AQUARIUS AI INC.

Consolidated Financial Statements
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AQUARIUS AI INC.

Opinion

We have audited the consolidated financial statements of Aquarius AI Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our 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 these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of $26,915,807 as of December 31, 2020. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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 in this auditors' report. We have nothing to report in this regard.

Smythe LLP | smythecpa.com

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

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, 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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.

Smythe LLP | **smythecpa.com**

Vancouver
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Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
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- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Company to express an opinion on the 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 audit.

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

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2021

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
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AQUARIUS AI INC.
Consolidated Statements of Financial Position
December 31, 2020 and 2019
(Expressed in Canadian Dollars)

		2020		2019
Assets (note 12)				
Current				
Cash	$	554	$	100,767
Accounts receivable, net		-		597,765
GST receivable (note 18)		54,360		102,915
Prepaids		2,917		35,738
	$	57,831	$	837,185
Liabilities				
Current				
Accounts payable and accrued liabilities (notes 8, 16, 17)	$	2,412,472	$	3,267,661
Loan payable (note 13)		95,490		1,091,936
Bank debts (note 12)		-		10,890,042
Due to a related party (note 8)		245,890		-
Other liabilities (note 10)		484,931		559,931
		3,238,783		15,809,570
Derivative Liability (notes 6(c))		353,976		48,641
		3,592,759		15,858,211
Shareholders' Equity (Deficiency)				
Share Capital (notes 6, 21)		21,896,849		20,296,209
Translation Reserve		(254,658)		(140,149)
Reserves (note 6)		1,738,688		1,680,811
Deficit		(26,915,807)		(36,881,535)
Equity (Deficiency) Attributable to Owners of the Company		(3,534,928)		(15,044,664)
Non-Controlling Interest (note 11)		-		23,638
		(3,534,928)		(15,021,026)
	$	57,831	$	837,185

Approved on behalf of the Board:

"Jesse Dylan"	*"Cliff Dumas"*
………………………………………………	………………………………………………
Jesse Dylan, Director	Cliff Dumas, Director

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

AQUARIUS AI INC.
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

		2020		2019
Revenues	$	-	$	8,358,386
Direct Expenses		-		5,968,349
Gross Profit		-		2,390,037
Operating Expenses				
Accretion and interest (note 12)		432,374		-
Amortization		-		705,125
Bad debts (note 18)		96,797		10,227,552
Financing costs		-		867,017
General and administrative (note 15)		1,767,251		5,720,279
Marketing and sales		155,906		1,119,582
Research and development		-		2,004,502
Share-based compensation (note 6(d))		-		212,161
		2,452,328		20,856,218
Operating Income (Loss)		(2,452,328)		(18,466,181)
Other income		38,956		-
Impairments and write-offs (notes 16, 20)		859,725		(10,259,692)
Foreign exchange gain (loss)		3,631		(144,797)
Gain on debt settlement (note 17)		11,662,753		855,135
Loan and litigation settlement fee (note 10)		-		(75,000)
Contract settlement fees (note 19)		-		(656,470)
Fair value changes of derivative liability (note 6(c))		(170,647)		1,037,256
Income (loss) Before Income Taxes		9,942,090		(27,709,749)
Deferred income tax recovery (note 7)		-		2,815,494
Net Income (Loss)	$	9,942,090	$	(24,894,255)
Net Income (Loss) Attributed to:				
Owners of the Company	$	9,942,090	$	(24,895,233)
Non-controlling interest		-		978
	$	9,942,090	$	(24,894,255)
Translation adjustment		(114,509)		(465,628)
Comprehensive Income (Loss)	$	9,827,581	$	(25,359,883)
Comprehensive Income (Loss) Attributed to:				
Owners of the Company	$	9,827,581	$	(25,360,861)
Non-controlling interest		-		978
	$	9,827,581	$	(25,359,883)
Basic and Diluted Loss Per Share (note 14)	$	0.54	$	(2.97)

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

AQUARIUS AI INC.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital						
	Number	**Amount**	**Reserves**	**Translation Reserve**	**Deficit**	**Non-Controlling Interest**	**Total**
Balance, December 31, 2018	**7,734,109**	**$17,805,727**	**$ 1,448,294**	**$ 325,479**	**$(11,986,302)**	**$ 22,660**	**$ 7,615,858**
Units issued from private placement	1,058,750	2,117,500	-	-	-	-	2,117,500
Agents units	12,500	25,000	-	-	-	-	25,000
Share issuance costs	-	(220,625)	-	-	-	-	(220,625)
Agents options	-	(81,256)	81,256	-	-	-	-
Options exercised	213,310	576,051	(60,900)	-	-	-	515,151
Share-based compensation	-	-	212,161	-	-	-	212,161
Warrants exercised	21,333	73,812	-	-	-	-	73,812
Cumulative translation adjustment	-	-	-	(465,628)	-	-	(465,628)
Net loss for the year	-	-	-	-	(24,895,233)	978	(24,894,255)
Balance, December 31, 2019	**9,040,002**	**$20,296,209**	**$ 1,680,811**	**$ (140,149)**	**$ (36,881,535)**	**$ 23,638**	**$ (15,021,026)**
Warrants exercised	350,000	52,500	-	-	-	-	52,500
Shares issued for debt settlement	2,132,862	345,017	-	-	-	-	345,017
Shares issued from private placement	13,327,450	1,332,745	-	-	-	-	1,332,745
Share issuance costs	-	(71,745)	-	-	-	-	(71,745)
Agent's warrants	-	(57,877)	57,877	-	-	-	-
Cumulative translation adjustment	-	-	-	(114,509)	-	-	(114,509)
Wind-up of a subsidiary	-	-	-	-	23,638	(23,638)	-
Net income for the year	-	-	-	-	9,942,090	-	9,942,090
Balance, December 31, 2020	**24,850,314**	**$21,896,849**	**$ 1,738,688**	**$ (254,658)**	**$ (26,915,807)**	**$ -**	**$ (3,534,928)**

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

AQUARIUS AI INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

		2020		2019
Operating Activities				
Net income (loss) for the year	$	9,942,090	$	(24,894,255)
Items not involving cash				
Amortization		-		705,125
Bad debts		96,797		10,227,552
Interest and accretion		432,374		-
Impairments and write-offs		(859,725)		10,259,692
Share-based compensation		-		212,161
Financing costs		-		163,575
Gain/loss on debt settlement		(11,662,753)		(855,135)
Litigation settlement fee		-		75,000
Fair value change in derivative liability		170,647		(1,037,256)
Deferred income tax recovery		-		(2,815,494)
Foreign exchange gain (loss)		(122,582)		41,895
		(2,003,152)		(7,917,140)
Changes in non-cash working capital				
Accounts receivable		579,283		4,739,336
GST receivable		(48,242)		51,488
Prepaids		14,042		56,357
Deposit		-		2,004,502
Due to a related party		245,890		-
Accounts payable and accrued liabilities		692,006		(2,764,649)
Cash Used in Operating Activities		(520,173)		(3,830,106)
Investing Activities				
Purchase of equipment		-		(1,385)
Purchase of intangibles		-		(26,900)
Acquisition of ImpressionX		-		(234,005)
Cash Used in Investing Activities		-		(262,290)
Financing Activities				
Proceeds from share issuances		1,332,745		2,117,500
Share issuance costs		(71,745)		(195,625)
Loan payments		(70,142)		-
Obligation to issue shares		-		50,000
Amounts drawn from credit facility		-		1,620,938
Principal repaid on credit facility		-		(700,333)
Principal repayments on lease		-		(55,767)
Proceeds from exercise of options		-		515,151
Proceeds from exercise of warrants		52,500		73,812
Repayment of Scotia bank loan		(825,000)		-
Cash Provided by Financing Activities		418,358		3,425,676
Foreign Exchange Effect on Cash		1,602		(13,773)
Outflow of Cash		(100,213)		(680,493)
Cash, Beginning of Year		100,767		781,260
Cash, End of Year	$	554	$	100,767

Supplemental disclosure of cash flow information (note 22)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Aquarius AI Inc. (the "Company" or "Aquarius") was incorporated under the Business Corporations Act on August 17, 2011.

Effective January 28, 2018, the Company closed its qualifying transaction (the "Transaction") with Good Life Networks Inc. ("GLN"), a Vancouver-based, digital media private company. The Transaction was completed by way of a share exchange pursuant to a plan of arrangement under the provisions of the *Business Corporations Act* (British Columbia) (the "Arrangement"), which included the amalgamation of GLN and Exito Energy II Inc. ("Exito") to form the Company as the resulting issuer. The Company continued the business of GLN, as described below. The transaction was considered a reverse takeover ("RTO") since the legal acquiree is the accounting acquirer, as the former shareholders of GLN obtained a controlling interest of the resulting issuer after the completion of the Transaction.

The Company changed its name from Good Life Networks Inc. to Aquarius AI Inc. on November 29, 2019. The trading ticker symbol is "AQUA". The Company continues to trade on the Frankfurt Stock Exchange under the stock symbol "4G5"

The Company is a marketing technology business that is currently repositioning to focus on customer acquisition and using technology to generate revenues in the online gaming, gambling and betting space. The principal office of the Company is located at 595 Howe Street 10th floor, Vancouver, BC V6C 2T5, Canada.

On July 8, 2020, the Company consolidated its common shares on the basis of one post-consolidated common share for every ten pre-consolidated common shares held. The 90,400,027 pre-consolidated common shares issued and outstanding were adjusted to 9,040,003 post-consolidated common shares. As required by International Accounting Standards ("IAS") 33 *Earnings per Share*, all references to share capital, common shares outstanding, warrants outstanding, options outstanding, and per share amounts in these consolidated financial statements and the accompanying notes for time periods prior to the share consolidation have been restated to reflect the one-for-ten share consolidation.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the year ended December 31, 2020, the Company had cash outflows from operating activities of $520,173 (2019 - $3,830,106) and as at December 31, 2020, has an accumulated deficit of $26,915,807 (2019 - $36,881,535).

The Company has no revenue during the twelve months ended December 31, 2020 and does not have sufficient cash to meet its administrative overhead, service its obligations or maintain its interests. Currently, based on its planned expenditures and expected cash flows, the Company will need to secure new sources of working capital to continue operations beyond an approximately twelve-month period. Management's plan is to actively secure sources of funds, including possible equity and debt financing options, while at the same time focus on exercising careful cost control to sustain operations.

The Company's ability to continue its operations and to realize its assets at their carrying values are dependent upon obtaining additional financing sufficient to cover its operating costs. Further, the Company's ability to continue as a going concern is dependent upon the successful results from its activities and its ability to attain profitable operations and generate funds therefrom and/or to raise equity capital or borrowings sufficient to meet current and future obligations, none of which is in any way certain that the Company can achieve. The Company has now started the process of repositioning its technology that may provide opportunities for monetization. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

If the going concern basis was not appropriate for these consolidated financial statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used on the consolidated statements of financial positions. Such adjustments could be material which would significantly impact the financial statements and the Company's ability to operate.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. 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 in future periods.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Except as described in note 2(b), significant accounting policies have been consistently applied in the presentation of these consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 30, 2021.

(b) Basis of presentation

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments measured at fair value. These consolidated financial statements have prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars and the Company and its subsidiaries' functional currency is US dollars.

(c) Consolidation

These consolidated financial statements include accounts of the Company and the following controlled entities at December 31, 2020 and 2019:

(Expressed in Canadian Dollars)

	Relationship	Percentage
Good Life Networks USA Inc.**	Subsidiary	60%
Lighthouse Digital Inc.	Subsidiary	100%
495 Communications, LLC*	Subsidiary	100%
ImpressionX Inc.*	Subsidiary	100%

* The Company acquired 495 Communications, LLC (“495”) and ImpressionX Inc. (“ImpressionX”) on December 17, 2018. ImpressionX was dissolved on December 10, 2019. 495 is in the process of dissolution.

** Good Life Networks USA Inc. (“GLN US”) was dissolved on June 17, 2020.

All intercompany balances and transactions are eliminated on consolidation. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

(d) Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates include:

(i) Share-based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes Option Pricing Model (“Black-Scholes”) utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

Significant areas requiring the use of judgments include:

(i) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its platform development and working capital requirements.

(ii) The Company records expected credit losses (“ECL”) related to accounts receivable that are considered to be uncollectable. The ECL is based on the Company’s knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to those factors could impact the ECL and the provision for bad debts.

(iii) The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

(iv) Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company’s forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

(v) Contingencies are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgement, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining a reliable estimate of the amount of cash outflow required to settle the obligation. The Company is required to both determine whether loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

(vi) Contingent consideration and the allocation of fair value of assets acquired. The determination of fair value of assets acquired and contingent consolidation requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the assets acquired require the most judgment and include estimates of future cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company to the periods presented.

(a) Income taxes

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(b) Share issue costs

The Company accounts for share issue costs by deferring the costs until the shares are issued, at which time the costs are charged to share capital as share issue costs. If the share offering does not proceed, the costs are expensed.

(c) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in reserves.

(d) Share-based compensation

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes option pricing model, which incorporates all market vesting conditions. For employee share options, the number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(e) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the income or loss for the year by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted earnings per share assumes that the deemed proceeds received from the exercise of share options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

Stock options and share purchase warrants are typically dilutive when the Company has net income for the period and the average market price of the common shares during the period exceeds the exercise price of the stock option and/or share purchase warrant.

Shares held in escrow are excluded from the determination of basic income (loss) per share if the release from escrow is other than time based.

(f) Financial instruments

The following table shows the classification of financial instruments:

	Classification
Cash	Fair value – P&L
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank debts	Amortized cost
Due to a related party	Amortized cost
Loan payable	Amortized cost
Other liabilities	Amortized cost
Derivative liability	Fair value – P&L

Financial assets

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

(i) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(ii) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income (loss).

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

Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the

initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(g) Foreign currency translation

The functional currency of the Company and its subsidiaries is the United States dollar, and accounts denominated in currencies other than the United States dollar have been translated as follows:

- Monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange in effect on the transaction date.

The Company's presentation currency is the Canadian dollar. For presentation purposes, all amounts are translated from the United States dollar functional currency to the Canadian dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive income (loss) are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as translation adjustment, which is included in translation reserve in the statement of shareholders' equity (deficiency).

(h) Derivative liability

The Company classifies equity instruments that do not meet the definition of equity as derivative liabilities which are fair valued each reporting period subsequent to the initial issuance unless the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. The Company uses the Black-Scholes option pricing model to fair value these instruments. All changes in the fair value are recorded in the consolidated statements of comprehensive income (loss).

(i) Accounting standards issued but not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published, but are not yet effective, and have not been early-adopted by the Company. The Company does not expect these new pronouncements to have a significant impact on its consolidated financial statements.

4. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified at fair value through profit and loss ("FVTPL"); accounts receivable is classified at amortized cost; and accounts payable and accrued liabilities, due to relates party, loan payable, bank debts and other liabilities are classified at amortized cost. The carrying values of these instruments, other than bank debts, approximate their fair values due to their short term to maturity. The carrying value of bank debts approximates fair value as they were at market rates of interest. Contingent consideration and derivative liability are classified at FVTPL using level 3 of the fair value hierarchy.

The Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major Canadian financial institution and the Company's concentration of credit risk for cash and maximum exposure thereto is $554 (2019 - $100,767).

With respect to its accounts receivable, the Company assesses the credit rating of all customers. The Company's credit risk with respect to accounts receivable and maximum exposure thereto is $nil (2019 - $597,765). Accounts receivable are shown net of provision of credit losses of $nil (2019 – $nil).

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due. At December 31, 2020, the Company has $554 (2019 - $100,767) of cash to settle current liabilities with the following due dates: accounts payable and accrued liabilities of $2,412,472 (2019 - $3,267,661) are due within three to six months. Loan payable of $95,490 (2019 - $1,091,963), bank debts of $nil (2019 – $10,890,042), due to a related party of $245,890 (2019 - $nil) and other liabilities of $484,931 (2019 - $559,931) are due within twelve months.

The Company manages its liquidity risk by raising additional funds through equity or debt financing to fund its current liabilities and operations.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(i) Interest rate risk

The Company is exposed to floating interest rate risk related to its bank debts.

(Expressed in Canadian Dollars)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company also exposed to foreign currency risk that options and warrants that have exercise price which is different from its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2020 and 2019, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	2020	**2019**
	CAD$	CAD$
Cash	554	25,153
Accounts receivable	-	597,765
Accounts payable and accrued liabilities	(1,425,829)	(1,223,439)
Loans payable	(95,490)	(1,091,936)
Other liabilities	(484,931)	(434,931)
Due to a related party	(245,890)	-
	(2,251,586)	(2,127,388)

A 10% (2019 - 10%) change in the US dollar against the Canadian dollar at December 31, 2020 would result in a change of approximately $225,000 (2019 - $213,000) in comprehensive income (loss).

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

5. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity (deficiency) and debt obligations. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern, to further develop its business and ensure compliance with covenants of any applicable credit facility and other financing facilities. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals.

The Company manages the capital structure and makes adjustments to it depending on economic conditions and the rate of anticipated expenditures. The Company may issue shares or seek debt or streaming financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements.

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

During the year ended December 31, 2020

Pursuant to a warrant exercise the Company issued 350,000 shares at $0.15 for gross proceeds of $52,500.

During the year ended December 31, 2020, 1,232,862 shares were issued with a fair value of $255,017 to settle accounts payable amounts owing to various lenders of $650,209, resulting in a gain of $395,192.

On July 30, 2020, the Company completed a private placement for gross proceeds of $1,332,745 through the issuance of 13,327,450 units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant shall be exercisable into one common share for 24 months at an exercise prices of $0.15 per share.

The Company paid $71,745 cash commission and issued 253,956 agents' warrants to purchase common shares at $0.15 per share until July 30, 2022. The agents' warrants were valued using the Black-Scholes model resulting in fair value of $57,877.

750,000 common shares were issued in full settlement of Lerna and Lernalabs loan of $75,000. The fair value of the 750,000 common shares was determined to be $75,000.

150,000 common shares were issued with a fair value of $15,000 to the former owner of 495 in full settlement of outstanding loan payable of $1,091,936 and its accrued interest of 16,397 together with the cash payments described in note 13.

During the year ended December 31, 2019

36,250 options were exercised at a price of $2.00 per option for proceeds of $72,500, and 177,060 options were exercised at a price of $2.50 per option for proceeds of $442,651.

21,333 warrants were exercised at a price of $3.46 per warrant for proceeds of $73,812.

On July 15, 2019, the Company completed a private placement for gross proceeds of $2,117,500 through the issuance of 1,058,750 units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant common shares. Each full warrant shall be exercisable into one common share for 24 months at an exercise price of $3.50 per share.

(Expressed in Canadian Dollars)

The Company paid $195,625 cash commission and issued 12,500 units at $2.00 as corporate finance fees and issued 52,838 agents' options to purchase common shares at $2.00 per share until July 15, 2021. The agent's options were valued using the Black-Scholes model resulting in fair value of $81,256 which was recorded as share issuance costs.

(c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, December 31, 2018	899,371	$	2.70
Issued	873,896		3.13
Exercised	(21,333)		3.46
Outstanding, December 31, 2019	1,751,7934	$	2.92
Issued	7,417,681		0.16
Expired	(1,001,701)		3.48
Exercised	(350,000)		0.15
Outstanding, December 31, 2020	7,817,914	$	0.35

The following warrants were outstanding at December 31, 2020:

Grant Date	Expiry Date	Exercise Price		Number of Warrants	Exercisable
January 26, 2018	January 26, 2023	$	1.88	120,500	120,500
December 18, 2018	December 18, 2023	$	1.84	291,462	-
July 22, 2019	July 22, 2024	$	3.66	119,075	119,075
July 22, 2019	July 22, 2024	$	1.94	219,196	219,196
July 30, 2020	July 30, 2022	$	0.15	6,567,681	6,567,681
August 17, 2020	August 17, 2022	$	0.275	500,000	500,000
				7,817,914	7,526,452

The weighted average contractual life of warrants as at December 31, 2020 is 1.73 years (December 31, 2019 - 1.97 years).

On July 30, 2020, the Company granted 253,956 finders' warrants in connection with the private placement. All finders' warrants are exercisable at $0.15 per share until July 30, 2022. The fair value of these warrants were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.26%
Expected term (in years)	2
Estimated dividend yield	0%
Weighted-average estimated volatility	261.63%

(Expressed in Canadian Dollars)

On August 17, 2020, the Company granted 500,000 settlement warrants in connection with full settlement of bank loan. Each settlement warrant shall be exercisable into one common share of the Company for 24 months at a price of $0.275 per share until August 17, 2022. The fair value of these warrants was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.26%
Expected term (in years)	2
Estimated dividend yield	0%
Weighted-average estimated volatility	261.45%

Some of the Company's warrants with a $CAD exercise price have been recognized as a derivative liability given the functional currency of the Company is the US$, as they did not meet the "fixed-for-fixed" criteria. The following is a summary of the Company's warrant derivative liabilities as at December 31, 2020 and 2019:

Balance, December 31, 2018	$	555,058
Warrants issued in for earn-out		554,449
Change in fair value of derivative liability		(1,037,256)
Functional currency translation adjustment		(23,610)
Balance, December 31, 2019	$	48,641
Warrants issued for settlement of bank loan		128,655
Change in fair value of derivative liability		170,647
Functional currency translation adjustment		6,033
Balance, December 31, 2020	$	353,976

The fair value of the derivative liabilities as at December 31, 2020 was determined using the following weighted average assumptions:

- Risk-free interest rate 0.21%
- Expected term (in years) 1.65
- Estimated dividend yield 0%
- Weighted-average estimated volatility 213.33%

(Expressed in Canadian Dollars)

(d) Stock options

Options transactions and the number of options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2018	1,052,506	$ 2.30
Option Exercised	(213,310)	2.42
Forfeited	(346,500)	2.22
Expired	(38,750)	2.00
Granted	52,838	2.00
Outstanding, December 31, 2019	506,784	$ 2.30
Expired	(77,446)	2.50
Outstanding, December 31, 2020	429,338	$ 2.27

When the Company issues stock options, it records a share-based compensation in the year or period which the options are granted and/or vested. The expense is estimated using the following assumptions. Due to the lack of historical pricing information for the Company, the expected volatility is based on an average of historical prices of a comparable group of companies within the same industry. The risk-free interest rate is based on yield curves on Canadian government zero coupon bonds with a remaining term equal to the expected life of the stock options. The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares. Based on the best estimate, management applied the estimated forfeiture rate of 0%.

On July 15, 2019, the Company granted 52,838 agent’s options in connection with the private placement. All agent's options are exercisable at $2.00 per share until July 15, 2021. The fair value of these options were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.59%
Expected term (in years)	2
Estimated dividend yield	0%
Weighted-average estimated volatility	168.03%

For the year ended December 31, 2020, the Company recognized share-based compensation of $nil (2019 - $212,161) relating to the stock options that vested during the period.

(Expressed in Canadian Dollars)

The following options were outstanding at December 31, 2020:

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercisable
January 30, 2018	January 30, 2023	$ 2.50	302,500	302,500
December 18, 2018	December 31, 2023	$ 1.50	74,000	74,000
July 15, 2019	July 15, 2021	$ 2.00	52,838	52,838
			429,338	429,338

The weighted average contractual life for the remaining options as at December 31, 2020 is 2.05 years (December 31, 2019 - 2.60 years).

7. INCOME TAXES

As at December 31, 2020, the Company has non-capital losses of approximately $13,943,000 available that may be carried forward and applied against future income for Canadian income tax purposes. The non-capital losses will begin to expire in 2033.

Management continually evaluates the likelihood that its deferred tax assets could be realized. The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable that sufficient taxable income will exist in the future to utilize deferred tax assets.

The following are the deductible temporary differences for which no deferred tax assets are recognized in the consolidated financial statements:

		2020		2019
Equipment	$	196,422	$	196,422
Share issue costs		673,478		904,507
Intangible assets		933,448		933,448
Derivative liability		176,233		54,674
Non-capital losses carried forward		13,943,475		23,361,196
Unrecognized deductible temporary differences	$	15,923,056	$	25,450,247

(Expressed in Canadian Dollars)

Income tax expense differs from the amount that would be computed by applying the combined corporate income tax rate of 27.00% (2019 – 27.00%) to loss before income taxes. The reasons for the differences are as follows:

		2020		2019
Income (loss) before tax	$	9,942,090	$	(24,894,255)
Statutory tax rate		27%		27%
Expected income tax benefit		2,684,364		(6,721,449)
Permanent differences		-		79,242
Change in timing difference		27,641)		(17,916)
Unrecognized (recognized) benefit of deferred tax		(2,375,040)		3,586,369
Other adjustments for tax purposes		(309,324)		258,260
	$	-	$	(2,815,494)

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Company paid wages and benefits of $17,552 (2019 - $476,298) and share-based compensation of $nil (2019 - $63,092) to companies controlled by directors/officers and family members of directors/officers.

At December 31, 2020, included in accounts payable and accrued liabilities was $266,970 (December 31, 2019 - $33,555) owing to officers and directors. The amounts due to or from related parties are without stated terms of repayment or interest and are unsecured.

As at December 31, 2020, included in due to a related party was $245,890 (December 31, 2019 – $nil) owing to a company controlled by directors/officers. The amounts due to or from related parties are without stated terms of repayment or interest and are unsecured.

The Company's directors/officers acquired 1,000,000 units pursuant to the private placement which was taken place on July 30, 2020. The issuance of units is considered to be a related party transaction within the meaning of TSX Venture Exchange Policy (note 6(b)).

In 2018, the Company acquired certain patents from a company controlled by an officer of the Company in the amount of $625,000, which remains unpaid as at December 31, 2020 and is included in accounts payable and accrued liabilities.

These transactions are in the normal course of business and have been valued in these consolidated financial statements at the fair value of the consideration paid.

(Expressed in Canadian Dollars)

Key management compensation

The Company's key management consist of executive officers and directors:

The compensation recorded to key management personnel during the years ended December 31, 2020 and 2019 were as follows:

		2020		2019
Management and consulting fees	$	698,884	$	1,077,021
Share-based compensation	$	-	$	107,328

9. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment: digital branding and advertising. As at December 31, 2020, the Company earned $nil (2019 - $8,358,386) revenue from United States customers.

Significant Customers - During the year ended December 31, 2019, one customer had sales exceeding 10% of the Company's annual revenues for a combined total of $1,257,703.

10. OTHER LIABILITIES AND CONTINGENCIES

		2020		2019
Legal fees – others	$	434,931	$	434,931
Settlement of Lerna and Lernalabs		-		75,000
Obligation to issue shares		50,000		50,000
	$	484,931	$	559,931

Lerna and Lernalabs

In July 2019, the Company entered into a settlement agreement with Lerna and Lernalabs. pursuant to which the Company agreed to pay to Lerna and Lernalabs the sum of US $650,000 in full and final settlement, to be paid in deferred instalments with the final payment due December 19, 2019. The Company made the first instalment payment of US $100,000 during the year ended December 31, 2019 but failed to make additional payments and was therefore subject to an interest penalty of US $100,000. As at December 31, 2019, the amount of $851,695 (US $650,000) remains payable. On January 20, 2020, the Company entered into an amended settlement agreement with Lerna and Lernalabs pursuant to which the Company agreed to issue 750,000 common shares to Lerna and Lernalabs in full settlement of the amount owing of $851,695. In addition, a further 185,000 common shares owned by an officer of the Company were transferred to another officer of the Company. The fair value of the 750,000 common shares was determined to be $75,000. The liability as at December 31, 2019 was reduced to $75,000. During the year ended December 31, 2020, 75,000 common shares were issued in full settlement of the debt.

As at December 31, 2020, a payable of $434,931 remains outstanding which is due to the lawyers responsible for negotiating the various agreements with Lerna and Lernalabs.

(Expressed in Canadian Dollars)

11. NON-CONTROLLING INTEREST

The Company's 60% owned subsidiary, Good Life Network USA Inc. ("GLN US"), was dissolved on June 17, 2020. As at December 31, 2020, the non-controlling interest in GLN US was reduced to $nil.

The summarized financial information of the subsidiary in 2019 is as follows: Current asset of $1,027, current liabilities of $217,063, and net income of $2,445 with non-controlling interests of $978.

12. BANK DEBT

On December 17, 2018, the Company entered into a commercial agreement with a major Canadian financial institution (the "Bank") to provide four credit facilities ("Facilities") for working capital and acquisitions. On November 5, 2019, the Company entered into a restructuring agreement with the Bank to consolidate the Facilities into two Canadian dollar loans (the "Restructured Loans") pursuant to which the Bank agreed to defer enforcement of the security until November 5, 2021 (the "Maturity Date"). The loan balances are as follows:

	2020	2019
Loan A	$ -	$ 3,000,000
Loan B	-	7,754,619
Accrued interest	-	135,423
	$ -	$ 10,890,042

Loan A bears interest at a rate of prime per annum with interest payable monthly. The Company must repay 50% of interest accrued in cash monthly, with the remaining 50% payable on the Maturity Date. Loan A is fully repayable on the Maturity Date.

Loan B bears interest at a rate of prime plus 5% per annum with interest payable monthly. Interest is accrued and becomes payable on the Maturity Date. Loan B repayments are due as follows;

i. USD $300,000 no later than September 23, 2020;
ii. USD $50,000 no later than December 31, 2020;
iii. USD $600,000 no later than September 23, 2021; and
iv. The remaining balance of principal and interest on the Maturity Date

The borrowing conditions outlined in the Restructured Loan agreement required the Company to submit monthly, quarterly and other financial information to the Bank. The Restructured Loan agreement incorporated incentives to reduce the amount repayable to the Bank.

During the year ended December 31, 2019, the Company paid interest of $609,728 towards the credit facilities.

The Company was not in compliance with the above covenants at December 31, 2019. Accordingly, the entire bank debt balance was classified as current liability.

In August 2020, the Company reached an agreement with the Bank to settle all outstanding debt in exchange for (i) 500,000 common share purchase warrants (the "Settlement Warrants") of the Company; and (ii) a cash payment of $825,000. Each Settlement Warrant is exercisable into one common share of the Company at a price of $0.275 per share for a period of 24 months from the date of issue.

(Expressed in Canadian Dollars)

During the year ended December 31, 2020, 500,000 common share purchase warrants were issued to the Bank in full settlement of the outstanding bank loan of $10,890,042 and its accrued interest of $403,473 together with the cash payments of $825,000. The settlement warrants were valued using the Black-Scholes model resulting in fair value of $128,655, resulting in a gain of $10,339,860. The warrants issued are presented as a derivative liability as they do not meet the fixed-for-fixed criteria. All securities and registrations required by the settlement agreement have been discharged.

13. LOAN PAYABLE

The Company signed a promissory note agreement related to the acquisition of 495 for $1,035,010. The loan was repayable on or before February 1, 2019. The loan begins accruing interest at a rate of 6% per annum in the event the principal is not repaid on the due date. The loan is unsecured.

On April 24, 2020, the Company entered into a mutual release agreement with the former owner of 495 in full settlement of outstanding loan payable of $1,091,936 and its accrued interest of $16,397. Pursuant to the agreement, the Company agreed to pay the seller the equivalent of USD $125,000 in four installments:

- i) USD $25,000 by June 1, 2020 (paid);
- ii) USD $25,000 by September 1, 2020 (paid);
- iii) USD $25,000 by December 1, 2020 (paid subsequent to year end);
- iv) USD $50,000 by March 1, 2021 (paid subsequent to year end); and
- v) issuance of 150,000 common shares (issued).

During the year ended December 31, 2020, repayments of $70,142 (2019 - $nil) were made toward the outstanding balance of the loan and 150,000 common shares with a fair value of $15,000 (2019 - $nil) were issued in connection with the mutual release agreement. As at December 31, 2020, the outstanding balance is $95,490 (December 31, 2019 - $1,091,936), including interest payable of $nil as at December 31, 2020 (December 31, 2019 - $56,926). A gain of $927,701 from settlement of debt was recognized in the statement of comprehensive income (loss).

14. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted loss per share for the relevant years is based on the following:

		2020		2019
Net Income (loss) for the year	$	9,942,090	$	(24,894,255)
Basic and diluted weighted average number of common shares outstanding		18,298,434		8,392,194
Basic and diluted earnings (loss) per share	$	0.54	$	(2.97)

Anti-dilutive options that are not included in the diluted earnings per share calculation were 429,338 for the year ended December 31, 2020.

Anti-dilutive warrants that are not included in the diluted earnings per share calculation were 7,526,452 for the year ended December 31, 2020.

(Expressed in Canadian Dollars)

15. GENERAL AND ADMINISTRATIVE EXPENSES

		2020		2019
Office, software and general	$	157,665	$	674,084
Accounting, legal and audit		289,966		698,467
Consulting		898,739		1,310,719
Management fees		228,571		841,469
Insurance		18,865		66,454
Rental		-		171,777
Travel		8,482		552,901
Wages and salaries		164,963		1,404,408
Total	$	1,767,251	$	5,720,279

16. IMPAIRMENT AND WRITE-OFFS

The Company has impaired and written off the following during the year ended December 31, 2020 and 2019:

		2020		2019
Intangible assets (note 20)	$	-	$	10,468,597
Goodwill related to 495 (note 20)		-		7,792,864
Goodwill related to ImpressionX (note 20)		-		2,292,733
Office equipment and software		-		84,812
Dissolution of GLN US		(347,607)		-
Dissolution of ImpressionX		-		1,040,732
Write-offs related to 495 *		(512,118)		-
Change in fair value of contingent consideration				
495 (note 20)		-		(8,952,900)
ImpressionX (note 20)		-		(2,467,146)
Total	$	(859,725)	$	10,259,692

***** During the year ended December 31, 2020, the Company wrote off certain balances in 495 including trade payables of $549,379 that the Company is not liable for, accounts receivable of $18,482 and prepaids of $18,779.

17. GAIN ON DEBT SETTLEMENT

During the year ended December 31, 2019, the Company settled payable amounts with ImpressionX former owners, resulting in a gain of $855,135 recognized in the consolidated statement of comprehensive income (loss).

During the year ended December 31, 2020, the Company settled accounts payable amounts by issuance of common shares with fair value lower than their carrying values, resulting in a gain of $395,192 recognized in the consolidated statement of comprehensive income (loss) (note 6(b)).

The Company settled all outstanding bank debt with the bank, resulting in a gain of $10,339,860 recognized in the consolidated statement of comprehensive income (loss) (note 12).

The Company settled loan payable amounts with the former owner of 495, resulting in a gain of $927,701 recognized in the consolidated statement of comprehensive income (loss) (note 13).

18. BAD DEBTS

During the year ended December 31, 2019, the Company recognized net bad debts of $10,227,552 in the consolidated statements of comprehensive income (loss). The amount includes uncollectable trade receivables of $14,790,502, offsetting by related $4,562,950 trade payables that the Company is not liable for.

During the year ended December 31, 2020, the Company recognized bad debts of $96,797 in the consolidated statements of comprehensive income (loss). The amount is related to uncollectable GST receivable.

19. SETTLEMENT ON CONTRACT FEES

During the year ended December 31, 2019, the Company recognized a contract settlement expense of $656,470 for breaking the contract with a third party for digital advertising and marketing platform development. During the year ended December 31, 2019, $151,137 was settled by cash payment. During the year ended December 31, 2020, the remaining balance of $505,333 was settled by issuance of shares (see note 6(b)).

20. ACQUISITIONS

495 Communications, LLC
On December 17, 2018, the Company closed the acquisition of 100% of the issued and outstanding shares of 495 Communications, LLC ("495") under the terms of a definitive share purchase agreement. As a result of the acquisition, 495 operates as a wholly-owned subsidiary of the Company. 495 is in the business of Connected Television ("CTV") advertising and content marketing. 495 has exclusive rights to advertise on numerous premium CTV channels, where users can watch advertising supported movies and video content. The Company acquired 495 to gain access to its customer base and CTV advertising and content.

The aggregate consideration paid by the Company to acquire 495 comprised of:
(i) US $3,500,000 cash less the amount of outstanding indebtedness;
(ii) a cash earn-out, up to a maximum of $5,500,000 for performance benchmarks; and
(iii) a share/cash earn-out, to be satisfied, at the sole discretion of the Company, in cash or through the issuance of common shares of the Company up to a maximum amount of US $6,000,000 for hitting performance benchmarks. The earn-out period is from January 1, 2019 to December 31, 2019, with payment due in January 2020.

The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair values at the acquisition date.

(Expressed in Canadian Dollars)

The provisional allocation of the purchase consideration to the total fair value of net assets acquired is as follows:

Fair value of net assets acquired	$
Cash	1,023,259
Accounts receivable	3,450,650
Other current assets	25,481
Customer relationships	5,860,607
Tradenames & trademarks	1,837,307
Accounts payable	(3,292,593)
Other current liabilities	(50,769)
Deferred income tax liability	(2,078,437)
Identifiable net assets acquired	6,775,505
Goodwill	7,792,864
	14,568,369
Consideration Paid	$
Cash	4,693,850
Loan payable (note 23)	1,023,259
Fair value of earn-outs	8,851,260
	14,568,369

On acquisition, the Company recognized a deferred income tax liability of $2,078,437 from the temporary differences arising from the customer relationships, tradenames and trademarks. The resulting goodwill represents the established growth potential and synergies between 495 and the Company.

Developments in 2019

In 2019, primarily as a result of the Company's deterioration of its revenues for its advertising and content marketing business related to the business of 495, management determined the carrying value of intangible assets and goodwill resulting from the acquisition of 495 exceeded their estimated fair value (note 16). In measuring the recoverable value of goodwill, the Company used a discounted cash flow model but determined it could not reliably estimate future revenue streams. The Company compared the indicated fair value using level 3 assumptions to the carrying value of goodwill, and as a result of the analysis, an impairment charge of $7,792,864 was recorded to write down goodwill for the year ended December 31, 2019.

In addition, management determined that the probability of reaching the performance benchmarks and paying the potential earn-outs has been reduced to a nominal amount. Accordingly, the Company estimated the fair value of the contingent consideration to be $nil and reversed the amount of $8,952,900 with a foreign exchange effect of $101,639 (note 16).

ImpressionX

On December 17, 2018, the Company acquired 100% of the issued and outstanding shares of ImpressionX Inc. ("ImpressionX") under the terms of a definitive share purchase agreement. As a result of the acquisition, ImpressionX operates as a wholly owned subsidiary of the Company.

ImpressionX is a digital advertising company with a focus on CTV, mobile, and digital media platforms. Customers consist of advertisers seeking to publish their content on mobile, digital and CTV platforms. The Company acquired ImpressionX to gain access to its customer base and CTV advertising and content.

The aggregate consideration paid by the Company to acquire ImpressionX comprised of:

(i) US $500,000 cash;
(ii) A working capital adjustment of $845,427 recorded in accounts payable of the Company as at December 31, 2019;
(iii) A performance earn-out of up to US $1,000,000 in cash based on agreed-upon milestones. The earn-out period is for the 12-month period following the closing date, with payment due in January 2020;
(iv) A performance earn-out of up to US $2,600,000 in warrants for the 2-year period following the closing date; and
(v) 291,462 warrants with an exercise price of $1.836 and term of 5 years.

The warrants issued on acquisition date have an estimated fair value of $388,919, calculated using the Black-Scholes option pricing model assuming a share price of $1.95, average risk-free interest rate of 1.93%, a 0% dividend rate and volatility of 85%. The warrants issued are presented as a derivative liability as they do not meet the fixed-for-fixed criteria.

The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and liabilities assumed were recorded at their estimated fair values at the acquisition date.

(Expressed in Canadian Dollars)

The provisional allocation of the purchase consideration to the total fair value of net assets acquired is as follows:

Fair value of net assets acquired	$
Accounts receivable	3,994,324
Customer relationships	2,722,433
Accounts payable	(3,148,897)
Deferred income tax liability	(737,057)
Identifiable net assets acquired	2,830,803
Goodwill	2,292,733
	5,123,536

Consideration Paid	$
Cash	670,550
Working capital adjustment	845,427
Warrants	388,919
Fair value of earn-outs	3,218,640
	5,123,536

On acquisition, the Company recognized a deferred income tax liability of $737,057 from the temporary difference arising from the customer relationships. The resulting goodwill represents the established growth potential and synergies between ImpressionX and the Company.

Developments in 2019

In 2019, primarily as a result of the Company's deterioration of its revenues for its advertising and content marketing business related to the business of ImpressionX, management determined the carrying value of intangible assets and goodwill resulting from the acquisition of ImpressionX exceeded their estimated fair value note 16). In measuring the recoverable value of goodwill, the Company used a discounted cash flow model but determined it could not reliably estimate future revenue streams. The Company compared the indicated fair value using level 3 assumptions to the carrying value of goodwill, and as a result of the analysis, an impairment charge of $2,292,733 was recorded to write down goodwill for the year ended December 31, 2019.

During 2019, certain performance benchmarks related to the earn-outs were achieved and as a result, the Company paid cash of $234,005 and issued warrants with a fair value of $554,449. Management determined that the probability of reaching the remaining performance benchmarks and paying the potential earn-outs has been reduced to a nominal amount. Accordingly, the Company estimated the fair value of the contingent consideration to be $nil and reversed the amount of $2,467,146 (note 16).

21. COMMITMENTS

Consideration paid to certain consultants from private placement proceeds:

On July 30, 2020, the Company closed a private placement for gross proceeds of $1,332,745 (the "July Offering"), and indicated that the proceeds from July Offering would be used for general working capital. On July 30, 2020, the Company announced the closing of the July Offering (note 6(b)), $165,000 of the aggregate gross proceeds of $1,332,745, a portion of which was raised through the consultants, were to satisfy the Company's obligations under the consulting agreements.

(Expressed in Canadian Dollars)

22. SUPPLEMENTAL CASH FLOW DISCLOSURE

		2020		2019
Additional Information				
Accounts receivable written off to bad debts	$	-	$	14,790,502
Accounts payable and accrued liabilities written off to bad debts	$	-	$	4,562,950
Shares issued for debt settlement	$	345,017	$	-
Warrants issued for bank loan settlement	$	128,655		-
Gain on settlement of accounts payable	$	395,192	$	855,135
Interest paid on bank debt	$	-	$	609,528
Prepaids written off on dissolution of entity	$	18,779	$	-
Accounts receivable written off on dissolution of entity	$	18,482	$	-
Accounts payable and accrued liabilities written off on dissolution of entity	$	1,585,417	$	-

23. SUBSEQUENT EVENTS

(a) On March 19, 2021 the Company announced it has completed a non-brokered private placement offering of an aggregate total of 25,111,983 units of the Company, at a price of $0.12 per unit to raise aggregate gross proceeds of $3,013,438. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder, on exercise thereof, to purchase one additional common share of the Company at a price of $0.25 per share for a period of 24 month from the completion of the private placement.

In connection with the non-brokered private placement, the Company issued 679,126 agents' warrants. The agents' warrants have an exercise price of $0.25 per share for a period of 24 months from the completion of the private placement.

(b) Subsequent to the year ended December 31, 2020, 1,081,500 common shares were issued upon the exercise of warrants. The warrants were exercised at a price of $0.15 for gross proceeds of $162,225.

(c) Subsequent to the year ended December 31, 2020, the Company entered into a settlement agreement with a third party to settle a claim against the Company for $67,200. The settlement amount was paid subsequent to year end in full settlement of the claim. As at December 31, 2020, the settlement amount of $67,200 was included in accounts payable and accrued liabilities on the consolidated statement of financial position.

(d) Subsequent to the year ended December 31, 2020, the Company settled a claim against the Company with a former consultant for $70,087 (US $55,000). As at December 31, 2020, the settlement amount of $70,087 was included in accounts payable and accrued liabilities on the consolidated statement of financial position.