

**eXeBlock Technology Corporation**

*Consolidated Financial Statements*

**For the years ended August 31, 2021 and 2020**

*(Expressed in Canadian Dollars)*

December 22, 2021

## **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

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**INDEPENDENT AUDITORS' REPORT**

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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, 2021 and 2020, 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, 2021 and 2020, 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.

**Emphasis of Matter - Material Uncertainty Related to Going Concern**

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

**Other Information**

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

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

In connection with our 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, 2021

**eXeBlock Technology Corporation**  
**Consolidated Statements of Financial Position**

*Expressed in Canadian dollars*

As at August 31, 2021 and 2020

	2021	2020
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	946,703	1,289,245
Amounts receivable	67,247	32,004
Deposits and prepaid expenses	13,342	15,513
	<hr/>	<hr/>
Total current assets	1,027,292	1,336,762
	<hr/>	<hr/>
<b>Total assets</b>	1,027,292	1,336,762
	<hr/>	<hr/>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	64,941	59,762
	<hr/>	<hr/>
<b>Total liabilities</b>	64,941	59,762
	<hr/>	<hr/>
<b>Equity</b>		
Shareholders' equity	962,351	1,277,000
	<hr/>	<hr/>
<b>Total liabilities and equity</b>	1,027,292	1,336,762
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Nature of operations and going concern (note 1)

Commitments and contingencies (note 7)

Subsequent event (note 8)

Approved on behalf of the Board of Directors on December 22, 2021.

“Paul Thomson”  
Director

“Ian Klassen”  
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, 2021 and 2020

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	2021	2020
	\$	\$
<b>Expenses</b>		
Professional, consulting and directors fees (note 5)	244,411	238,448
Rent and administrative costs (note 5)	51,742	48,836
Securities and regulatory fees	14,407	19,303
Market development and advertising	5,393	6,873
Travel	1,763	5,062
	<hr/>	<hr/>
<b>Loss before other income and income taxes</b>	<b>(317,716)</b>	<b>(318,522)</b>
Interest income	3,067	18,801
	<hr/>	<hr/>
<b>Net loss and comprehensive loss for the year</b>	<b>(314,649)</b>	<b>(299,721)</b>
	<hr/>	<hr/>
Loss per share – basic and diluted	<b>(0.01)</b>	<b>(0.01)</b>
	<hr/>	<hr/>
Weighted-average number of common shares outstanding – Basic and diluted	<b>53,539,031</b>	<b>51,583,894</b>
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*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, 2021 and 2020

	Common Shares		Warrants		Contributed Surplus	Deficit	Total
	Shares #	Amount \$	Warrants #	Amount \$			
<b>Balance, August 31, 2019</b>	<b>51,476,531</b>	<b>6,262,241</b>	<b>3,890,557</b>	<b>533,607</b>	<b>121,366</b>	<b>(5,443,618)</b>	<b>1,473,596</b>
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)
<b>Balance, August 31, 2020</b>	<b>53,539,031</b>	<b>6,540,074</b>	<b>-</b>	<b>-</b>	<b>480,265</b>	<b>(5,743,339)</b>	<b>1,277,000</b>
Reclassify expired warrants to share capital (note 3)	-	358,899	-	-	(358,899)	-	-
Reclassify cancelled options to deficit (note 3)	-	-	-	-	(121,366)	121,366	-
Net loss for the year	-	-	-	-	-	(314,649)	(314,649)
<b>Balance, August 31, 2021</b>	<b>53,539,031</b>	<b>6,898,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,936,622)</b>	<b>962,351</b>

*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, 2021 and 2020

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	<b>2021</b>	2020
	\$	\$
<b>Operating activities</b>		
Net loss for the year	<b>(314,649)</b>	(299,721)
Changes in non-cash working capital		
Decrease (increase) in amounts receivable	<b>(35,243)</b>	36,443
Decrease (increase) in deposits and prepaid expenses	<b>2,171</b>	7,853
Increase (decrease) in accounts payable and accrued liabilities	<b>5,179</b>	(19,861)
<b>Net cash used in operating activities</b>	<b>(342,542)</b>	(275,286)
<b>Financing activities</b>		
Proceeds from exercise of warrants (note 3)	-	103,125
<b>Net cash provided by financing activities</b>	-	103,125
Decrease in cash and cash equivalents during the year	<b>(342,542)</b>	(172,161)
Cash and cash equivalents, beginning of year	<b>1,289,245</b>	1,461,406
Cash and cash equivalents, end of year	<b>946,703</b>	1,289,245

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



**eXeBlock Technology Corporation**  
**Notes to Consolidated Financial Statements**  
For the years ended August 31, 2021 and 2020

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**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 14 Belfast Street, St. John’s, Newfoundland, A1B 3N2. eXeBlock Inc.’s registered office is located at Suite 1100, 1959 Upper Water Street, Halifax, NS, Canada, B3J 3N2. The Company’s administrative 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, 2021, the Company incurred a net loss of \$314,649 (2020 - \$299,721). The Company has no 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 consolidated financial statements for issue on December 22, 2021.

### **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. 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 consolidated 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.

#### *Going Concern*

Management has applied judgments in the assessment of the Company’s ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) 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.

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.

**eXeBlock Technology Corporation**  
**Notes to Consolidated Financial Statements**  
For the years ended August 31, 2021 and 2020

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Cash and cash equivalents**

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

**f) 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:

<u>Financial instrument</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Deposits	Amortized cost
Accounts payable	Amortized cost

*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.

**g) 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.

**h) 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 consolidated financial statements as at August 31, 2021.

**i) New accounting standards adopted during the year**

The Company did not adopt any new accounting standards during the year.

**eXeBlock Technology Corporation**  
**Notes to Consolidated Financial Statements**  
For the years ended August 31, 2021 and 2020

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**3. SHARE CAPITAL**

**a) Common shares**

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

**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.

The following table reconciles the stock option activity during the years ended August 31, 2021 and 2020:

	<b>Number of options</b>	<b>Weighted-average exercise price per share (\$)</b>
<b>Balance, August 31, 2019</b>	1,500,000	\$0.15 - \$0.45
Cancelled	(1,500,000)	\$0.15 - \$0.45
<b>Balance, August 31, 2020 and 2021</b>	<u>-</u>	<u>-</u>

**c) Warrants**

The following table reflects the continuity of warrants for years ended August 31, 2021 and 2020:

	<b>Number of Warrants</b>	<b>Amount \$</b>
<b>Balance – August 31, 2019</b>	3,890,557	533,607
Warrants expired	(1,828,057)	(358,899)
Warrants exercised	(2,062,500)	(174,708)
<b>Balance – August 31, 2020 and 2021</b>	<u>-</u>	<u>-</u>

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.

**d) Reclassify contributed surplus**

The Company has reclassified private placement amounts, which had been previously allocated to warrants and recorded as contributed surplus, to share capital. The Company also reclassified stock-based compensation for cancelled options, which was previously recorded as contributed surplus, to deficit. These warrants and options expired unexercised.

**eXeBlock Technology Corporation**  
**Notes to Consolidated Financial Statements**  
For the years ended August 31, 2021 and 2020

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**4. 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:

	<u>2021</u>	<u>2020</u>
	\$	\$
Loss before income taxes	(314,649)	(299,721)
Statutory rate	27- 31%	31%
Tax recovery at statutory rate	(86,688)	(92,914)
Non-deductible items and other	(220,955)	-
Tax recovery on losses and deductible temporary differences not recognized in the current year	307,643	92,914
Income tax recovery	<u>-</u>	<u>-</u>

At August 31, 2021, the Company has unused non-capital losses in Canada of \$6,276,000 available for carry-forward purposes which expire from 2036 to 2041.

At August 31, 2021 the Company has \$6,377,672 of deductible temporary differences for which no deferred tax asset has been recognized (2020 - \$4,973,510) which is comprised of the following:

	<u>2021</u>	<u>2020</u>
	\$	\$
Tax losses	6,276,000	4,768,000
Share issuance costs	101,672	205,510

**5. RELATED PARTY TRANSACTIONS**

During the year ended August 31, 2021, the Company incurred consultancy fees of \$84,000 (2020 - \$84,000) 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 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, 2021 (2020 \$30,600). 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.

**eXeBlock Technology Corporation**  
**Notes to Consolidated Financial Statements**  
For the years ended August 31, 2021 and 2020

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**5. 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, 2021 and 2020:

<b>Related party</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Randall Consulting Inc. – for services of Rob Randall, CFO and Corporate Secretary	37,725	51,975
Clarity Communications Inc. – for services of Ken Marshall, CEO	45,000	60,000
Directors Fees paid to Paul Thomson	15,000	-

**6. 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+.

**eXeBlock Technology Corporation**  
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**6. 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, 2021:

	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Accounts payable	64,941	-	-	-	64,941

**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, 2021, 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, 2021 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, which is classified at level 1. In addition, there were no transfers between levels during the year.



## **7. 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 5.

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.

## **8. SUBSEQUENT EVENT**

### **Agreement to acquire Nodalblock Canada Holdings Inc.**

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.

Nodalblock has advised the Company that it intends to raise additional funding by way of a private placement to advance a new technology product. As a result the Company expects a delay in the completion of the Transaction however, it does not anticipate any changes to the terms outlined above.