eXeBlock Technology Corporation

Consolidated Financial Statements

For the years ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

December 22, 2020

Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements of eXeBlock Technology Corporation (the “Company") were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) *“Ken Marshall”*
President and Chief Executive Officer
Vancouver, British Columbia

(signed) *“Robert Randall”*
Chief Financial Officer
Halifax, Nova Scotia

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of eXeBlock Technology Corporation.

Opinion

We have audited the consolidated financial statements of eXeBlock Technology Corporation and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, 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 August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *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 audit 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 is sufficient and appropriate to provide a basis for our opinion.

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 audit 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 audit 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 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 Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
December 22, 2020

eXeBlock Technology Corporation
Consolidated Statements of Financial Position
Expressed in Canadian dollars
As at August 31, 2020 and 2019

	2020	2019
	$	$
Assets		
Current assets		
Cash and cash equivalents	**1,289,245**	1,461,406
Amounts receivable	**32,004**	68,447
Deposits and prepaid expenses	**15,513**	23,366
Total current assets	**1,336,762**	1,553,219
Total assets	**1,336,762**	1,553,219
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**59,762**	79,623
Total liabilities	**59,762**	79,623
Equity		
Shareholders’ equity	**1,277,000**	1,473,596
Total liabilities and equity	**1,336,762**	1,553,219

Nature of operations and going concern (note 1)
Commitments and contingencies (note 8)
Subsequent event (note 9)

Approved on behalf of the Board of Directors on December 22, 2020.

“Paul Thomson”	“*Ian Klassen*”
Director	Director

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

eXeBlock Technology Corporation
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars
For the years ended August 31, 2020 and 2019

	2020 $	2019 $
Expenses		
Professional, consulting and directors fees (note 6)	**238,448**	403,489
Rent and administrative costs (note 6)	**48,836**	91,644
Securities and regulatory fees	**19,303**	33,970
Market development and advertising	**6,873**	45,320
Travel	**5,062**	15,609
Salaries, wages and benefits	**-**	856,025
Stock-based compensation (note 4)	**-**	80,101
Software development	**-**	3,015
Loss before other income and income taxes	**(318,522)**	(1,529,173)
Gain from the sale of assets (note 3)	**-**	1,063,201
Interest income	**18,801**	30,602
Net loss and comprehensive loss for the year	**(299,721)**	(435,370)
Loss per share – basic and diluted	**(0.01)**	(0.01)
Weighted-average number of common shares outstanding – Basic and diluted	**51,583,894**	57,964,732

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

eXeBlock Technology Corporation
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars
For the years ended August 31, 2020 and 2019

	Common Shares		Warrants				
	Shares	**Amount**	**Warrants**	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
	#	**$**	**#**	**$**	**$**	**$**	**$**
Balance, August 31, 2018	**61,441,531**	**6,262,241**	**3,890,557**	**533,607**	**340,215**	**(5,008,248)**	**2,127,815**
Stock-based compensation (note 4)	-	-	-	-	80,101	-	80,101
Fair value of shares exchanged as per Transaction (note 3)	(9,965,000)	-	-	-	(298,950)	-	(298,950)
Net loss for the year	-	-	-	-	-	(435,370)	(435,370)
Balance, August 31, 2019	**51,476,531**	**6,262,241**	**3,890,557**	**533,607**	**121,366**	**(5,443,618)**	**1,473,596**
Warrants exercised	2,062,500	277,833	(2,062,500)	(174,708)	-	-	103,125
Warrants expired	-	-	(1,828,057)	(358,899)	358,899	-	-
Net loss for the year	-	-	-	-	-	(299,721)	(299,721)
Balance, August 31, 2020	**53,539,031**	**6,540,074**	**-**	**-**	**480,265**	**(5,743,339)**	**1,277,000**

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

eXeBlock Technology Corporation
Consolidated Statements of Cash Flows
Expressed in Canadian dollars
For the years ended August 31, 2020 and 2019

	2020	2019
	$	$
Operating activities		
Net loss for the year	**(299,721)**	(435,370)
Non-cash items:		
Gain from sale of assets (note 3)	**-**	(1,063,201)
Stock-based compensation	**-**	80,101
Depreciation	**-**	753
	(299,721)	(1,417,717)
Changes in non-cash working capital		
Decrease in amounts receivable	**36,443**	8,327
Decrease (increase) in prepaid expenses	**7,853**	(5,766)
Decrease in accounts payable and accrued liabilities	**(19,861)**	(99,878)
Net cash used in operating activities	**(275,286)**	(1,515,034)
Investing activities		
Proceeds from sale of software (note 3)	**-**	250,000
Net cash provided by investing activities	**-**	250,000
Financing activities		
Proceeds from pursuant to the exercise of warrants (note 4)	**103,125**	-
Net cash provided by financing activities	**103,125**	-
Decrease in cash and cash equivalents during the year	**(172,161)**	(1,265,034)
Cash and cash equivalents, beginning of year	**1,461,406**	2,726,440
Cash and cash equivalents, end of year	**1,289,245**	1,461,406

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

1. NATURE OF OPERATIONS AND GOING CONCERN

eXeBlock Technology Corporation (formerly 1040433 B.C. Ltd.) (the "Company"), was incorporated pursuant to the British Columbia Business Corporations Act on June 19, 2015. On August 18, 2017, the Company and eXeBlock Technology Inc. ("eXeBlock Inc.") signed a letter of intent and on September 6, 2017, the Company and eXeBlock Inc. entered a Share Exchange Agreement (the "SEA") under which the transaction was completed and the Company effected a change in directors, management and business. The Company changed its name to eXeBlock Technology Corporation.

The Company acquired eXeBlock Inc. through a reverse acquisition transaction. Under the terms of the SEA, the Company acquired all of the issued and outstanding common shares of eXeBlock Inc. based on two shares of the Company for each share of eXeBlock Inc. eXeBlock Inc. is engaged in the business of developing and marketing decentralized applications ("DApps"). eXeBlock Inc. was federally incorporated pursuant to the Canada Business Corporations Act on July 11, 2017. eXeBlock Inc. is deemed to be the continuing entity for financial reporting purposes and therefore its historical operations, assets and liabilities are included.

On November 9, 2017, the Company filed a Prospectus in association with its initial listing application on the Canadian Securities Exchange ("CSE") and its common shares commenced trading on the CSE on November 16, 2017 as a Technology Issuer under the trading symbol "XBLK".

The Company's corporate office address is Suite 280, 1090 West Georgia Street, Vancouver, BC, V6E 3V7. eXeBlock Inc.'s registered office is located at Suite 1100, 1959 Upper Water Street, Halifax, NS, Canada, B3J 3N2. The Company's technical, administrative, sales and marketing office is located at Suite 2001, 1969 Upper Water Street, Halifax, NS, Canada, B3J 3R7.

These consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the year ended August 31, 2020, the Company incurred a net loss of $299,721. The Company has no recurring revenue from operations. In addition to its working capital requirements, the Company must secure sufficient funding to develop its private blockchain business and fund its general operating costs. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there can be no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and operating requirements and eventually to generate positive cash flows from operations. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance with International Financial Reporting Standards ("IFRS")

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 ("CPA Canada Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's Board of Directors approved these financial statements for issue on December 22, 2020.

b) Basis of Measurement

These annual consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on the historical costs basis. These consolidated financial statements also include the effects of the reverse acquisition transaction and the assets and operations of the Company since September 6, 2017. All significant inter-company transactions have been eliminated on consolidation.

c) Critical accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the financial statements are outlined below.

Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the consolidated statements of loss and comprehensive loss based on estimates of volatility, forfeiture and expected lives of the underlying stock options.

Valuation and amortization of internally generated intangible assets

The Company will capitalize certain costs incurred for the development of its DApps. Estimates are used in order to determine the point in time whereby the recognition criteria are met and the allocation and nature of costs to capitalize in accordance with IAS 38, *Intangible Assets*. The capitalized costs may include the cost of direct labour and other costs directly attributable to preparing the intangible asset for its intended use. Management will then estimate the expected term over which the Company will receive benefits from the software application. A change in these estimates may have a significant impact on the carrying value of the intangible asset and the amortization and expenses recognized in the statements of loss and comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Intangible assets

Expenditures on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognized in the statements of loss and comprehensive loss as an expense as incurred.

The intangible asset consist of internally generated applications. The development costs of the applications will be capitalized as they can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the product. Expenditures capitalized include the cost of labour and other costs that are directly attributable to preparing the asset for its intended use.

The intangible asset will be amortized based on the cost of the asset less its residual value. Amortization will be charged to the statements of loss and comprehensive loss on a straight-line basis over the estimated useful economic life, from the date the asset is available for use.

Digital assets acquired by the Company are considered indefinite life intangible assets and are recorded at cost less any impairment losses.

e) Income taxes

Current income taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in the statements of changes in equity and not in the statements of loss and comprehensive loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

Deferred income taxes
Deferred income taxes are calculated using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Income taxes (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside of profit or loss is recognized outside of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive loss or directly in equity.

f) Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

g) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, current operating bank accounts and guaranteed investment certificates.

h) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified into one of the following specified categories: amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the consolidated statements of loss and comprehensive loss.

The Company’s financial instruments are classified and subsequently measured as follows:

Financial instrument	**Classification**
Cash and cash equivalents	FVTPL
Deposits	Amortized cost
Accounts payable	Amortized cost

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Impairment of financial assets at amortized cost
The Company recognizes an allowance using the expected credit loss ("ECL") model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all accounts receivable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the consolidated statements of loss and comprehensive loss.

i) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year.

j) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. There were no material provisions recorded within the financial statements as at August 31, 2018.

k) Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation. Property and equipment is amortized on a straight line basis over a five-year life.

l) New accounting standards adopted during the year

Effective September 1, 2019, the Company adopted the following new accounting standard. These changes in accounting policies have been reflected in the Company's subsequent quarters and annual consolidated financial statements as at and for the year ended August 31, 2020

IFRS 16, Leases ("IFRS 16")
IFRS 16 was issued on January 13, 2016 and replaces the current guidance in IAS 17, *Leases* ("IAS 17"). IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Management has assessed the impact of the adoption of IFRS 16 on its consolidated financial statements and concluded that it did not have a significant impact to the consolidated financial statements.

3. SALE OF SOFTWARE TRANSACTION

On April 26, 2019, the Company completed its transaction with Peerplays Blockchain Standards Association ("PBSA"), Data Security Node Inc., Fallout Complex Inc., 10353027 Canada Corporation ("10353027"), and Jonathan Baha'i (collectively, the "Transaction"). The Transaction was approved by the Company's shareholders at the Company's Annual and Special Meeting of Shareholders held on April 2, 2019 (the "Meeting"). 99.7% of the Company's shares voted at the Meeting were voted in favour of the special resolution approving the Transaction and it subsequently received all required regulatory approvals.

Material terms of the Transaction include:

a) Sale of software including 50/50 Labs, Sidechain and eXeChain (collectively, the "Software") to PBSA for the payment to eXeBlock of $250,000 plus applicable taxes;

b) the assumption by PBSA of amounts owing by eXeBlock to a third party developer in the development of the Software;

c) the acquisition by the Company for no consideration of 9,965,000 common shares of eXeBlock held by 10353027, an entity wholly-owned by Jonathan Baha'i (which represents approximately 16.2% of the Company's outstanding common shares) which have been cancelled;

d) the termination of the software development agreement between eXeBlock and PBSA and release by eXeBlock in any interest in any consideration, including any PPY tokens, if any, which were to be transferred as payment for software development under such agreement;

e) the elimination of amounts owing by eXeBlock to each of Data Security Node Inc., Fallout Complex Inc., and Jonathan Baha'i for certain equipment, furniture, fixtures and Company expenses and the return of certain equipment, furniture and fixtures; and

f) the termination of the bunker lease between eXeBlock and Fallout Complex Inc. which was previously scheduled to extend to February 2023,

3. SALE OF SOFTWARE TRANSACTION (continued)

The following details the financial impact of the Transaction on the financial statements of the as at April 26, 2019:

	$
Cash proceeds due on sale of Software to PBSA	250,000
Assumption by PBSA of amounts owing by eXeBlock to a third party software developer	455,504
Acquisition by the Company for no consideration of 9,965,000 common shares which have been cancelled with a deemed fair value of $0.03 per share	298,950
Elimination of amounts owing by eXeBlock to each of Data Security Node Inc., Fallout Complex Inc., and Jonathan Baha'i for certain equipment, furniture, fixtures and Company expenses	47,837
Termination of the bunker lease between eXeBlock and Fallout Complex Inc.,	10,910
Total amount of consideration from the Transaction	**1,063,201**

4. SHARE CAPITAL

a) Common shares

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

Effective November 16, 2017, 12,650,002 common shares of the Company were issued to the directors, officers and the founder of the Company and are subject to an escrow agreement. In the year ended August 31, 2019, 9,965,000 common shares were cancelled (see note 3). As at August 31, 2020, 397,502 shares (2019 - 1,192,502) remained in escrow.

b) Stock options

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants of the Company. The Board of Directors have the authority to issue up to 10% of the issued and outstanding common shares of the Company. The options can have up to a ten-year life and the vesting period is set by the Board of Directors. Options are granted at a price no lower than the market price of the common shares on the date issued.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options.
Based on the Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the 1,400,000 options granted on March 1, 2018 is $393,787. Based on the same Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the 500,000 options granted on June 21, 2018 is $54,657. These amounts are amortized over the vesting period and $nil has been expensed during the year ended August 31, 2020 (2019 - $80,101).

4. SHARE CAPITAL (continued)

b) Stock options (continued)

The following table reconciles the stock option activity during the years ended August 31, 2020 and 2019:

	Number of options	Weighted-average exercise price per share ($)
Balance, August 31, 2018	1,900,000	$0.15 - $0.45
Cancelled	(400,000)	$0.45
Balance, August 31, 2019	1,500,000	$0.15 - $0.45
Cancelled	(1,500,000)	$0.15 - $0.45
Balance, August 31, 2020	-	

c) Warrants

The following table reflects the continuity of warrants for years ended August 31, 2020 and 2019:

	Number of Warrants	Amount $
Balance – August 31, 2018 and 2019	3,890,557	533,607
Warrants expired	(1,828,057)	(358,899)
Warrants exercised	(2,062,500)	(174,708)
Balance – August 31, 2020	-	-

Warrant pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models may not necessarily provide a reliable estimate of the fair value of the Company's warrants.

5. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the applicable income tax rates to the net loss before tax provision due to the following:

	2020	2019
	$	$
Loss before income taxes	(299,721)	(435,370)
Statutory rate	31.0%	31.0%
Tax recovery at statutory rate	(92,914)	(135,027)
Non-deductible items and other	-	267,124
Tax recovery on losses and deductible temporary differences not recognized in the current year	92,914	132,097
Income tax recovery	-	-

At August 31, 2020, the Company has unused non-capital losses in Canada of $4,768,000 available for carry-forward purposes which expire from 2036 to 2040.

At August 31, 2020 the Company has $4,973,510 of deductible temporary differences for which no deferred tax asset has been recognized (2019 - $4,673,713) which is comprised of the following:

	2020	2019
	$	$
Tax losses	4,768,000	4,364,365
Share issuance costs	205,510	309,348

6. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2020, the Company incurred consultancy fees of $84,000 (2019 - $180,000) from a related party, Numus Financial Inc. ("Numus"), a company which provided services under a consultancy agreement for a fee of $7,000 per month (2019 - $15,000 per month) which continues until both Numus and the Company mutually agree to terminate. Numus and its principals are significant shareholders of the Company. Additionally, if the agreement with Numus is cancelled by the Company, a break fee of eighteen months of remuneration, being $108,000, will be payable to Numus, along with the service fees applicable for the 90 day notice period.

The agreement also provides for the rental of office space and general office services for $2,550 per month. The Company incurred office rental charges of $30,600 from Numus for the year ended August 31, 2020 (2019 $40,800). If the office space and general office services agreement is cancelled by the Company without notice, a break fee of six months of remuneration, being $15,300, will be payable to Numus.

In addition, Numus shall have a first right of refusal to act as an advisor on an eXeBlock transaction for a fee of 1.25% of the value of the transaction and Numus, or its subsidiary, shall have a first right of refusal to act as an agent on all financings conducted by the Company.

6. RELATED PARTY TRANSACTIONS (continued)

The Company also incurred consulting and director fees to certain directors and officers. The following table summarizes the expenses incurred during the years ended August 31, 2020 and 2019:

Related party	2020	2019
	$	$
Randall Consulting Inc. – for services of Rob Randall, CFO and Corporate Secretary	51,975	52,950
Clarity Communications Inc. – for services of Ken Marshall, CEO	60,000	-
Strategic Concepts Inc. – director fees of Carl Sheppard, Director	-	35,500

7. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital Management

The Company manages its capital to ensure that it will be able to continue as a going-concern while maximizing the return to stakeholders through the optimization of debt and equity balances.

The capital of the Company consists of items included in equity. The Company has capital resources of cash and cash equivalents and are not subject to external capital requirements.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing.

b) Fair Values of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The carrying amounts reported in the consolidated statement of financial position for cash and cash equivalents, deposits and accounts payable approximate their fair values based on the short-term maturities of these financial instruments.

c) Financial Risk Management Objectives

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored.

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. Cash and cash equivalents are held with reputable banks in Canada. The long-term credit rating of these banks, as determined by Standard and Poor's, was A+.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

e) Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. Refer to note 1 for additional details related to the ability of the Company to continue as a going concern.

The Company is currently pursuing financing alternatives. There can be no assurance that additional future financings will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, the Company may have to substantially reduce or eliminate planned expenditures.

Accounts payables are paid in the normal course of business generally according to their payment terms. In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities as at August 31, 2020:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable	59,762	-	-	-	59,762

f) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Company entering into transactions which are denominated in currencies other than its functional currency.

The Company is exposed to currency risk on its accounts payable and accrued liabilities that are held in currencies that are not in the transacting entity's functional currency. As at August 31, 2020, a 5% decrease in the exchange rate between the functional currency and foreign currencies would have no effect on the net loss; a 5% increase would increase the net loss by approximately $nil. The Company currently does not hedge its currency risk.

g) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances on the statement of financial position. As a result, the Company is not exposed to material cash flow interest rate risk on its cash balances.

h) Fair Value Measurements Recognized in the Statement of Financial Position

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 fair value measurements are those derived from quoted prices (unadjusted) 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 for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At August 31, 2020 the Company had no financial instruments that were measured and recognized on the consolidated statements of financial position at fair value other than cash and cash equivalents. In addition, there were no transfers between levels during the year.

8. COMMITMENTS AND CONTINGENCIES

The Company has a consultancy agreement with Numus for the provision of management and accounting services and office rent at a fee of $9,550 per month, continuing until both parties mutually agree to terminate. The agreement with Numus is subject to break fees, and a first right of refusal on advisory services, as described in Note 6.

The Company from time to time involved in various claims, legal proceedings and complaints arising in the course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

9. SUBSEQUENT EVENT

Agreement to acquire Nodalblock Canada Holdings Inc.

Subsequent to August 31, 2020, the Company entered into a Merger Agreement dated as of December 4, 2020 (the "Definitive Agreement") with Nodalblock Canada Holdings Inc. ("Nodalblock"), pursuant to which the Company will indirectly acquire all the issued and outstanding shares of Nodalblock, which will result in a reverse takeover of the Company (the "Transaction"). Upon completion of the Transaction, eXeBlock will, subject to corporate and CSE approval, change its name to “Oaro Technology Corporation” or such other name as may be approved (the "Resulting Issuer"). The Resulting Issuer will continue the business of Nodalblock.

Nodalblock is a private company formed under the laws of Nova Scotia and operating under the trademark OARO, it connects people to their identities and their information with digital security solutions for Global enterprises including elevated skin temperature screening, photo authentication, facial recognition, paperless ticketing, secure entry solutions and creation of inalterable records. Nodalblock operates in North America from its head office in Halifax Nova Scotia and in Europe through a wholly owned subsidiary incorporated in Spain, Nodalblock S.L. located in Madrid Spain. Nodalblock’s list of customers includes international banks, insurance companies, airports, large manufacturers and the Canadian government.

Pursuant to the terms of the Definitive Agreement:

- The Company shall consolidate its common shares on the basis of one (1) post-consolidation common shares of the Company for each 7.33 pre-consolidation common shares of the Company (the “Consolidation”);
- Nodalblock shall split its common shares on the basis of 1.5 post-split common shares of Nodalblock for each one (1) pre-split common shares of Nodalblock (the “Split”)
- After the Consolidation and Split, the Company shall effectively acquire each of the post-split issued and outstanding Nodalblock common shares, in exchange for one post-consolidation common share of the Company;
- Nodalblock shareholders shall receive one eXeBlock post-consolidation share for each Nodalblock post-split share held; and
- Holders of Nodalblock options and warrants will acquire equivalent options and warrants in the Company.