsequent events (Note 23)

On behalf of the Board of Directors, on September 16, 2020

/S/ Peter Green
Peter Green, Director

/S/ Ashik Karim
Ashik Karim, Director

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

LITELINK TECHNOLOGIES INC.
Consolidated Statements of Net and Comprehensive Loss
For the year ended February 29, 2020 and fifteen months ended February 28, 2019
(Expressed in U.S. Dollars)

	Note		For the twelve months ended February 29, 2020		For the fifteen months ended February 28, 2019
Revenue	6	**$**	**176,436**	$	218,167
Cost of sales	6		**(158,229)**		(200,419)
Depreciation of property and equipment	6, 12		**-**		(1,143,620)
Gross profit			**18,207**		**(1,125,872)**
Operating expenses					
Consulting fees	14		**1,364,296**		887,031
Depreciation of property and equipment	12		**27,950**		-
Depreciation of right-of-use assets	11		**134,666**		-
Foreign exchange loss (gain)			**(15,003)**		189,011
Interest and accretion	15		**-**		96,524
Lease interest	13		**40,259**		-
Management fees, director fees, salaries and wages	14		**1,887,217**		1,332,396
Marketing			**1,391,631**		468,753
Office and administration			**364,486**		382,537
Professional fees			**198,528**		395,738
Regulatory and transfer agent			**27,080**		34,496
Share-based compensation	14		**448,568**		2,077,301
Travel			**91,251**		99,640
Total operating expenses			**(5,960,929)**		(5,963,427)
Total loss before other items			**(5,942,722)**		(7,089,299)
Interest income			**33,705**		42,583
Gain (loss) on revaluation of digital currencies	8		**33,836**		(52,566)
Loss on sale of property and equipment			**(226)**		-
Loss on revaluation of investments	9		**(316,793)**		(387,531)
Impairment of intangible assets			**(3,269,687)**		-
Impairment of mining machines and software			**-**		(563,682)
Listing expense	4		**-**		(2,691,916)
Loss on acquisition of assets			**-**		(217,619)
Gain on settlement of debt	4		**-**		164,978
Loss before income taxes			**(9,461,887)**		**(10,795,052)**
Deferred tax recovery	20		**-**		23,277
Net loss for the period			**(9,461,887)**		**(10,771,775)**
Cumulative translation adjustment			**(128,813)**		(9,349)
Comprehensive loss for the period		**$**	**(9,590,700)**	**$**	**(10,781,124)**
Basic and diluted loss per common share		**$**	**(0.05)**	**$**	**(0.09)**
Weighted average number of common shares outstanding			**172,126,022**		124,607,955

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

LITELINK TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
For the year ended February 29, 2020 and the fifteen months ended February 28, 2019
(Expressed in U.S. Dollars)

		For the twelve months ended February 29, 2020		For the fifteen months ended February 28, 2019
Cash flows from operating activities				
Net loss for the period	**$**	**(9,461,887)**	$	(10,771,775)
Adjusted for:				
Depreciation of property and equipment		**27,950**		1,143,620
Bad debt expense		**3,500**		-
Foreign exchange (gain) loss		**(15,003)**		189,011
Share-based compensation		**448,568**		2,077,301
Interest and accretion		**-**		96,524
Lease interest		**40,259**		-
Depreciation of right-of-use assets		**134,666**		-
Loss on revaluation of investments		**316,793**		387,531
Impairment of intangible assets		**3,269,687**		-
Loss on sale of property and equipment		**226**		-
Deferred tax recovery		**-**		(23,277)
Gain on settlement of debt		**-**		(164,978)
Listing expense		**-**		2,691,916
Loss on acquisition of assets		**-**		217,619
Impairment of mining machines and software		**-**		563,682
Change in non-cash working capital items				
Accounts receivable		**53,805**		(166,156)
Digital currencies		**(33,836)**		(32,752)
Prepaid expenses and deposits		**310,479**		(405,912)
Accounts payable and accrued liabilities		**64,249**		41,466
Accounts payable to related parties		**-**		(235,613)
Cash used in operating activities		**(4,840,544)**		(4,391,793)
Cash flows from investing activities				
Acquisition of property and equipment		**(6,423)**		(1,061,253)
Acquisition of LiteLink Labs Inc.		**-**		(3,067,804)
Cash assumed in acquisition of LiteLink Labs Inc.		**-**		3,082
Investment in Konnect Mobile Communications Inc.		**-**		(455,605)
Investment in Zoom Solutions, Inc.		**-**		(250,002)
Settlement in relation to the BLOC Assets		**-**		2,331,300
Cash used in investing activities		**(6,423)**		(2,500,282)
Cash flows from financing activities				
Principal portion of lease payments repayment		**(178,067)**		-
Proceeds from the issuance of common shares		**-**		11,597,459
Proceeds from the issuance of preferred shares		**900,000**		-
Proceeds from exercise of warrants		**149,995**		52,388
Share issuance costs		**-**		(695,848)
Repayment of notes payable		**-**		(61,675)
Cash acquired on reverse takeover		**-**		26
Cash paid on reverse takeover		**-**		(459,017)
Cash provided by financing activities		**871,928**		10,433,333
Net increase (decrease) in cash during the period		**(3,975,039)**		3,541,258
Foreign exchange impact on cash		**(83,968)**		(214,262)
Cash, beginning of period		**4,752,712**		1,425,716
Cash, end of period	**$**	**693,705**	$	4,752,712

Supplemental non-cash disclosure (Note 22)

LITELINK TECHNOLOGIES INC.
Consolidated Statements of Changes in Equity
For the year ended February 29, 2020 and the fifteen months ended February 28, 2019
(Expressed in U.S. Dollars)

	Share capital			Accumulated other comprehensive loss	Non-controlling interest	Deficit	Total
	Shares issued	Amount	Reserves				
Balance as at November 30, 2017	**1**	**$ 1**	**$ 71,400**	**$ -**	**$**	**$ (5,822)**	**$ 65,579**
Cancellation of share issued to AXS	(1)	(1)	-	-	-	1	-
Shares issued on RTO	5,127,733	1,394,666	-	-	-	-	1,394,666
Fair value of warrants issued on RTO	-	-	473,000	-	-	-	473,000
Shares issued for acquisition of assets	82,500,000	3,205,538	-	-	-	-	3,205,538
Shares issued for convertible debenture	36,750,000	1,499,321	(71,400)	-	-	-	1,427,921
Shares issued for private placement	42,640,070	11,597,459	-	-	-	-	11,597,459
Share issuance costs	-	(695,848)	-	-	-	-	(695,848)
Warrants exercised	1,369,063	52,388	-	-	-	-	52,388
Share-based compensation	-	-	2,077,301	-	-	-	2,077,301
Net loss for the period	-	-	-	-	-	(10,771,775)	(10,771,775)
Translation adjustment	-	-	-	(9,349)	-	-	(9,349)
Balance as at February 28, 2019	**168,386,866**	**$ 17,053,524**	**$ 2,550,301**	**$ (9,349)**	**$ -**	**$ (10,777,596)**	**$ 8,816,880**
Opening balance as at March 1, 2019	**168,386,866**	**$ 17,053,524**	**$ 2,550,301**	**$ (9,349)**	**$ -**	**$ (10,777,596)**	**$ 8,816,880**
Adjustment on adoption of IFRS 16 (Note 3)	-	-	-	-	-	(8,808)	(8,808)
Restated opening balance as at March 1, 2019	168,386,866	17,053,524	2,550,301	(9,349)	-	(10,786,404)	8,808,072
Non-controlling interest (Note 19)	-	-	-	-	900,000	-	900,000
Warrants exercised	4,020,625	149,995	-	-	-	-	149,995
Share-based compensation	-	-	448,568	-	-	-	448,568
Net loss for the year	-	-	-	-	-	(9,461,887)	(9,461,887)
Translation adjustment	-	-	-	(128,813)	-	-	(128,813)
Balance as at February 29, 2020	**172,407,491**	**$ 17,203,519**	**$ 2,998,869**	**$ (138,162)**	**$ 900,000**	**$ (20,248,291)**	**$ 715,935**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

LiteLink Technologies Inc. (the "Company") was incorporated on June 11, 2010 under the Laws of British Columbia. The Company is traded on the Canadian Securities Exchange ("CSE") under the symbol LLT. The Company offers several services in the software development and consulting industries. The Company is dedicated to revolutionizing established industries by creating cutting edge applications with artificial intelligence, smart contract technology, and digital remittances. The head office of the Company is located at 260 – 3480 Gilmore Way, Burnaby, B.C., V5G 4Y1.

The Company incurred a comprehensive loss for the year ended February 29, 2020 of $9,590,700. As at February 29, 2020, the Company had an accumulated deficit of $20,248,291 and expects to incur further losses in the development of its business. The Company's ability to continue operations in the normal course of business is dependent upon establishing sufficient cash flows from its software development projects, or on the receipt of additional debt or equity financing. The nature and significance of these conditions along with the continuing losses and accumulated deficit indicates the existence of a material uncertainty, which casts significant doubt about the appropriateness of the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements. Such adjustments could be material. See Note 23.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value for profit or loss, which are stated at their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements were reviewed and approved and authorized for issue by the Board of Directors of the Company on September 16, 2020.

Change in reporting period

During the fifteen months ended February 28, 2019, in conjunction with the RTO (Note 4), the Company elected to change its financial year-end from November 30, 2018 to February 28, 2019.

The directors of the Company determined that it was in the best interests of the Company to change to a February 28 year-end to better align the operating cycle of the Company and its subsidiaries to the industry it intends to enter into. As a result of the change in reporting period, the prior period comparative results of operations represents fifteen months ended February 28, 2019.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned legal subsidiaries on a consolidated basis after the elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and can affect those returns through its power to direct the relevant activities of the entity.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation (continued)

The Company's parent and subsidiaries are as below:

Entity	Place of incorporation	Ownership	Status
LiteLink Technologies Inc.	British Columbia, Canada	Parent	Active
AXS Innovations Inc. ("AXS")	British Columbia, Canada	100%	Active
Litelink Labs Inc. ("LLI")	British Columbia, Canada	100%	Active
uBuck Technologies SEZC ("uBuck")	Cayman Islands	100%	Active
uBuck One Inc.	Cayman Islands	100%	Dormant
uBuck India Private Limited	Bangalore Karnataka, India	100%	Dormant
uBuck Technologies (Canada) Inc.	British Columbia, Canada	100%	Dormant
uBuck Technologies (USA) Inc.	Delaware, USA	100%	Dormant
uBuck Technologies (UK) Ltd.	England and Wales	100%	Dormant

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

Functional and Presentation Currency

These consolidated financial statements are presented in U.S. dollars unless otherwise noted. The financial statements of each company within the consolidated group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent and LLI is the Canadian dollar ("CAD"), whereas the functional currency of AXS and uBuck is the U.S. dollar.

Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the reporting date. Actual results could differ from these estimates.

<u>Critical Judgments</u>

The preparation of these consolidated financial statements requires management to make judgments:

i) Going concern: The going concern of the Company is previously discussed in Note 1.

ii) Functional currency: The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of the legal parent and subsidiaries as described above. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

iii) Intangibles – impairment: The application of the Company's accounting policy for intangible assets 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 may change if new information becomes available. At least annually or whenever there is an indicator for impairment management evaluates the recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. Intangibles are written down to their recoverable amount when a decline is identified. The determination of the recoverable amount requires the use of management's best assessment of the related inputs into the valuation models, such as future cash flows and discount rates.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

iv) Revenue recognition: The Company's revenue is comprised of services for software development performed for a third party. Revenues are recognized when performance of services have occurred in accordance with contractual obligations. The Company recognizes revenue in an amount that reflects the transaction price and satisfaction of performance obligations. The area of judgment includes identifying the performance obligation per the definition within IFRS 15 *Revenue from Contracts with Customers*, and determining whether control has passed to the customer.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates, and such differences could be material. Significant estimates made by management affecting the consolidated financial statements include:

i) Recovery of deferred tax assets: Judgment is required in determining whether deferred tax assets are recognized on the consolidated statements of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future years, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future years.

ii) Determination of asset fair values and allocation of purchase consideration: Significant asset acquisitions require judgments and estimates to be made at the date of acquisition in relation to determining the relative fair value of computing equipment and future acquisition rights and the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgments and estimates about future events, including but not limited to availability of hardware and expertise, future production opportunities, future digital currency prices and future operating cost.

iii) Depreciation: Depreciation of computing equipment is an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hash rates, technological changes, availability of hardware, production costs and other factors. The estimates are reviewed at least annually and are updated if expectations change because of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related depreciation expense.

iv) Digital currency valuation: Digital currencies consist of cryptocurrencies (Note 8) and are included in current assets. Digital currencies are carried at their fair value determined by the closing price of coinmarketcap.com, costs to sell the digital currencies are considered immaterial and no allowance is made for such costs. The digital currency market is a relatively new market and has been highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies will have a corresponding impact on the Company's earnings and financial position.

Expressed in U.S. Dollars

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

v) Valuation of share-based compensation: The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

3. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

IFRS 9 Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as FVTPL.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

The Company adopted IFRS 9 effective March 1, 2019. The following table presents the initial IAS 39 classification and the new IFRS 9 classification for all financial instruments held by the Company as at March 1, 2019.

	Original under IAS 39		New under IFRS 9	
Financial assets and liabilities	Classification	Carrying Amount $	Classification	Carrying Amount $
Cash	Loans and receivables	4,752,712	Amortized cost	4,752,712
Accounts receivable	Loans and receivables	178,716	Amortized cost	178,716
Investments	Available-for-sale	318,348	FVTPL	318,348
Accounts payable	Financial liabilities	231,005	Amortized cost	231,005

The adoption of this standard did not have any material impact on the Company's consolidated financial statements. The Company's policies and procedures surrounding the identification of credit risk and the recognition of credit losses comply with the requirements of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 Revenue from contracts with customers

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued to replace IAS 18, *Revenue* and IAS 11, *Construction Contracts* and related interpretations such as IFRIC 13, *Customer Loyalty Programs*. IFRS 15 introduces a single contract-based five-step model that applies to contracts with customers and two approaches for the recognition of revenue: at a point in time or over time.

The Company adopted IFRS 15 effective March 1, 2019. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation.

These revenue-generating activities of the Company have a single performance obligation and revenue is recognized at the point in time when control of the product transfers to the customer and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the contract. Revenue is measured as the amount of consideration the Company expects to receive in exchange for the sale of the Company's product or the services rendered by the Company.

IFRS 16 Leases

Effective March 1, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16"), which supersedes previous accounting standards for leases, including IAS 17, *Leases* ("IAS 17"), and IFRIC 4, *Determining whether an arrangement contains a lease* ("IFRIC 4"). IFRS 16 introduces a single lessee accounting model, unless the underlying asset is of low value, and requires a lessee to recognize right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on our consolidated statements of financial position, as well as a decrease to operating expenses (for the removal of base rent expense for leases), an increase to depreciation (due to the depreciation of right-of-use assets), and an increase to interest expense (due to accretion of the lease liabilities). Leasehold inducements (which were previously included in accounts payable and accrued liabilities) are no longer recognized as separate liabilities and are included in the calculation of right-of-use assets under IFRS 16.

The Company adopted IFRS 16 using the modified retrospective method and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The cumulative effect of initially applying the new standard is recognized as an adjustment to the opening deficit within the shareholders' equity balance as at March 1, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Company recognized a lease asset and liability in relation to a lease previously classified as an 'operating lease' under the principles of IAS 17. This liability was measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as of March 1, 2019. The incremental borrowing rate applied to the lease liability on March 1, 2019 was 15.00%. The associated right-of-use asset was measured as if the standard had been applied since the commencement date, discounted using the incremental borrowing rate as of March 1, 2019. The cumulative effect of initially applying IFRS 16 was recognized as a $231,871 right-of-use asset (Note 11) and a corresponding lease liability of $271,289 (Note 13) with opening balance adjustments of $8,808 and $30,610 to accumulated deficit and accounts payable and accrued liabilities, respectively, as at March 1, 2019.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- Account for lease payments as an expense and not recognize the right-of-use asset if the underlying asset is of low dollar value or a short term lease; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective March 1, 2019:

Leases

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liability using the effective interest rate method and payments are applied against the lease liability.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rate is based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use asset, lease liability, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.

Foreign exchange

Transactions in currencies other than the functional currency of the Company and its subsidiary are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. These exchange gains and losses arising on translation into functional currency are recognized through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign exchange (continued)

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date, and
- income and expenses are translated at average exchange rates for the period.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

Digital currencies (Note 8)

Digital currencies consist of cryptocurrencies and are included in current assets. Digital currencies are carried at their fair value and adjusted at each reporting date for revaluation gains and losses through profit and loss as well as when digital currencies are exchanged or sold for traditional (fiat) currencies, such as the U.S. dollar.

The Company's determination to classify its holding of digital currencies as a current asset is based on management's assessment that its bitcoin held can be considered to be a commodity that may be readily sold because liquid markets are available.

Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at FVTPL

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statements of net loss and comprehensive loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has classified its investments at fair value through profit or loss.

Financial assets at FVTOCI

Investments are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company has not classified any financial assets at FVOCI.

Financial assets at amortized cost

Financial assets at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are initially recognized at fair value and are measured subsequent at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognized using the effect interest method, and is recognized in interest and other income on the consolidated statements of comprehensive loss. The Company has classified its cash, accounts receivable and accounts payable as financial assets at amortized cost.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Impairment of financial assets and contract assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.*Impairment of financial assets and contract assets (continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the consolidated statement of net and comprehensive loss and is recognized in OCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or amortized cost. Subsequent to initial recognition financial liabilities are classified at amortized cost and measured using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss. Accounts payable are classified as financial liabilities at amortized cost. The Company has no financial liabilities designated at FVTPL.

Investments

Investments 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 change in fair value of its investments based on the criteria below and records such change in profit and loss:

- There has been a significant new equity financing with arms-length investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or
- 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, in which case the fair value of the investment is adjusted downward; or
- There have been significant corporate, operating, technological or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or
- The investee company is placed into receivership or bankruptcy.

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

Application of the valuation techniques above may involve uncertainties and determinations based on the Company's judgment, and any value estimated from these techniques may not be realized.

For those investments in which the Company has significant influence the Company uses the equity method of accounting whereby an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee. Any distributions received from the investee company reduce the carrying amount of the investment.

As at February 29, 2020 and February 28, 2019, the Company did not have significant influence over any investees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. As well, all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of item and are recognized net in profit or loss. Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in profit or loss over the estimated useful lives of fixed assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The Company rates for depreciation are as follows:

Computer equipment	2 years straight-line
Furniture and office equipment	2 years straight-line
Leasehold improvements	Straight-line over the lease-term
Software	1 year straight-line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

The Company owns intangible assets consisting of purchased intellectual property. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in connection with an asset acquisition are initially recorded at fair value. Following initial recognition, intangible assets are carried at initial carrying value less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. The Company does not hold any intangible assets with indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Research costs are charged to operations when they are incurred. Development costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible assets during its development. Management determined that as at February 29, 2020, it was not yet able to demonstrate with sufficient certainty that it is probable any economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been expensed.

The amortization method and period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

Intellectual property	3 years straight-line

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including property and equipment and intangible assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets carried at fair value, such as digital currencies, are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs to sell is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

Common shares and preferred shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. For unit offerings, the proceeds from the issuance of units are allocated between common shares and share purchase warrants using the residual method, allocating fair value to the common shares first, and then to the share purchase warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black Scholes option pricing model, and is recognized over the vesting period. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment. Otherwise, share based payments are measured at the fair value of goods or services rendered. Expired stock options are transferred from reserves to deficit.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related parties transactions that are in the normal course of business and have commercial substance are measured at exchange amount.

Revenue recognition

Digital currency mining

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives digital currency from each specific network in which it participates. Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, from coinmarketcap.com. A coin is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured. The coins are recorded on the consolidated statements of financial position as digital currencies 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 coins for traditional (fiat) currencies are included in profit and loss. During the year ended February 29, 2020, the Company had no revenues from cryptocurrency mining (fifteen months ended February 28, 2019 - $ 148,823)

Service contracts

Revenue under service contracts is recognized when completion of services is achieved. Revenues are recognized under these contracts when services are delivered.

Research and development

The primary components of research and development expenses are employee compensation and benefits, professional services, contractor services, and product development.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made to conform the prior period's consolidated financial statements and notes to the current year's presentation.

4. REVERSE TAKEOVER

The Company, through its wholly-owned subsidiary, 1145394 B.C. Ltd. ("1145394"), entered into an agreement with AXS on December 18, 2017, whereby the Company acquired from the shareholders of AXS all the issued and outstanding shares of AXS, (the "Amalgamation"). Pursuant to the Amalgamation, the Company amalgamated AXS and 1145394 ("Amalco") in order to form a newly amalgamated company, which is a wholly-owned subsidiary of the Company. As part of the Amalgamation, the Company issued 36,750,000 units to AXS debentures holders in order to convert AXS's debentures outstanding as at November 30, 2017 into units of the Company ("Units"). Each Unit consists of one common share and one common share purchase warrant, entitling the holders to purchase an additional common share at CAD$0.05 for a period of 12 months from the closing of the Amalgamation. The Amalgamation was completed on March 27, 2018.

Although the transaction resulted in a legal combination of the Company and AXS to form the resulting issuer (the "Resulting Issuer"), because the Company did not meet the criteria for a business under IFRS 3, *Business Combinations*, from an accounting perspective, the transaction was considered to be a reverse takeover ("RTO"). From an accounting perspective, this was not considered to be a business combination but a capital transaction whereby AXS was considered to issue additional shares in return for the net assets of the Company. For financial reporting purposes, the Resulting Issuer was considered a continuation of AXS, the legal subsidiary, except with regard to authorized and issued share capital, which was that of the Company, the legal parent. In connection with the RTO transaction, the Company received 36,750,000 units, comprised of one common share and one share purchase warrant each.

In connection with the RTO, on December 18, 2017, the Company entered into an asset acquisition agreement ("Asset Acquisition") with AXS and Blockcorp Sociedad Anonima ("BLOC"), whereby the Company acquired certain assets being inventories of various cryptocurrencies, certain software technologies and hardware infrastructure (the "BLOC Assets") from BLOC. AXS assigned the rights of the BLOC Assets to the Company and the Company issued 82,500,000 common shares for a value of $3,205,538 (CAD$4,125,000) to BLOC. Subject to the Company acquiring all the issued and outstanding shares of AXS as described above and pursuant to the Amalgamation, BLOC sold, assigned and transferred the BLOC Assets. For accounting purposes, management of the Company considered the acquisition of BLOC Assets to be an acquisition of assets.

In conjunction with the closing of the RTO transaction, the Company completed a private placement wherein it issued 42,640,070 shares at CAD$0.35 for gross proceeds of $11,597,459 (CAD$14,924,025). In connection with the private placement, the Company paid cash of $695,848 in share issuance costs.

A breakdown of listing expense is as follows:

Expressed in U.S. Dollars

4. REVERSE TAKEOVER (continued)

Fair value of the Company's common shares (5,127,733 at CAD$0.35 based on price of concurrent private placement)			$ 1,394,666
Fair value of 2,000,000 warrants of AXS outstanding			473,000
			$ 1,867,666
Less net assets (liabilities) of LiteLink Technologies Inc.:			
	Cash	$ 26	
	Receivables	5,229	
	Payables	(143,835)	
	Note payable	(61,675)	
	Due to related parties	(623,995)	
		(824,250)	(824,250)
Listing expense			$ 2,691,916

The fair value of warrants of AXS outstanding as of the completion of the RTO transaction was determined by using the Black-Scholes valuation model and the following assumptions:

Risk-free interest rate	1.50%
Expected life in years	1
Expected stock price volatility	125%
Expected dividend rate	0.00%
Fair value per warrant (CAD)	$ 0.30
Stock price at date of valuation (CAD)	$ 0.35

During the fifteen months ended February 28, 2019, the Company settled the due to related parties balance of $623,995 by repayment of $459,017, which resulted in a gain on settlement of debt in the amount of $164,978.

5. ACQUISITION OF LITELINK LABS INC. (FORMERLY CHAINLINKS LAB INC.)

The Company acquired 100% of the outstanding share capital of LLI for total consideration of $3,067,804 (CAD$4,000,000) in cash through a Share Purchase agreement dated July 18, 2018. The acquisition was treated as an asset purchase. In accordance with IAS 38 *Intangible Assets*, the excess fair value of total consideration was recognized as an intangible asset acquired through acquisition. LLI was a privately held software development company based in British Columbia that focuses on the integration of blockchain-based systems with artificial intelligence ("AI") technology within existing legacy businesses, such as telecommunications, logistics, payment and billing systems.

The acquisition was recorded as follows:

Consideration			$ 3,067,804
Net assets (liabilities) of LiteLink Labs Inc.:			
	Cash	$ 3,082	
	Receivables	7,332	
	Deposit	2,301	
	Intangible assets (Note 10)	3,329,035	
	Account payables	(3,982)	
	Accrued liabilities	(34,351)	
	Due to related parties	(235,613)	3,067,804
Net assets acquired			$ 3,067,804

Expressed in U.S. Dollars

6. SEGMENT REPORTING

The Company has two main operations which generated revenue during the year ended February 29, 2020 and the fifteen month period ended February 28, 2019: digital currency mining and subcontracted software development work. During the year ended February 29, 2020, the Company had no revenues from digital currency mining.

The Company, through LLI, a wholly-owned subsidiary, earns 100% of its revenues from one customer through the performance of blockchain and cloud software development services, along with mobile and web application development. Therefore, the Company's credit risk arises from the possible default of its sole customer.

For the year ended February 29, 2020:

	Digital Currency Mining		**Software Development**		**Total**	
Revenue	$	-	$	176,436	$	176,436
Cost of sales		-		158,229		158,229
Depreciation		-		-		-
	$	-	$	18,207	$	18,207

For the fifteen months ended February 28, 2019:

	Digital Currency Mining		**Software Development**		**Total**	
Revenue	$	148,823	$	69,342	$	218,167
Cost of sales		138,593		61,826		200,419
Depreciation		1,143,620		-		1,143,620
	$	(1,133,388)	$	7,516	$	(1,125,872)

7. ACCOUNTS RECEIVABLE

	Balance at			
	February 29, 2020		February 28, 2019	
Accounts receivable	$	124,911	$	178,716
Allowance for doubtful accounts		(3,500)		-
	$	121,411	$	178,716

Expressed in U.S. Dollars

8. DIGITAL CURRENCIES

As at February 29, 2020 and February 28, 2019, the Company's digital currencies are described in the table below. Digital currencies are recorded at their fair value on the date they are acquired and are revalued to their current market value at each reporting date. The fair value is determined using the closing price of the coin at the end of the period quoted on coinmarketcap.com.

As at February 29, 2020:

	BTC Units		Bitcoin	LBRY Units		LBRY		Total
Fair value at February 28, 2019	7.51	$	28,960	154,886	$	3,792	$	32,752
Additions	-		-	-		-		-
Sales	-		-	-		-		-
Gain (loss) on revaluation	-		35,647	-		(1,811)		33,836
Fair value at February 29, 2020	7.51	$	64,607	154,886	$	1,981	$	66,588

As at February 28, 2019:

	BTC Units		Bitcoin	LBRY Units		LBRY		Total
Fair value at November 30, 2017	-	$	-	-	$	-	$	-
Additions	8.35		66,099	154,886		25,434		91,533
Sales	(0.84)		(6,215)	-		-		(6,215)
Loss on revaluation	-		(30,924)	-		(21,642)		(52,566)
Fair value at February 28, 2019	7.51	$	28,960	154,886	$	3,792	$	32,752

Expressed in U.S. Dollars

9. INVESTMENTS

The Company's investments consist of the following:

Investment	Balance at February 29, 2020	February 28, 2019
Konnect Mobile Communications Inc.	$ 68,346	$ 455,603
Loss on revaluation	(66,791)	(387,531)
Cumulative translation adjustment	(1,555)	274
	-	68,346
Zoom Solutions, Inc.	250,002	250,002
Loss on revaluation	(250,002)	-
Ending balance	$ -	$ 318,348

The Company accounts for these investments as financial assets at fair value through profit and loss under IFRS 9.

a) Konnect Mobile Communications Inc.

On September 7, 2018, the Company acquired a 2.27% interest in Konnect Mobile Communications Inc. ("Konnect") for total consideration of $455,603 (CAD$600,000) in cash. Konnect is a private Canadian technology company which develops payment solution products.

For the year ended February 29, 2020, it was determined that significant delays in the full-market launch of Konnect's flagship product along with lack of funding and outperformance by competitors has cast significant doubt over the recoverability of this investment. As such, it was determined that the fair value of this investment was $nil as at February 29, 2020, and as a result the Company recorded a loss on revaluation of $66,791 (for the fifteen months ended February 28, 2019 - $387,531).

b) Zoom Solutions, Inc.

On November 6, 2018, the Company acquired 83,334 Units in Zoom Solutions, Inc. ("Zoom"), whereby each unit is comprised of one Series A Cumulative Convertible Preferred Stock ("Shares"), and one Warrant. As consideration, the Company paid $250,002 in cash. Zoom is a private company based in Arkansas, U.S. specializing in payments, blockchain and cloud storage.

For the year ended February 29, 2020, it was determined that Zoom's stalled growth due to change in strategy on payment platform and lack of funding has cast significant doubt over the recoverability of this investment. As such, it was determined that the fair value of this investment was $nil as at February 29, 2020, and as a result the Company recorded a loss on revaluation of $250,002 (for the 15 months ended February 28, 2019 - $Nil).

Expressed in U.S. Dollars

10. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

		Intellectual Property
Balance, February 28, 2019	$	3,297,974
Additions		37,926
Amortization		-
Cumulative translation adjustment		(66,213)
Impairment of intangible assets		(3,269,687)
Balance, February 29, 2020	$	-

Intellectual property ("IP") is an intangible asset acquired through the acquisition of LLI. The benefit to the Company of acquiring the IP was to obtain various software technologies.

For the year ended February 29, 2020 it was determined that challenges in market conditions cast significant doubt on the ability for the Company to continue funding operations and development to recover the value from its IP intangible asset. It was determined that the fair value of intangible assets was lower than its carrying value, and as a result the Company recorded an impairment loss of $3,269,687.

11. RIGHT-OF-USE ASSETS

		Year ended February 29, 2020
Cost:		
Opening balance, March 1, 2019	$	-
Recognition upon adoption of IFRS 16		231,871
Additions		105,156
At February 29, 2020	$	337,027
Accumulated depreciation:		
Opening balance, March 1, 2019	$	-
Depreciation		(134,666)
At February 29, 2020	$	(134,666)
Net book value:		
At February 28, 2019	$	-
At February 29, 2020	$	202,361

The Company recognized right-of-use assets and corresponding lease liabilities (Note 13) upon the adoption of IFRS 16 related to its premises under lease (Note 3). The right-of-use assets are depreciated on a straight-line basis over the terms of the underlying lease agreements.

Expressed in U.S. Dollars

12. PROPERTY AND EQUIPMENT

Property and equipment movements during the year ended February 29, 2020 were as follows:

	Computer equipment	Digital currency Computing Equipment	Software	Furniture and office equipment	Leasehold improvements	Total
Cost:						
At February 28, 2019	$ 48,372	$ 1,338,438	$ 352,609	$ 13,184	$ 11,903	$ 1,764,506
Additions during the year	7,754	-	-	-	-	7,754
Disposals during the year	(2,293)	-	-	(7,189)	-	(9,482)
Cumulative translation adjustment	(941)	-	-	(213)	(236)	(1,390)
At February 29, 2020	$ 52,892	$ 1,338,438	$ 352,609	$ 5,782	$ 11,667	$ 1,761,388
Depreciation:						
At February 28, 2019	$ (10,842)	$ (1,338,438)	$ (352,609)	$ (3,447)	-	$ (1,705,336)
Disposals during the year	1,147	-	-	2,354	-	3,501
Change during the year	(24,777)	-	-	(3,173)	-	(27,950)
Cumulative translation adjustment	5,120	-	-	694	-	5,814
At February 29, 2020	$ (29,352)	$ (1,338,438)	$ (352,609)	$ (3,572)	$ -	$ (1,723,971)
Net book value:						
At February 28, 2019	**$ 37,530**	**$ -**	**$ -**	**$ 9,737**	**$ 11,903**	**$ 59,170**
At February 29, 2020	**$ 23,540**	**$ -**	**$ -**	**$ 2,210**	**$ 11,667**	**$ 37,417**

Property and equipment movements during the fifteen months ended February 28, 2019 were as follows:

	Computer Equipment	Cryptocurrency Computing Equipment	Software	Furniture and Office Equipment	Leasehold Improvements	Total
Cost:						
At November 30, 2017 and 2016	$ -	$ -	$ -	$ -	$ -	$ -
Additions during the period	48,767	1,338,438	352,609	13,328	12,099	1,765,241
Cumulative translation adjustment	(395)	-	-	(144)	(196)	(735)
At February 28, 2019	$ 48,372	$ 1,338,438	$ 352,609	$ 13,184	$ 11,903	$ 1,764,506
Depreciation:						
At November 30, 2017 and 2016	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	(12,358)	(892,292)	(235,073)	(3,897)	-	(1,143,620)
Impairment	-	(446,146)	(117,536)	-	-	(563,682)
Cumulative translation adjustment	1,516	-	-	450	-	1,966
At February 28, 2019	$ (10,842)	$ (1,338,438)	$ (352,609)	$ (3,447)	$ -	$ (1,705,336)
Net book value:						
At November 30, 2017 and 2016	$ -	$ -	$ -	$ -	$ -	$ -
At February 28, 2019	$ 37,530	$ -	$ -	$ 9,737	$ 11,903	$ 59,170

Expressed in U.S. Dollars

12. PROPERTY AND EQUIPMENT (continued)

From the period between December 1, 2017 to February 28, 2019, the fair value of Bitcoin decreased by 63% and LBRY Credits decreased by 95%. The Company determined that cryptocurrency mining was not profitable, and as a result, management has decided to permanently shut down the cryptocurrency mining operations. The Company also noted that the fair value of equipment used in cryptocurrency mining operations had declined significantly. Due to these factors identified, an impairment charge was recorded to reduce the cost of the mining equipment and software to $nil.

13. LEASE LIABILITIES

		Twelve months ended February 29, 2020
Opening balance, March 1, 2019	$	-
Recognition upon adoption of IFRS 16		271,289
Additions		105,156
Accretion of lease liabilities		40,259
Lease payments		(178,067)
Balance, February 29, 2020	$	238,637
Less: Current portion of lease liability	$	172,569
Long-term portion of lease liability	$	66,068

The Company recognized right-of-use assets (Note 11) and corresponding lease liabilities upon the adoption of IFRS 16 related to its premises under lease (Note 3). Interest accretion is recognized on the lease liabilities and lease payments are applied against the lease liabilities.

The following table shows the contractual undiscounted cashflow for lease obligations as at February 29, 2020:

		February 29, 2020
For the year ended February 28, 2021	$	194,389
For the year ended February 28, 2022		56,532
For the year ended February 28, 2023		14,667
Total undiscounted lease obligation	$	265,588

14. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include key management personnel and companies under the control of key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer.

Related party	Expenses
Ashik Karim, CEO, Director	Salaries and consulting fees
David Kwok, Former CFO	Salaries
Ashik Karim, CEO, Director	Consulting fees
Kent Churn, COO	Consulting fees
Jonathan Malach, Director	Consulting fees
Mohammad Ahmad, Director	Consulting fees
Yasmine Roulleau, Director	Consulting fees

Expressed in U.S. Dollars

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

During the year ended February 29, 2020 and fifteen months ended February 28, 2019, key management compensation consisted of the following:

		For the year ended February 29, 2020		For the fifteen months ended February 28, 2019
Consulting fees	$	97,894	$	119,682
Management fees, director fees, salaries and wages		214,318		183,168
Share-based compensation		525,686		802,724
	$	837,898	$	1,105,574

At February 29, 2020, accounts payable and accrued liabilities included $10,500 due to the CFO of the Company for consulting fees from uBuck. At February 28, 2019, accounts payable and accrued liabilities included $26,950 due to directors of the Company and to companies with directors in common with the Company for services provided and for expenses incurred on behalf of the Company. The amounts are non-interest bearing, unsecured and due on demand.

At February 28, 2019, prepaid expenses and deposits included $331,850 paid to Native Ads Inc., a digital marketing company, the CEO of which is a former director of the Company. During the year ended February 29, 2020, $733,203 (fifteen months ended February 28, 2019 - $214,360) was recognized as digital marketing campaign expenses under marketing expense.

15. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Share capital

Share issuances for the year ended February 29, 2020

During the year ended February 29, 2020, pursuant to the exercise of warrants, the Company issued 4,020,625 common shares for total gross proceeds of $149,995 (CAD $201,031).

As at February 29, 2020, 37,125,000 of the common shares issued in connection with the Asset Acquisition of the BLOC Assets (Note 4) were held in escrow.

Share issuances for the fifteen months ended February 28, 2019

On November 30, 2017, the Company closed a private placement for gross proceeds of $1,427,921 (CAD$1,837,500) under which the Company issued for an aggregate principal amount of $1,427,921 (CAD$1,837,500) of convertible debentures (the “Debentures”), maturing in one year. The Debentures were convertible into common shares at the option of the holder at a conversion price of CAD$0.05 per unit (the “Conversion Price”) consisting of one common share and one share purchase warrant exercisable for a period of one year from the date of conversion. The Debentures were non-interest bearing. The effective interest rate was approximately 7%. For the fifteen months ended February 28, 2019, the accretion was $96,524. Upon completion of the RTO and Asset Acquisition (Note 4), the Company issued 36,750,000 units upon the conversion of the Debentures. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of CAD$0.05 for a period of 12 months.

Expressed in U.S. Dollars

15. SHARE CAPITAL (continued)

During the fifteen months ended February 28, 2019, the Company issued 82,500,000 common shares valued at $3,205,538 (CAD$4,125,000) in relation to the Asset Acquisition of the BLOC Assets (Note 4). As at February 28, 2019, 61,875,000 of these common shares were held in escrow; the escrowed shares are scheduled to be released in equal tranches every six months beginning March 27, 2018.

During the period ended February 28, 2019, the Company completed a private placement by issuing 42,640,070 common shares at a price of CAD$0.35 for gross proceeds of $11,597,459 (CAD$14,924,025). The Company incurred $695,848 in share issuance costs relating to the private placement.

During the period ended February 28, 2019, the Company issued 1,369,063 common shares in relation to the exercise of warrants for gross proceeds of $52,388 (CAD$68,453).

Options

The Company has a Rolling Stock Option Plan whereby the maximum number of common shares reserved for issue under the plan shall not exceed 20% of the outstanding common shares of the Company, as at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment, consulting arrangement or holding office as a director or officer of the Company, are subject to vesting provisions as determined by the Board of Directors and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

A summary of the stock option transactions for the year ended February 29, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price (CAD)	
Balance outstanding, February 28, 2019	23,820,000	$	0.35
Issued	500,000	$	0.35
Forfeited	(7,950,000)	$	0.35
Balance outstanding, February 29, 2020	16,370,000	$	0.35
Number exercisable, February 29, 2020	8,970,833	$	0.35

A summary of stock option transactions for the year ended February 28, 2019 is as follows:

	Number of Options	Weighted Average Exercise Price (CAD)	
Balance outstanding, November 30, 2017	-	$	-
Issued	23,820,000	$	0.35
Balance outstanding, February 28, 2019	23,820,000	$	0.35
Number exercisable, February 29, 2020	4,258,7501	$	0.35

In June 2019, the Company granted 500,000 incentive stock options to the Chief Executive Officer of uBuck. The options are exercisable at a price of CAD$0.35 for a period of five years. The options vest evenly every six months over three years.

Expressed in U.S. Dollars

15. SHARE CAPITAL (continued)

During the year ended February 29, 2020, 7,950,000 options were forfeited due to terminations of consultants and employees and the consequent expiry of options after termination.

During the year ended February 29, 2020, the Company recognized share-based compensation expense of $448,568 (2019: $2,077,301) representing the fair value of options granted and vested. The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following weighted average variables:

	February 29, 2020	February 28, 2019
Risk-free interest rate	1.38%	2.20%
Expected option life in years	5 years	5 years
Expected stock price volatility	237.92%	116.06%
Expected dividend rate	0.00%	0.00%
Fair value per option (CAD)	$ 0.20	$ 0.23
Stock price at date of grant (CAD)	$ 0.20	$ 0.26

The expected stock price volatility is determined based on available market data of similar entities in and is calculated on a weighted average basis dependent upon the number of options granted at each grant date.

As at February 29, 2020, the Company had options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options	Exercise Price (CAD)	Weighted average life remaining (years)	Expiry Date
5,200,000	$0.35	3.27	Tuesday, June 6, 2023
8,000,000	$0.35	3.43	Thursday, August 3, 2023
2,570,000	$0.35	3.70	Thursday, November 9, 2023
100,000	$0.35	3.85	Wednesday, January 3, 2024
500,000	$0.35	4.26	Saturday, June 1, 2024
16,370,000	$0.35	3.70	

Warrants

A summary of the warrant transactions for the year ended February 29, 2020 is as follows:

	Number of Warrants		Weighted Average Exercise Price (CAD)
Balance outstanding, February 28, 2019	37,380,937	$	0.05
Exercised	(4,020,625)		0.05
Expired	(33,360,312)		0.05
Balance outstanding, February 29, 2020	-	$	-

Expressed in U.S. Dollars

15. SHARE CAPITAL (continued)

A summary of the warrant transactions for the fifteen months ended February 28, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Balance outstanding, November 30, 2017	-	$ -
Issued as part of the RTO to AXS warrant holders	2,000,000	0.05
Issued in relation to the Debentures	36,750,000	0.05
Exercised	(1,369,063)	0.05
Balance outstanding, February 28, 2019	37,380,937	$ 0.05

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

The Company's financial instruments consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Cash is measured at fair value using Level 1 inputs. The carrying values of the accounts receivable, accounts payable and approximate their fair values due to their short terms to maturity. Investments are measured at fair value using Level 2 inputs.

Financial risk management

Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company's credit risk arises from it deriving revenues from a sole customer, from which management does not believe the Company has a material exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As of February 29, 2020, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

(i) 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 is not exposed to significant interest rate risk.

(ii) Price risk

(iii) Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices. The Company's investments are exposed to price risk.*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's presentation currency is the U.S. dollar and historically, major purchases have been transacted in U.S. dollars, while all of the financings to date have been completed in Canadian dollars. As the Company's revenues and general and administrative costs are primarily denominated in Canadian dollars, the Company will be exposed to effects of fluctuations in foreign exchange. The fluctuation of the Canadian dollar against the U.S. dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

The Company's net monetary position denominated in Canadian Dollars as of February 29, 2020 is $57,422. The impact of a 10% variance in the USD/CAD exchange rate would be approximately $5,742.

17. DIGITAL CURRENCY RISK MANAGEMENT

Digital currencies are determined by prices quoted on coinmarketcap.com.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is affected by the current and future market price of digital currencies; in addition, the Company may not be able to liquidate its inventory of digital currencies at its desired price if required. A decline in the market prices for digital currencies could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currency sales.

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies is not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin and LBRY. A 25% variance in the price of each of these digital currency holdings on the Company's earnings before tax, based on their closing prices at February 29, 2020 is $16,647.

18. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the 15-month period ended February 28, 2019.

19. NON-CONTROLLING INTEREST

On September 20, 2019, the Company entered into a subscription agreement with NK Equities Investments Ltd. ("NK") in which NK acquired 1,800,000 of Series A Preferred Shares of uBuck at $0.50 per share for a total proceeds of $900,000. NK can make an aggregate investment for up to a maximum of 8,000,000 shares at $0.50 per share until September 30, 2020.

Dividend entitlement

NK will be entitled to receive dividends at the rate of the greater of $0.03 per annum for each outstanding share, or the dividend payable per annum as would be payable for each share if they had been converted to Common Shares of uBuck. Dividends are non-cumulative, and are declared and paid at the discretion of directors of the Company. NK will not retain any rights in the event that dividends on Series A Preferred shares are not declared or paid in any prior year.

Liquidation event

In the event of any liquidation, dissolution or winding up of uBuck, holders of Series A Preferred shares shall be entitled to receive an amount equal to $0.50 per Series A Common Share adjusted for any dividends, combinations, reclassifications or splits. Upon completion of the distribution required to the holders of Series A preferred shares, the remaining assets of the Company shall be distributed among the holders of Common Shares.

Expressed in U.S. Dollars

19. NON-CONTROLLING INTEREST (continued)

Conversion

Each Series A Preferred Share shall be convertible, at the option of the holder and at any time after issuance, to a fully paid and non-accessible Common Share of uBuck at a conversion price of $0.50 per Series A Preferred Share. Each Series A Preferred Share shall automatically be converted into Common Shares at the applicable conversion price immediately in the event of the earlier of the consummation of a Qualified Public Offering, or the date specified by written consent from the holders voting together.

The issued and outstanding Series A Preferred Shares are presented as non-controlling interest on the consolidated statements of financial position.

Voting rights

Each holder of Series A Preferred Shares will be entitled to the number of votes equal to the number of Common Shares of uBuck into which the Series A Preferred Shares may be converted. Each holder of Series A Preferred Shares will hold full voting rights equal to that of holders of Common Shares of uBuck.

20. INCOME TAX

The difference between tax expense for the periods and the expected income taxes based on the combined federal and provincial statutory tax rate of 27% arises as follows:

		Year ended February 29, 2020		**Fifteen months ended February 28, 2019**
Net loss before income taxes	$	(9,461,887)	$	(10,795,052)
Loss not subject to income taxes in Cayman Islands		1,058,300		-
Net loss subject to income tax		(8,403,587)		(10,795,052)
Income tax recovery based on substantively enacted rates		(2,269,000)		(2,972,000)
Permanent differences and others		125,000		602,723
Effect of changes in tax rates		-		47,000
Changes in tax benefits not recognized		2,144,000		2,299,000
Income tax provision (recovery)	$	-	$	(23,277)

Significant components of the company's deferred income tax assets (liabilities) are as follows:

		February 29, 2020		**February 28, 2019**
Non-capital loss carryforward	$	2,791,000	$	1,583,000
Property and equipment		467,000		460,000
Investments		191,000		105,000
Intangible assets		882,000		-
Share issuance costs		112,000		151,000
Deferred tax asset - unrecognized	$	4,443,000	$	2,299,000

The Company has available for deduction against future taxable income, Canadian non-capital losses of approximately $10,338,000 which will begin to expire in 2038.

Expressed in U.S. Dollars

21. COMMITMENTS

The Company entered into a lease a 6,177 square foot rentable facility in Burnaby, BC on July 18, 2018 for the period commencing on September 1, 2018, for a period of 31 months expiring on March 30, 2021. The basic rent is CAD$18 net per square foot plus property and operating expenses.

The Company via its subsidiary, uBuck entered into an agreement for use of office space for the period from July 1, 2019 to December 31, 2019 at $40,000 per year, and January 1, 2020 to June 30, 2022 at $44,000 per year.

Both of the above leases are under the scope of IFRS 16 (Note 11 and 13).

22. SUPPLEMENTAL NON-CASH DISCLOSURE

For the year ended February 29, 2020

The Company incurred the following non-cash expenses

Share-based compensation expense	448,568
Loss on revaluation of investments	316,793
Impairment of intangible assets	3,269,687
For the 15 months ended February 28, 2019	
Share-based compensation expense	2,077,301
Loss on revaluation of investments	387,531
Listing expenses	2,691,916
Loss on acquisition of assets	217,619
Gain on settlement of debt	164,978

23. SUBSEQUENT EVENTS

ULoan Canada Credit Agreement

On May 22, 2020, the Company entered into an asset-backed credit agreement with ULoan Canada ("ULoan") in which ULoan advanced $263,625 to the Company on the date of agreement.

The loan had a term of three months from the date of advance with a maturity date of September 1, 2020. Interest was compounded at 3% per month and payable upon receipt of the first of any SR&ED claim refund or secondary capital raised by the Company. The loan is secured by the Company's accounts receivable and a first place General Security Agreement over all Company's assets. The Company is in default and in the process of renegotiating the terms.

COVID-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. The expected impacts on global commerce are expected to be far reaching. Material uncertainties may come into existence that could influence management's going concern assumption. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its subsidiaries, in future periods, such as:

- The impact on the Company's products and services and supply chains in the near term
- The availability of external funding sources during the next period
- The effect on labour availability due to the severity and the length of potential measures taken by governments to manage the spread of the disease

The effect of COVID-19 has had material and significant impact on the Company's operations. The Company's operations have been affected by complete shut down in operations, the inability to continue development on its technologies, a down turn in successful business development, the inability to meet operational and technology milestones, and the inability to be compliant in making its required continuous disclosure filings with securities regulatory authorities in a timely manner.

The Company continues to closely evaluate the impact of COVID-19 on its operations.