

eXeBlock Technology Corporation

Consolidated Financial Statements

For the years ended August 31, 2022 and 2021

(Expressed in Canadian Dollars)

December 21, 2022

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 applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) “*Ian Klassen*”
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, 2022 and 2021, 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, 2022 and 2021, 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 21, 2022

eXeBlock Technology Corporation
Consolidated Statements of Financial Position

Expressed in Canadian dollars

As at August 31, 2022 and 2021

	2022	2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	689,573	946,703
Amounts receivable (note 3)	30,431	67,247
Deposits and prepaid expenses	-	13,342
	<u>720,004</u>	<u>1,027,292</u>
Investment (note 4)	<u>192,500</u>	-
Total assets	<u>912,504</u>	<u>1,027,292</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>52,889</u>	<u>64,941</u>
Total liabilities	<u>52,889</u>	<u>64,941</u>
Equity		
Shareholders' equity	<u>859,615</u>	<u>962,351</u>
Total liabilities and equity	<u>912,504</u>	<u>1,027,292</u>

Nature of operations and going concern (note 1)

Commitments and contingencies (note 9)

Approved on behalf of the Board of Directors on December 21, 2021.

"Paul Thomson"

Paul Thomson, Director

"Ian Klassen"

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, 2022 and 2021

	2022	2021
	\$	\$
Expenses		
Professional, consulting and directors fees (note 7)	227,971	244,411
Rent and administrative costs (note 7)	46,921	51,742
Securities and regulatory fees	20,663	14,407
Market development and advertising	6,538	5,393
Travel	-	1,763
	<hr/>	<hr/>
Loss before other items	(302,093)	(317,716)
Other income (note 4)	192,500	-
Interest income	6,857	3,067
	<hr/>	<hr/>
Net loss and comprehensive loss for the year	(102,736)	(314,649)
	<hr/>	<hr/>
Loss per share – basic and diluted	(0.002)	(0.006)
	<hr/>	<hr/>
Weighted-average number of common shares outstanding – Basic and diluted	53,539,031	53,539,031
	<hr/>	<hr/>

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, 2022 and 2021

	<u>Common Shares</u>		<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
	<u>#</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance, August 31, 2020	53,539,031	6,540,074	480,265	(5,743,339)	1,277,000
Reclassify expired warrants to share capital (note 5)	-	358,899	(358,899)	-	-
Reclassify cancelled options to deficit (note 5)	-	-	(121,366)	121,366	-
Net loss for the year	-	-	-	(314,649)	(314,649)
Balance, August 31, 2021	53,539,031	6,898,973	-	(5,936,622)	962,351
Net loss for the year	-	-	-	(102,736)	(102,736)
Balance, August 31, 2022	53,539,031	6,898,973	-	(6,039,358)	859,615

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, 2022 and 2021

	2022	2021
	\$	\$
Operating activities		
Net loss for the year	(102,736)	(314,649)
Deduct non cash item:		
Other income (note 4)	(192,500)	-
Changes in non-cash working capital		
Decrease (increase) in amounts receivable	38,816	(35,243)
Decrease in deposits and prepaid expenses	13,342	2,171
Increase (decrease) in accounts payable and accrued liabilities	(12,052)	5,179
Net cash used in operating activities	<u>(257,130)</u>	<u>(342,542)</u>
Net cash provided by financing and investing activities	<u>-</u>	<u>-</u>
Decrease in cash and cash equivalents during the year	(257,130)	(342,542)
Cash and cash equivalents, beginning of year	<u>946,703</u>	<u>1,289,245</u>
Cash and cash equivalents, end of year	<u>689,573</u>	<u>946,703</u>

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, 2022 and 2021

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. was 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. was 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”. With the termination of the Company’s merger agreement with NodalBlock Canada Holdings Inc. (“NodalBlock”), the CSE has determined that the Issuer has not met the continued listing requirements as set out in CSE Policy and deemed the Company to be inactive. Pursuant to CSE Policy, the Company may not rely on confidential price protection, nor may the Company complete any financing without prior CSE approval. An “.X” extension is added to the listed securities of the Company.

The Company’s corporate office address is suite 280, 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. eXeBlock Inc.’s registered office is located at Suite 3200, 650 West Georgia Street, Vancouver, BC, Canada, V6B 4P7. 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, 2022, the Company incurred net loss of \$102,736 (2021 – net loss of \$314,649). 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 21, 2022.

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.

Significant accounting estimates

- the fair value of investment in equity securities

Significant accounting judgments

- the evaluation of the Company’s ability to continue as a going concern
- the determination of categories of financial assets and financial liabilities

d) Share Capital

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

Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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
Amounts receivable	Amortized cost
Investments	FVTPL
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.

h) 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.

i) 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, 2022.

j) 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, 2022 and 2021

3. AMOUNTS RECEIVABLE

	2022	2021
	\$	\$
Sales taxes recoverable	24,522	59,877
Other accounts receivable	5,909	7,370
	<u>30,431</u>	<u>67,247</u>

4. INVESTMENT

Termination of Agreement to acquire Nodalblock Canada Holdings Inc.

On August 18, 2022, the Company agreed with Nodalblock Canada Holdings Inc. ("Nodalblock"), to mutually terminate their proposed amalgamation, originally announced on December 7, 2020.

In consideration of the early termination of the merger agreement, Nodalblock issued to the Company 350,000 common shares of Nodalblock. The Company has recorded these shares at \$0.55 per share, the issue price of the last arms-length financing completed by NodalBlock, resulting in a fair value of \$192,500 for the investment.

5. 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.

There were no stock options issued during the years ended August 31, 2022 and 2021 and there are no options outstanding as at August 31, 2022 and 2021.

c) Warrants

There are no warrants outstanding as at August 31, 2022 and 2021:

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.

eXeBlock Technology Corporation
Notes to Consolidated Financial Statements
For the years ended August 31, 2022 and 2021

5. SHARE CAPITAL (continued)

d) Reclassify contributed surplus

During the year ended August 31, 2021, 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.

6. 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>2022</u>	<u>2021</u>
	\$	\$
Loss before income taxes	(102,736)	(314,649)
Statutory rate	27-29%	27- 31%
Tax recovery at statutory rate	(28,000)	(86,688)
Non-deductible items and other	-	(220,955)
Tax recovery on losses and deductible temporary differences not recognized in the current year	28,000	307,643
Income tax recovery	<u>-</u>	<u>-</u>

At August 31, 2022, the Company has unused non-capital losses in Canada of \$6,480,000 available for carry-forward purposes which expire from 2036 to 2042.

At August 31, 2022 the Company has \$6,582,000 of deductible temporary differences for which no deferred tax asset has been recognized (2021 - \$6,377,672) which is comprised of the following:

	<u>2022</u>	<u>2021</u>
	\$	\$
Tax losses	6,480,000	6,276,000
Share issuance costs	102,000	101,672

7. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer.

eXeBlock Technology Corporation
Notes to Consolidated Financial Statements
For the years ended August 31, 2022 and 2021

7. RELATED PARTY TRANSACTIONS (continued)

During the year ended August 31, 2022, the Company incurred consultancy fees of \$84,000 (2021 - \$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, 2022 (2021 \$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.

The Company also incurred consulting and director fees to certain directors and officers. The following table summarizes the key management compensation and related party expenses incurred during the years ended August 31, 2022 and 2021:

Related party	2022	2021
	\$	\$
Randall Consulting Inc. – for services of Rob Randall, CFO and Corporate Secretary	38,888	37,725
IMK Management Inc. – for services of Ian Klassen, CEO	36,250	-
Clarity Communications Inc. – for services of Ken Marshall, former CEO	20,000	45,000
Directors Fees paid to Paul Thomson	-	15,000

8. 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.

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

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+.

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, 2022:

	<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	20,517	-	-	-	20,517

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.

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

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, 2022 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 and Investment, which is classified at level 2. In addition, there were no transfers between levels during the year.

9. 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 7.